

# Performance Contracts?

## One View

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SCHOOLS, as legal entities, enter contracts, of course. But as with teaching styles, grading systems, and school calendars, contracts are part of the woodwork in our school culture and until very recently rarely received attention. Schools enter *fixed contracts for services* in which, for a set fee, teachers agree to teach, administrators to administer, counselors to counsel, etc. Contracts for services mirror the self-image of schools as institutions dedicating their best efforts toward desirable goals. In effect, schools customarily contract for best efforts.

An alternative contract style cropped up in 1969, and with it a contrasting image of schools. These are *performance contracts for results*, which are commonplace in some industries, such as aerospace, but new to education.<sup>1</sup> Instead of paying a fixed price for effort, under performance contracts schools pay according to results.

For example, in one contract in Grand Rapids, Michigan, the school board agreed to pay the contractor \$75 for each student who gained one year of reading achievement, \$112.50 for any student who gained one and one half years, \$127.50 for any student who

gained two full years, and still more for greater gains.<sup>2</sup>

Performance contract advocates argue that pledges of best efforts are not enough, that schools must prove results. What better way to focus on results than to contract for results, they reason, and what better incentive than to reward good results and penalize poor results!

By this new image, when students fail to learn, schools have failed to teach. Schools are obliged to succeed; no excuses are allowed. Schools are *accountable* for results. Some say schools must be zero-reject systems—that is, no dropouts and no failures. Others speak of 100 percent effective instruction in reading and mathematics. Advocates point to widespread failure of school bond issues and to ubiquitous criticism of schools as evidence that schools desperately need to change and achieve what they call “guaranteed performance.”

Of course these assertions are exaggera-

<sup>2</sup> Grand Rapids' contract with Alpha Learning Corporation also called for an additional \$37.50 per pupil that depended upon student performance on “interim performance objectives” during the year. This was one of 18 contracts in the national experiment conducted by the U.S. Office of Economic Opportunity.

<sup>1</sup> For a more thorough treatment of the intricacies of contracting, see: J. P. Stucker and G. R. Hall. *The Performance Contracting Concept in Education*. Rand Corporation, prepared for the U.S. Department of Health, Education, and Welfare, May 1971.

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tion for effect. Nevertheless, performance contracts alter one's perspective. For example, some few contractors "guaranteed" that inner city children who customarily gain 1/2 year during a full school year would gain 1 1/2 years or more under their program. Results showed that children gained approximately one year—double what schoolmen had come to expect, but less than the guarantee. What in school circles is considered success, doubling the learning rate of inner city students, the contractors feel is mentally and financially unsatisfactory.

### Interest in Results

Real life performance contracts have many quirks, flaws, and problems; but the concept is elegantly simple. It is not merely performance contracts in themselves, then, however interesting or useful, that have captured the imagination of many, but this nonsense insistence on results that the "performance contract" symbolizes. As House Minority Leader Gerald Ford said, "Performance contracting points toward exactly what we need from our schools—performance, results."<sup>3</sup>

Performance contracts are not unique in emphasizing results, but they are very visible. Performance planning and budgeting, management by objectives, educational accomplishment audits, programmed instruc-

<sup>3</sup> In a letter to Joan M. Webster, Contract Learning Project Director, in Grand Rapids, Michigan, May 7, 1971.



The Combined Motivation Education Systems Approach in Grand Rapids, Michigan, emphasizes achievement motivation.

tion, incentive programs for students, and curricula based on behavioral objectives share the emphasis. Indeed, advocates of these procedures have been quick to capitalize on the new interest in results symbolized by performance contracting. Some claim that bringing a performance contract into a school system will implant these other methods in its wake.

Performance contracts have two secondary impacts: generally, they have been signed between school districts and private corporations, and generally they result in use of new instructional procedures.

Much discussion has centered on the introduction of big business into education, on the beginnings of an educational-industrial complex, on the arrival of the profit motive in the classroom, or, as the American Federation of Teachers put it, "Hucksters in the Schools!"<sup>4</sup> One hears that schools may become factories with children processed on an assembly line, that the government by funding these projects is destroying the public schools and handing the remains to private enterprise, etc.

These concerns should not be easily dismissed, for some evidence supports them. Yet this talk tends to overemphasize stereotypes of business greed and pays little attention to the people in these companies who often are "former" educators who believe they have found a means of doing effective battle to reform the schools. "In this business you can make change happen," I have heard many of these people say. Moreover, most of these companies prefer to hire experienced teachers and administrators to run their projects, or to use available school personnel. At the same time, the atmosphere of corporate life differs from public schools sufficiently that these "learning companies" seem to attract the kind of venturesome entrepreneurial souls who find it hard to survive in present-day schools.

Emphasizing results is more customary in a business environment than in schools, undoubtedly, so it is true that schools will become more business-like if they choose to

<sup>4</sup> Title of an article in the September 1970 *American Teacher*.

emphasize results; rather superficial symptoms of this are references to "product," "input-output," "information systems," and other managerial terminology that many educators find uncomfortable.

The assertion that performance contractors teach in new ways is relatively true. In most schools, contractors introduce procedures new to those schools. However, the teaching materials are often available from the same companies on other contractual bases, and many of the contractors' methods—including the use of Green Stamps and other extrinsic motivations, which has caused some stir—are ubiquitous in "educational technology" literature, and are available to any school system free for the taking.

Some performance contracts have not been signed with corporations, however, but with teachers<sup>5</sup> or teachers associations.<sup>6</sup> If a results-oriented, business-flavored ethic for schooling takes hold and grows (some choose to call this "accountability"), such contracts will be popular. Some have predicted that teachers will performance contract with school districts, then subcontract portions of the work to private corporations, as has occurred in Cherry Creek, Colorado.<sup>7</sup>

## Definition of Results

If performance contracting grows, the definition of "results" will also broaden. Obviously there are many criteria of success in education besides the standardized achievement test scores popular at the moment. For example, one could contract for dropout prevention, subsequent employment or college admission for graduates, student attitude change, student or parent reports of satisfaction, or test scores on many kinds of tests.

The rather dubious uses of standardized

<sup>5</sup> In Cherry Creek, Colorado; Portland, Oregon; and Keokuk, Iowa.

<sup>6</sup> In Stockton, California; and Mesa, Arizona, under sponsorship of the Office of Economic Opportunity.

<sup>7</sup> See: James A. Mecklenburger and John A. Wilson. "Performance Contracting in Cherry Creek?!" *Phi Delta Kappan* 53 (1): 51-54; September 1971.



The Alpha Learning Systems plan in Grand Rapids stresses "contingency management" and rewards students with time in this RE (reinforcing events) Room.

achievement tests in these projects have had the salutary effect of awakening the testing and evaluation community. This year efforts have redoubled to inform educators about proper and improper uses of standardized tests. Momentum has developed for creating new and better measurement of educational results.<sup>8</sup>

The teaching-to-the-test scandal that marred the Texarkana project<sup>9</sup> and which apparently has recurred in Providence, Rhode Island,<sup>10</sup> has given performance contracting with private corporations a black eye but has also had the valuable effect of raising testing practices to public scrutiny.

Whether schools should offer their best efforts or should specify and expect results is a vital and debatable issue, and the image

<sup>8</sup> See: Ralph W. Tyler. "Testing for Accountability." *Nation's Schools* 86 (6): 37-39; December 1970; Robert E. Stake. "Testing Hazards in Performance Contracting." *Phi Delta Kappan* 52 (10): 583-89; June 1971; Charles W. Stokes. "Measuring Gains with Standardized Tests, or Flies in the Performance Contract Ointment." *NSPI Journal* 10 (5): 5-6; June 1971; James H. Block and Robert L. Ebel. "Criterion-referenced Measurements: Limitations." *School Review* 79 (2): 282-88; February 1971.

<sup>9</sup> Gains reported in Texarkana were remarkable, but subsequent events revealed that students had been taught items used in the standardized test which was to determine payment to the contractor.

<sup>10</sup> The American Federation of Teachers reported at its August 1971 convention that the contractor in Providence had introduced new teaching materials just two weeks prior to the final testing which contained a high coincidence of items in the final test.



The middle column of this Alpha "RE Menu" indicates the number of tokens for each activity; the right hand column designates how much time.

of performance contracting is currently at the hub of this issue. One despairs of settling it quickly when he realizes this conflict has been a theme throughout American public education since the turn of the century.<sup>11</sup>

There have not been many performance contracts, perhaps 100 nationwide, and many of them very small. However, the measure of their impact is that even in the fall of 1969, when there was only one performance contract—in Texarkana, involving perhaps \$200,000 and a few hundred children—professional associations, government agencies, state departments of education, state and federal legislatures, hundreds of school boards, dozens of private corporations, plus national magazines and television took notice. One administrator in Gary, Indiana, complained this year that Banneker School, an entire school contracted to a private company, had more visitors in one month than all of Gary normally receives in a year.

Performance contracting may be a fad; certainly it has been a small enough phenomenon that many have chosen to dismiss it as one. However, I think it is not a fad but a new contracting process to be reckoned with. Clearly the idea has wide appeal. For example, in the recent Gallup Poll of public

<sup>11</sup> Gladys Harding. "A Hundred Years Before Texarkana." *The Journal of Educational Research* 64 (9): inside covers; May-June 1971; Raymond E. Callahan. *Education and the Cult of Efficiency*. Chicago: University of Chicago Press, 1962; H. Thomas James. "The New Cult of Efficiency and Education." 1968 Horace Mann Lecture. Pittsburgh, Pennsylvania: University of Pittsburgh Press, 1969.

attitudes toward the schools, people were asked this question:

In some public schools, educational companies are given contracts to put in new methods to teach the children in elementary schools certain basic skills, such as how to read. These are called "performance contracts." If the children don't reach a certain level of achievement, the company doesn't get paid for those children who fail to reach the standard. Would you like to have such contracts made here, in this community, if the overall school costs remain the same?<sup>12</sup>

Forty-nine percent favored the idea, twenty-eight percent opposed it. Stan Elam, editor of *Phi Delta Kappan*, used the Gallup questions to poll a sample of the Phi Delta Kappa membership. Among administrators, 33 percent favored the idea, while among teachers, 37 percent favored performance contracts.<sup>13</sup> Similarly the National School Board Association polled its members, showing 52 percent of school board members and 33 percent of administrators favoring performance contracts.<sup>14</sup> That in two years' time from Texarkana until now, a new practice contradictory to decades of normal practice could acquire acceptance from one third to one half of educators and the general public suggests that it will not easily go away.

To conclude on what may be a disturbing note, an executive of one learning company involved in performance contracting told me that his company's success demonstrates that schools do not need all those people in school system offices with jobs like "curriculum director." "You know," he said, "all those thousands of people who belong to ASCD." I neglected to mention that I am a member. □

<sup>12</sup> George Gallup. "The Third Annual Survey of the Public's Attitudes Toward the Public Schools, 1971." *Phi Delta Kappan* 53 (1): 33-48; September 1971.

<sup>13</sup> Some results of this survey were reported in *Phi Delta Kappan*, September 1971; however, these particular data were gleaned from the original survey documents available from Stan Elam, editor.

<sup>14</sup> "The Things That School Leaders Like Best—and Least." *American School Board Journal* 159 (1): 13-15; July 1971.

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