

# **VIEWPOINTS:**

## **Contemporary Educational Issues**



*THE GEORGE WASHINGTON UNIVERSITY*

*INSTITUTE FOR EDUCATIONAL LEADERSHIP*

***EDUCATIONAL STAFF SEMINAR***

*SUITE 620 / 2000 L STREET, NORTHWEST / WASHINGTON, D.C. 20036 / (202) 293-3166*

Charles Blaschke, President, Education Turnkey Systems, Inc., John O. Wilson, (former) Assistant Director for Planning, Research and Evaluation, Office of Economic Opportunity, and others ("Performance Contracting")

"Educational Laboratories and R&D Centers: Their Role in American Education," with directors of labs and centers

S. Dillon Ripley, Secretary, The Smithsonian Institution ("Museums as Institutional Alternatives to Formal Education")

Ronald E. Barnes, Director of Educational Planning for the Minnesota Experimental City and Professor, Experimental Studies Program, Mankato State College, Mankato, Minnesota ("Education for the 21st Century")

Otto F. Kraushaar, Director, "A Study of the American Independent School," and former President, Goucher College, and Edward D'Alessio, Director, Division of Elementary and Secondary Education, United States Catholic Conference ("What Future for Private Schools in the United States?")

Field Trip: Educational Policy Research at the Harvard Graduate School of Education, Cambridge, Massachusetts, with Sheldon White, Roy E. Larsen Professor of Educational Psychology; Marshall Smith, Assistant Professor of Education and Director of the Evaluation Study of the planned variation program of Head Start; Paul Diamond, Center for Law and Education; David Cohen, Professor of Education and Social Policy and Director of Center for Educational Policy Research; Professor Walter McCann, Chairman of the Program on Administration; Gerald Lesser, Bigelow Professor of Education and Developmental Psychology

George R. Hall, Senior Economist, Management Sciences Department, Rand Corporation, and Charles Stalford, Project Manager, Performance Contracting Experiment, Office of Planning, Research and Evaluation, Office of Economic Opportunity ("Performance Contracting: Is It Really Dead?")

Field Trip: Educational Testing Service, Princeton, New Jersey (first visit)

Field Trip: Educational Testing Service, Princeton, New Jersey (second visit)

# ESS EDUCATIONAL STAFF SEMINAR

2000 L STREET, N.W., ROOM 801A, WASHINGTON, D.C. 20036

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*Affiliated with Washington Internships in Education*

## EDUCATIONAL STAFF SEMINAR REPORT:\* PRESENTATION ON "PERFORMANCE CONTRACTING," JULY 8, 1970

(attendance: 84 persons)

Charles Blaschke, President of Education Turnkey Systems, headed the speakers' panel. Other panel members were James Gillis, President and Chairman of the Board of Educating-QED, Inc.; Mick Donnelley, former Dorsett Education Systems' Project Director for the Texarkana dropout prevention project; John Wilson, Assistant Director, Office of Planning, Research and Evaluation, Office of Economic Opportunity, who has responsibility for that agency's performance contracting project.

Blaschke called performance contracting a "catalyst for school system reform." In our concern with educational technology itself, he said, we have neglected the political and managerial reform in the schools needed to put technology to work. Performance contracting ensures the effective utilization of technology.

Performance contracting, Blaschke explained, usually involves a school system contracting for a specified raise in a student group's achievement. If the students don't achieve to the standards set by contract, the contractor either isn't paid or is penalized financially. Performance contracts to date have been limited to math, reading, and skill development. The exception is a Dallas contract for increasing achievement motivation in vocational education.

The company demonstrates a new learning system the first year, raising achievement levels a certain amount in a certain amount of time. The second year, the company offers the school board to guarantee similar improvements on a 90 percent basis, provided the school board makes certain changes. These might include training teachers as instructional managers or instituting a performance accounting system. The company might offer use of its technology without these changes on a, say, 40 percent guarantee basis.

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\*This is one of a series of reports of ESS activities published for the benefits of staff aides who were not able to attend the meeting. These reports are published for informational purposes only and do not constitute an endorsement of particular educational policies or practices.

Most educational decisions, Blaschke contended, are made on political, social, or economic grounds, not on educational merit. Performance contracting can reduce the political stakes for educational decisions. For instance, white parents often fear that integration will bring low-achieving black students into the classroom, "slowing everyone else down." A performance contract can take low-achieving black students slated for desegregation, bring them up to par, then integrate them fully.

Blaschke noted that performance contracting asks policy-makers to set standards and not to make programmatic decisions. The contractor's confidence in his system can be measured by the percentage of his guarantee and his costs. He foresaw the possibility of industry negotiating directly with teachers' unions, perhaps arranging to pay teachers according to their productivity.

Wilson discussed OEO's performance contracting experiment. OEO decided to support the experiment when it became evident that school districts are beginning to look seriously at performance contracting. The concept has not yet been well tested, and since it involves a major change, OEO thought it was worth looking into. He listed the elements OEO feels necessary for conducting a major social experiment:

1. the involvement of a flexible, entrepreneurial organization, able to act quickly;
2. a sizable consolidation of resources, such as \$5-7 million for a 2-3 year period; and
3. a clear specification of objectives and the variables to be studied.

Twenty-one districts will participate in the OEO program, 18 on a performance contracting basis, each working with 1 of 6 companies. They will use a broad range of techniques and technologies. In three districts, the contractor will be the teachers' union, or a group of teachers. Twenty-five thousand students will be involved. Some projects will use technology, some incentives and some both technology and incentives. Control groups will be groups in the regular educational process. "Comparison groups" of students in the same school as project children will be looked at, too, to note spillover effects. Participating students will be post-tested one year after returning to the regular program. Students will be in grades 1-3 and 7-9.

Blaschke added that school systems have no standards by which to judge one contractor's guarantee against another; he hoped OEO's work would help develop such standards.

Gillis spoke as a representative of a for-profit corporation. He pointed out that only about two percent of the \$50 billion yearly expenditure on education goes for instructional materials. With volume, a company can make money without volume, it can't.

Gillis said he is "not enthralled" with the turnkey concept, since he fears schools may be right back where they started when a contractor pulls out. He did see performance contracting as a chance to demonstrate a fully synthesized learning system. He warned that if such systems were ever seriously put to use, nobody could afford them. He said this was already a problem in performance contracting--school systems are finding they can't afford the cost of a successful effort.

Gillis thought performance contracting's major contribution has been encouraging a lot of people to look at educational output for the first time.

Donnelley sketched some practical problems encountered in the Texarkana experiment. Tests were a serious obstacle, since standardized tests didn't reflect the instructional objectives of the school system. Also, some students purposely did poorly on the exit tests so they could stay in the program because of its attractive features.

If you're interested in performance contracting, Donnelley commented, you must be serious about individualized instruction.

On the relationship between contractor and school project people, Donnelley said that many small school districts won't have anyone with a sophisticated planning or related background for contractors to deal with.

Donnelley warned that private enterprise will be quickly disenchanted with performance contracting. Firms in a hurry to prove their point and make some money may also cut corners.

Zangwill (HEW) led off the question and answer period by asking the panel if legislation and guidelines should be revised to allow for performance contracting. Wilson cautioned that since the results are not yet in on performance contracting, it is too early to move ahead with legislation.

Blaschke commented that performance contracting sets up a different incentive structure than the regular school program: both teacher and student are rewarded if the student achieves, and the school system is rewarded if it reduces cost over time.

There are now few incentives for schools to become more output-oriented. He suggested that Federal education aid might be allotted according to pupil's grade level deficiencies. We should test schools for student output, and if the schools don't produce, we could stop their funds.

Blum (OMB) wanted clarification of the elements of performance contracting. Is it synonymous with incentives and instructional technology? He didn't see it that way; one could write a performance contract with teachers, and it wouldn't necessarily involve either incentives or innovations. Wilson agreed; he felt performance contracting entailed carefully stated objectives and individualization. Zangwill saw performance contracting as a process in which two separate groups mutually decide on objectives.

Blaschke reiterated his belief in the need for performance contracting, if bonuses and incentives do increase student achievement. With competitive bidding, the contractor will install his instructional system for a lower price than normal.

Skelly (Great Cities Research Council) said big city school systems may be the major consumers of performance contracting. He looked on the concept as a "hopeful enterprise," which might lead to desperately needed reform. He said he was aware of pitfalls, though. He thought safeguards will be needed, particularly to protect the school systems. He hoped that contractors will work to institutionalize new instructional patterns, and that school systems will try to learn from the contractors.

Frankel (HEW) asked what major issues would arise over the next two or three years if performance contracting is to succeed. He wondered how the technique would avoid creating a system to teach kids to take tests, and how it would help kids develop in ways that would help them to cope with civilization, not just increase one grade level in math. Blaschke answered that the testing industry is getting uncomfortable about the narrowness of its instruments.

Shiller (OEO) agreed that preoccupation with tests can be dangerous. But if performance contracting can give kids basic reading and math skills early in the school years, both the kids and teachers will be freed to concentrate on other things later on. Frankel argued that reinforcing teacher behavior to teach basic skills would give them less incentive to attend to other areas. Blaschke made a plea for giving kids a foundation. Frankel agreed, as long as they were talking about bringing kids up to basic skill levels. Once beyond that point, he said he was worried about the effects of performance contracting's reinforcement system.

Shiller and Gillis talked about testing. Shiller described OEO's testing system for the performance contracting system, mentioning that 25 percent of the contractors' money will be based on "criterion referenced tests." Classroom relevance of the tests would be certified. Gillis pointed out that some performance evaluation can be behaviorally based, rather than "paper based."

Blaschke concluded from his experience in reviewing performance contract proposals that all those involved agree on what works in teaching basic skills: incentives, and learner control of his own instruction.

Lillywhite (CSSO) asked Wilson why OEO is selecting the contractors for the schools in its experiment. Wilson explained that OEO wanted to assure as broad a range of techniques as possible for experimental purposes. Blaschke added that the school systems had no incentive to negotiate hard since they were using Federal funds. Since OEO was a party to negotiations, it could protect the government's financial interest.

Butler (OE) challenged Wilson's early claim that OEO would be able to control any Hawthorne effect. Wilson agreed that one can't bias the results substantially. You run into the Hawthorne effect in any social science experiment, he said.

Arnstein (OSTI) returned to blaschke's earlier comment that the Texarkana project helped the district deal with desegregation. What percentage of kids in the project were integrated into the schools, she asked. Did some schools choose to join the project because it gave them the chance to delay desegregation? Blaschke answered that some Negro children came to the project out of fear that they couldn't make it in an integrated school. Zangwill thought performance contracting can help integration along, by coupling desegregation with quality education as an incentive.

Blaschke suggested that equal educational opportunity as a goal is obsolete; the goal should be "equity of results."

Lester (OE) wanted to know the relationship between the National Assessment projects and performance contracting. Blaschke did not know if students in performance contracting schools had been tested.

Frankel asked where performance contracting would be five years from now. Blaschke thought it would be dead, since a number of learning systems would have been proven and companies would no longer need performance contracting to sell their techniques.

He emphasized that performance contracting is no end in itself; it is useful for validating new learning systems. Gillis disagreed with that projection, maintaining that five years from now suburban systems would be getting their first performance contracts.

Menges (HEW) asked if performance contracting is being used for military training. Zangwill cited DOD's background in performance contracting. He talked about the difficulty of negotiating in this area. When experts in this kind of negotiating leave and school systems have to take over, there are bound to be problems. He mentioned HEW's interest in contracting with Rand to bring special negotiating expertise to educational performance contracting.

The last question dealt with finding sources for performance contracting: will local funds eventually be committed to this, or will school districts only go into it with Federal money? It's just done with Federal funds now, Gillis said, but once the idea gets going we'll probably see the redeployment of local resources. He said that many school systems could both improve output and run at a profit if they were managed differently. Blaschke expected that no school system would use local resources for performance contracting while the Federal bill remains. Ultimately, he concluded, the willingness of school districts to go into performance contracting would depend on whether there is incentive locally for spending its money that way.

--Reported by Holly Knox