

Teachers Win with School Choice

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Policy Orientation 2015



Good Teachers Should Be Paid More

Texans say increasing teacher pay would improve educational outcomes.

(2014 Texas Tribune / UT Austin Poll)



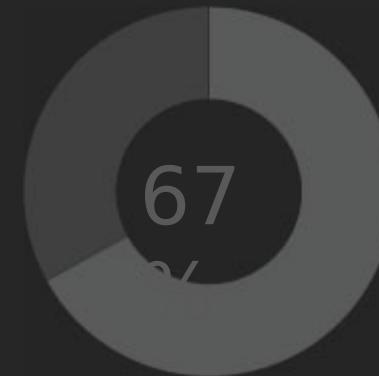
Common Solution:
Increase spending through state law.



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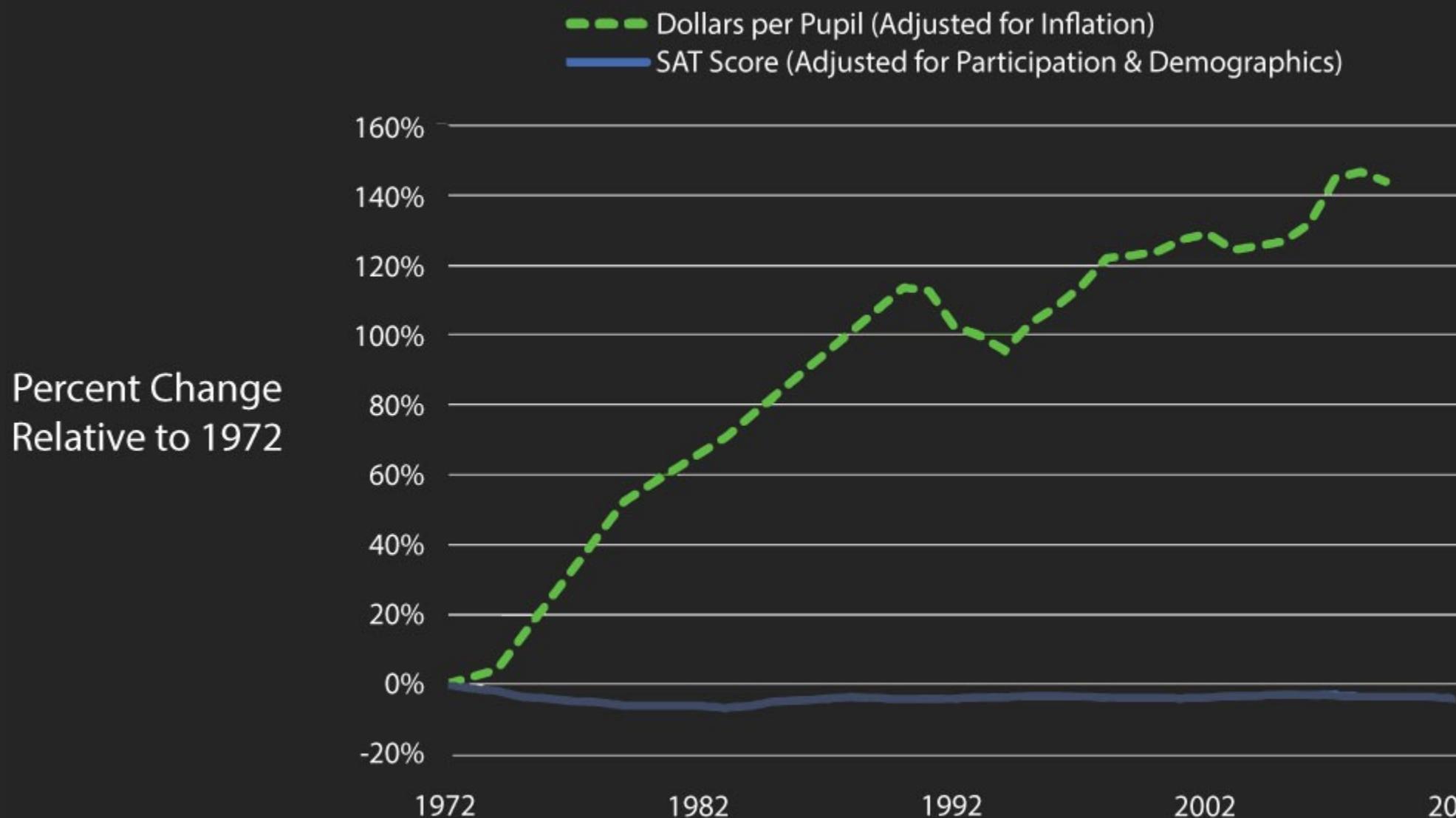
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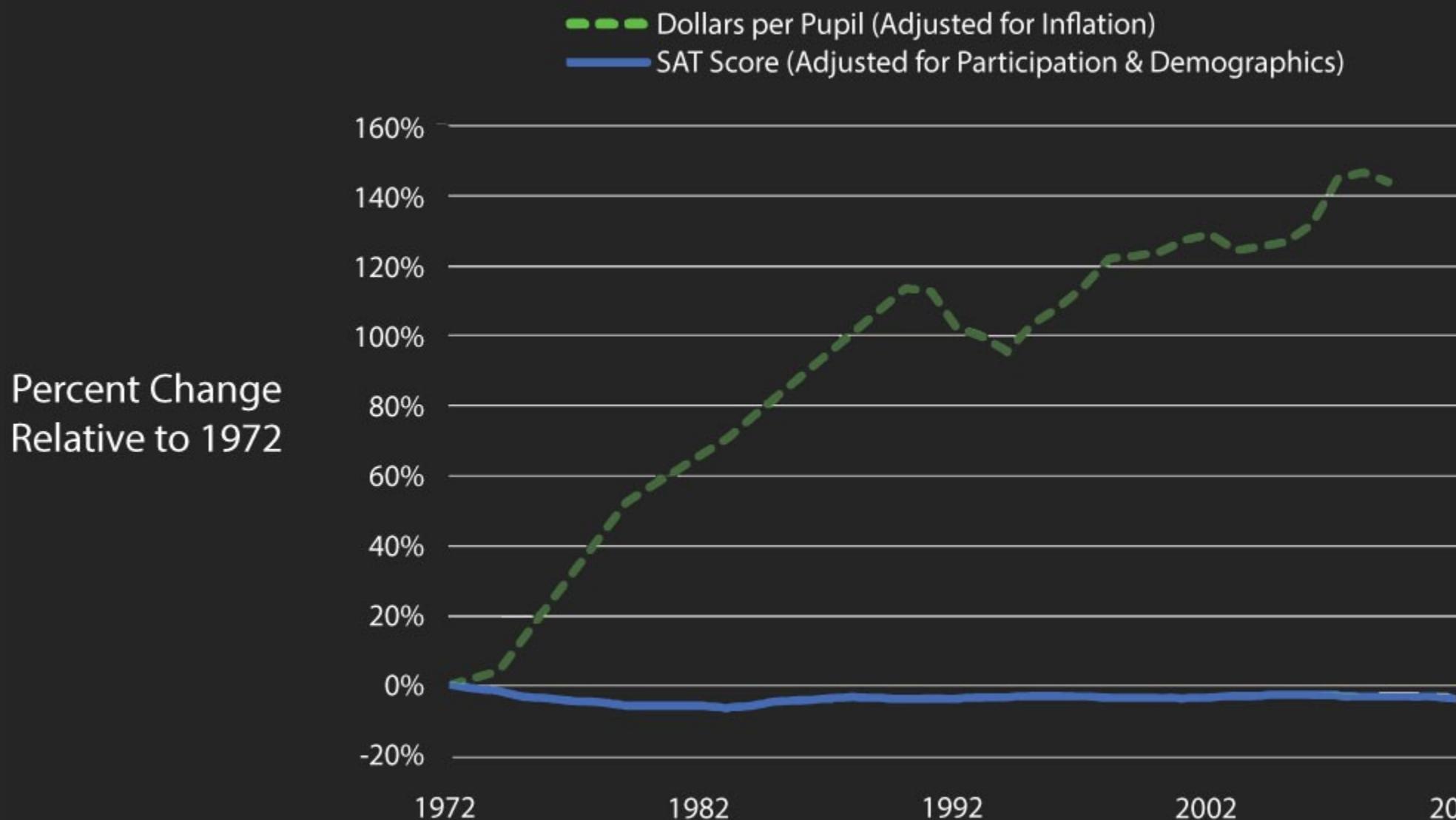


Texas Education Trends: Spending & Achievement



Source: Andrew Coulson, State Education Trends: Academic Performance and Spending over the Past 40 Years. Enrollment data from 1972-2002 is from the NCES' Historical Tables & Reports. Enrollment data from 2004-2012 is from the NCES' 2013 Digest of Education Statistics, Table 203.20

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Most Public Education Spending Doesn't Reach the Classroom



Total Spend-
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The average
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The average
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That means
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\$215,000 -
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The average
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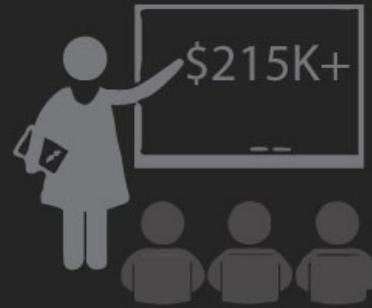
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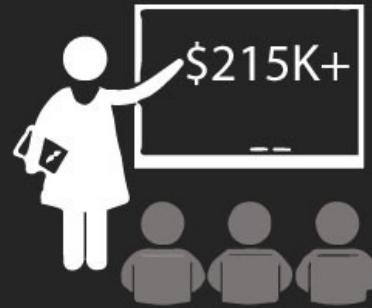
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Public Schools Control Teacher Salaries

Years of Experience	Minimum 10 Month Salary	Average Salary for B.A. Holder
0	\$ 27,540	\$ 41,200
5	\$ 31,810	\$ 43,630
10	\$ 37,340	\$ 44,900
15	\$ 41,490	\$ 47,820
20 & Over	\$ 44,620	\$ 54,600

The state Minimum Salary Schedule sets a minimum wage for teachers. 97% have a Bachelor's degree, so they earn more than the minimum. 91% have more than 3 years experience, so they are above the bottom steps.

According to the TEA, the average salary is \$48,821.

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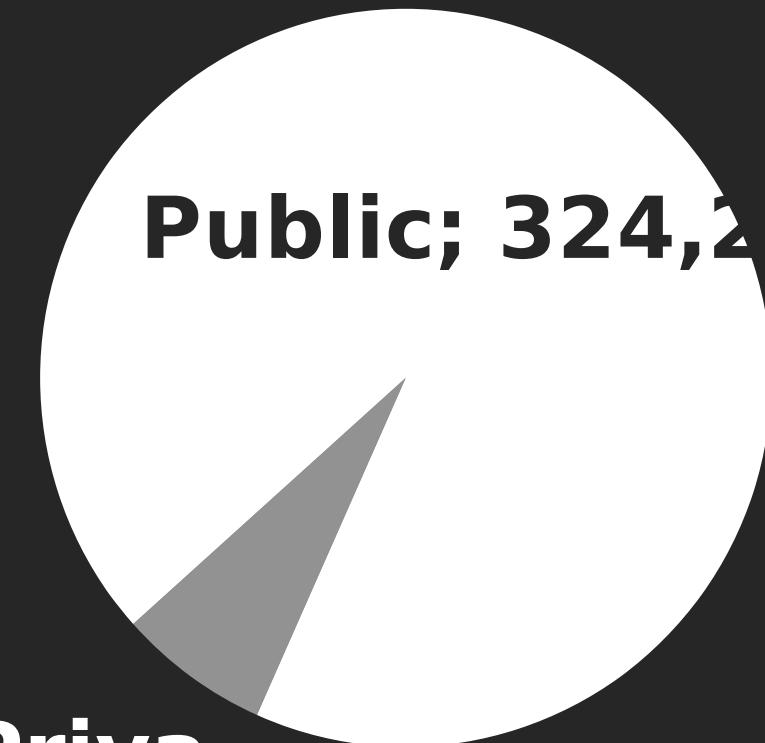
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That's 93 percent of K-12 teachers in Texas.

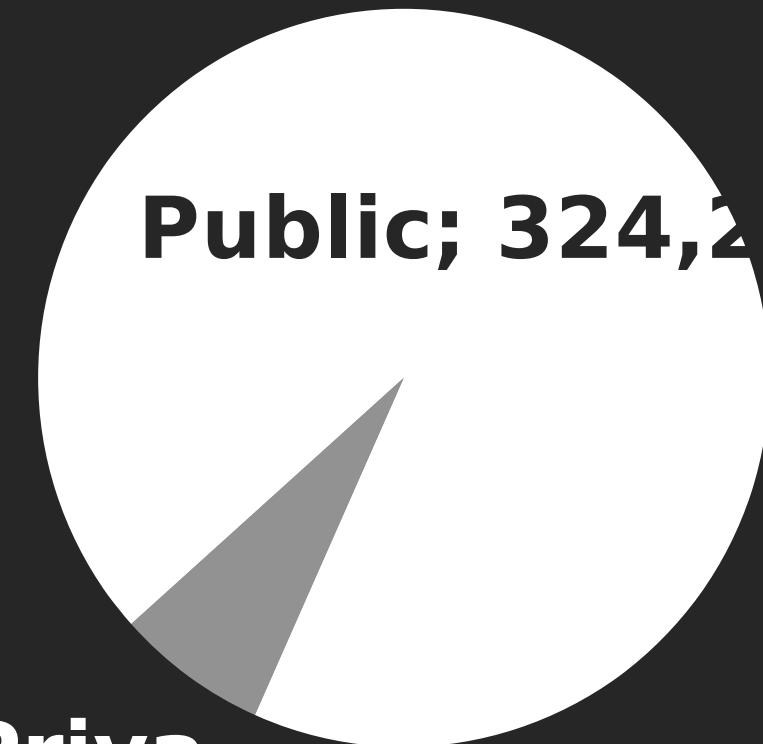


Public
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Private
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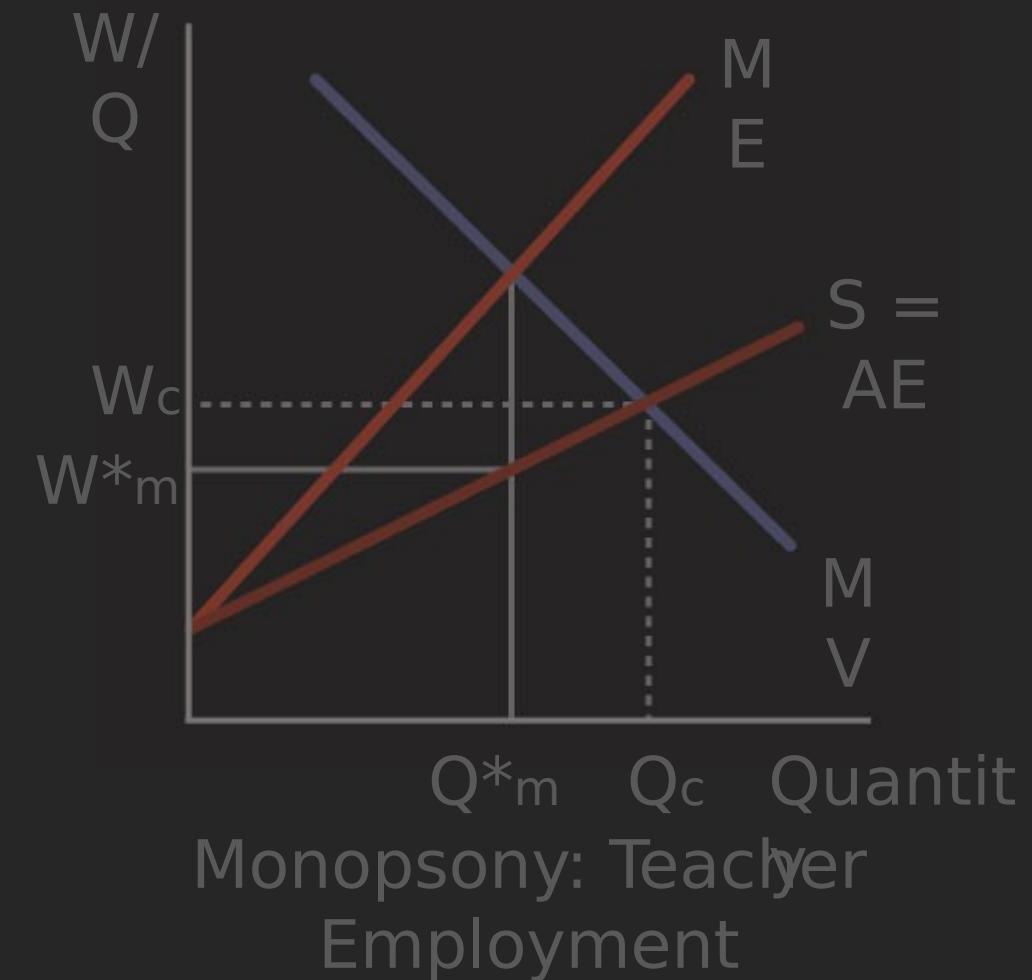
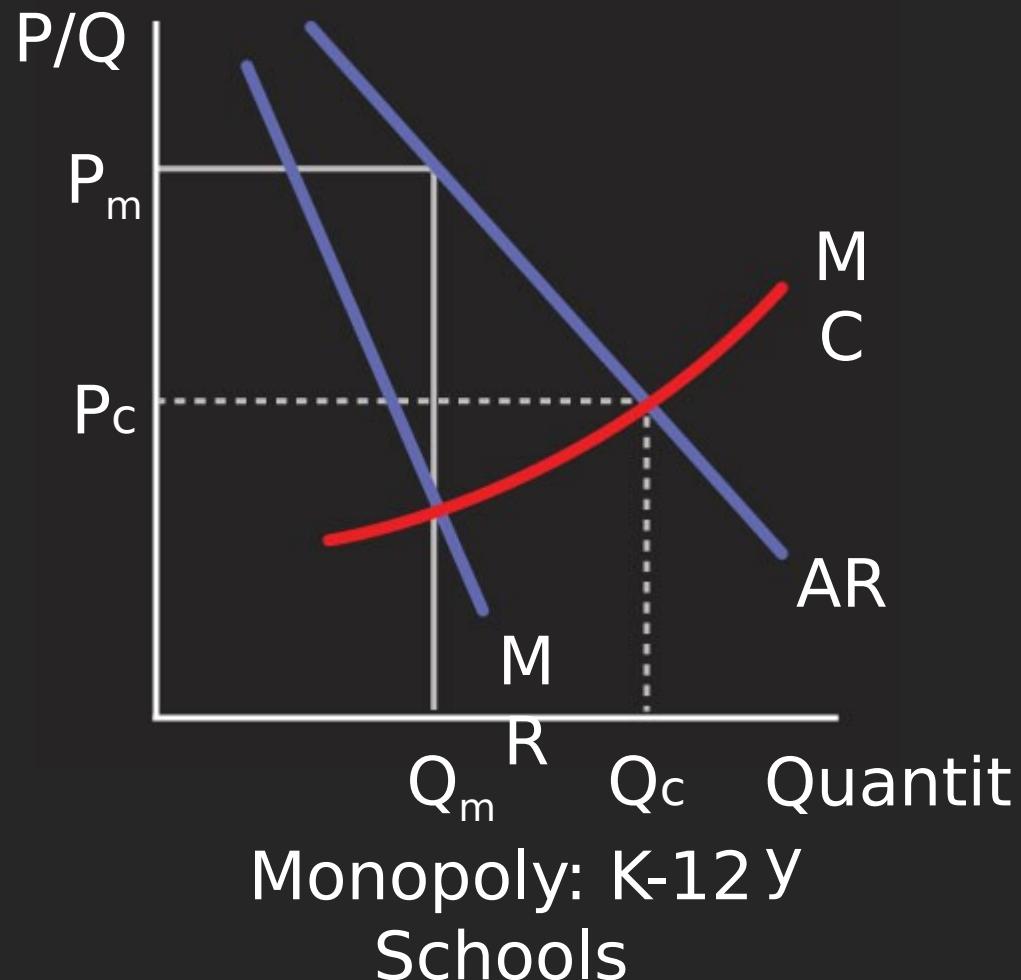
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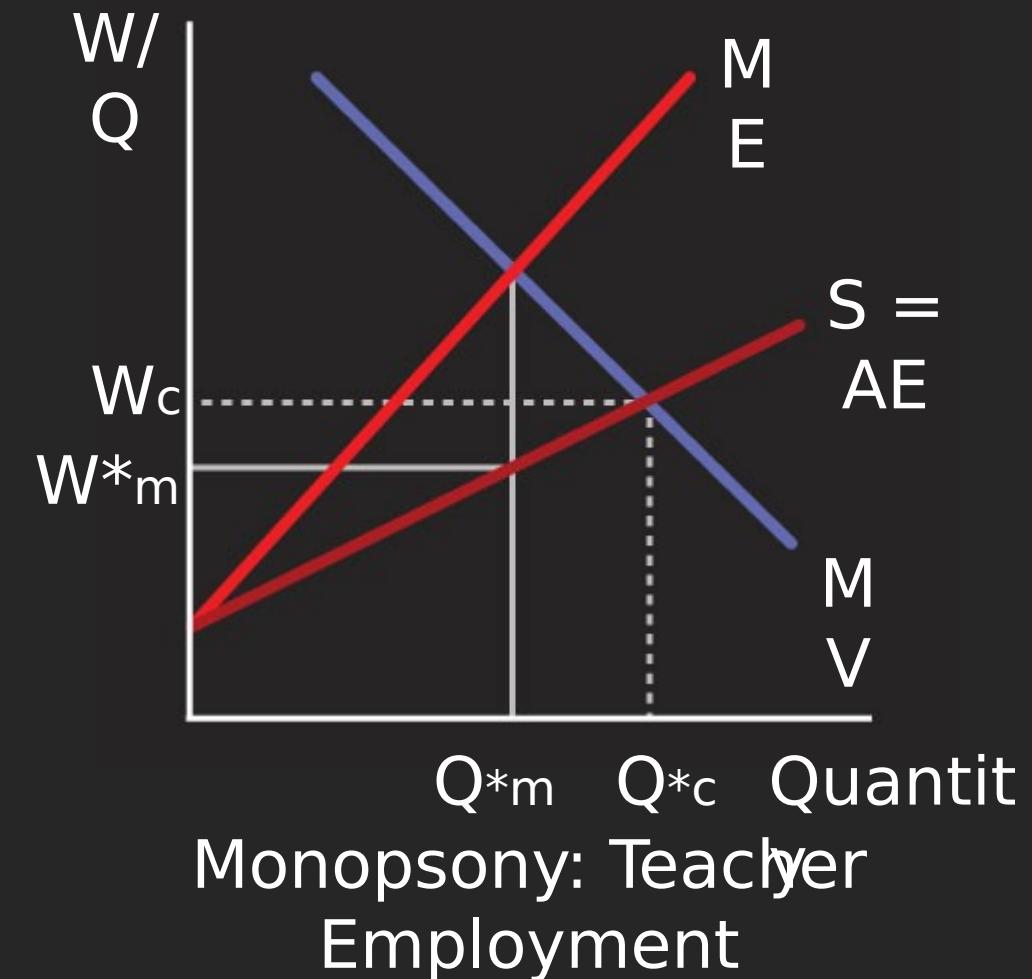
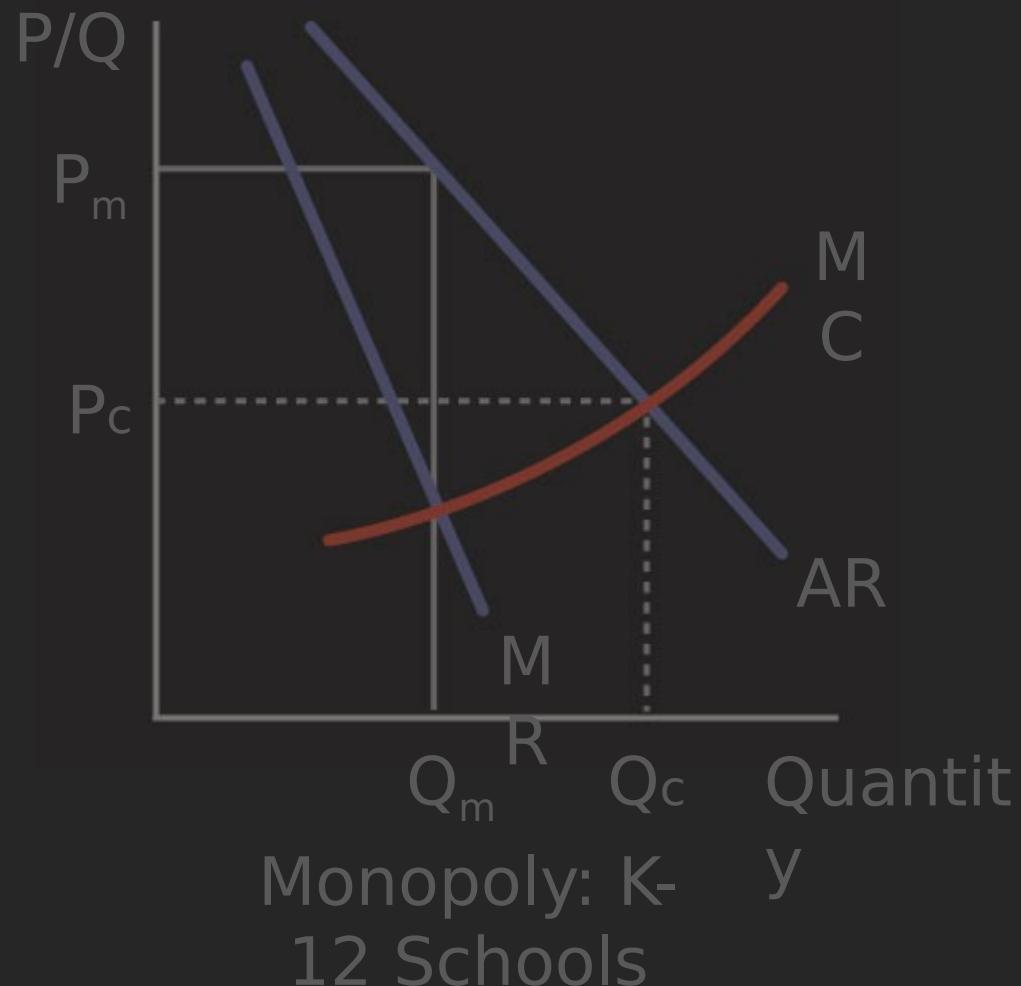


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Public Schools' Control Depresses Teacher Wages & Jobs



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Testimony at Trial

The ongoing school finance trial addressed this exact topic.

The school districts hired Harvard-trained economist Dr. Jacob Vigdor to provide his expert opinion.

In his report, Vigdor stated:
“Introducing greater competition into the market for teachers will raise teacher salaries.”



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Vigdor concluded: “*Introducing greater competition into the market for teachers will raise teacher salaries.*”

Supplemental report (10/1/12)

Prepared by

Jacob L. Vigdor

Professor of Public Policy and Economics, Duke University

Research Associate, National Bureau of Economic Research

Chief Analyst, Vigdor Measurement & Evaluation, LLC

For consideration in the proceeding:

Texas Taxpayer & Student Fairness Coalition, et al., v. Michael Williams, et al.

Point 6: Introducing greater competition into the market for teachers will raise teacher salaries.

Dr. Moe's report argues for the introduction of greater school choice, particularly through the use of school vouchers and charter schools. This line of reasoning can be traced back to Milton Friedman, who argued that the elimination of monopoly power in the market for education would drive improvements in quality and efficiency (Friedman, 1962).

School districts that have power over consumers in the market for education also possess power over teachers in the labor market. They thus represent a classic form of producer with *monopsony power*. Figure 3, taken from Pindyck and Rubinfeld's textbook Microeconomics (5th edition, 2001, p.354), illustrates the impact of a monopsonist on a labor market. Compared to a competitive labor market – in this context, one where many small education providers compete to hire teachers – monopsonists hire fewer workers and pay them less. They restrict their hiring because in order to hire more workers they would have to pay higher wages – including to the workers already under their employ. The monopsonist's employment level and wage offer are denoted Q_m^* and P_m^* in the figure, respectively.

Introducing competition into the market place, by this standard textbook model, leads to increases in teacher compensation and expanded hiring of teachers (the number employed increases to Q_c and wages to P_c). Intuitively, competitive schools bid up the price of teachers. Thus, while there may be arguments for introducing additional choice for parents, it must be understood that the classic textbook prediction is that such unleashing of competitive forces would drive up the labor costs of existing schools.

⁶ See <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/02/AR2008070203498.html>

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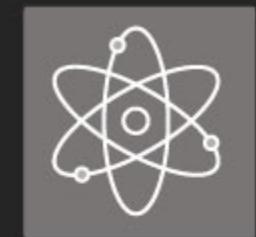
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Conclusion

Teachers win from an efficient market through School Choice, not by public school control.

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