

# Applying Free Market Principles and Common Sense to Teacher Compensation

Education = future

by Brooke Dollens Terry

THE CURRENT SALARY SCHEDULE used by 93 percent of public school districts nationwide to pay teachers does not take into account free market principles or reward effective teachers. The salary schedule is a uniform way to pay teachers at each level of experience the same salary regardless of talent, expertise, work ethic, performance review, or individual characteristics. It is essentially a one-size-fits-all approach to compensate teachers.

In this day and age, the public education system has enough challenges—ranging from the dropout crisis in urban public schools to large numbers of students graduating from high school unable to read and write well—to not use the powerful incentive of money to drive changes in teacher behavior and performance that increase student learning, the main goal of the education system.

It is imperative that policymakers and school administrators study the issue and history of teacher compensation, as personnel costs consume the majority of Texas school district budgets. A 2006 Moak Casey and Associates report states that personnel costs such as teacher sala-

ries, administrator salaries, and benefits devour between 80 and 85 percent of school budgets in Texas.

Over the past 150 years, teachers have been paid in a variety of ways. In the mid to late 1800s, teachers living in small farm communities taught a range of ages and abilities in the proverbial one room school house. Many of these young and single teachers were compensated primarily with room and board.

As the 20th century approached, industrialization and the promise of jobs lured people to leave the farm for cities prompting the creation of a new school system that could accommodate large numbers of students. Schools began grouping students by age and teaching a grade-level curriculum. As a result, many teachers were compensated based on the grade-level they taught. High school teachers, having a more specialized expertise, were paid higher salaries than elementary school teachers. This is an example of the free market at work, determining compensation based on skill level and supply and demand for that expertise.

Frustration among teachers over the difference in pay and a desire for uniformity led to the adoption of the single salary schedule. First introduced in 1921 in Denver and Des Moines, the salary schedule swiftly gained in popularity. By 1951, 97 percent of American school districts were using the salary schedule to pay teachers. Currently, 93 percent of public school districts nationwide use some type of salary schedule to determine teacher compensation.

The single salary schedule pays teachers a uniform salary based on years of experience in the classroom and education level, removing the pay differential based on skill level between high school and elementary school teachers. Its design makes two basic assumptions. First, the single salary schedule assumes that teacher effectiveness improves with each additional year of experience in the classroom. Second, it assumes that possession of an advanced degree leads to higher teacher quality.

Since its adoption, many education scholars have investigated whether rewarding longevity and advanced degrees leads to more effective teachers and

smarter kids. Research clearly demonstrates that both assumptions are faulty. Well-respected education scholar Eric Hanushek of the Hoover Institution at Stanford University finds that teachers reach full effectiveness after four years. Thus, generally speaking, a teacher with 25 years of experience is no more effective than a teacher with 15 years of experience. Yet, the salary schedule rewards longevity, through as many as 40 steps, as if each additional year in the classroom leads to a more effective teacher.

Secondly, research by Hanushek and Steven Rivkin, of Amherst College, finds that possession of a master's or doctorate degree has no impact on teacher effectiveness and does not translate into increased learning in the classroom. Nonetheless, many salary schedules and school districts reward teachers for additional degrees with an extra \$1,000 or \$2,000 yearly stipend.

Another flaw of the salary schedule is that it pays all teachers the same salary at each step on the schedule without regard for their ability to teach. All teachers are not the same. Yet the single salary schedule treats both effective and ineffective teachers equally, giving them the same salary increase each year regardless of their performance review.

In contrast, the private sector commonly rewards performance and results with bonuses and raises tied to positive performance reviews. The same should hold true for education. Outstanding teachers have a significant impact on raising student achievement and deserve to make considerably more money.

In fact, the single salary schedule may actually exacerbate the problem it was intended to solve by blindly ignoring merit and paying mediocre and outstanding teachers the same. An outstanding teacher who works hard year after year to improve the minds of her students may look elsewhere for work after years of her contribution going unnoticed. This

lack of recognition and monetary reward chips away at the enthusiasm and zeal of our best teachers encouraging them to seek a more lucrative job as a school administrator or in the private sector where results are rewarded.

The state of Texas has a statewide minimum salary schedule with 20 steps that applies to full-time teachers, librarians, counselors, and nurses. This minimum salary schedule works as a type of minimum wage by requiring that all public schools pay at least a certain salary at each step on the salary schedule. For example, Texas public schools cannot pay teachers, librarians, counselors or nurses less than \$27,320 as a starting salary anywhere in the state. At step 10 on the salary schedule, teachers, librarians, counselors, and nurses cannot make less than \$37,040 a year. The top step on the state salary schedule, step 20, requires teachers, librarians, counselors, and nurses to make at least \$44,270 a year.

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Since most Texas school districts pay higher starting salaries than the state minimum salary, many do not pay their employees off of the state minimum salary schedule. Instead, they use it as a guide for designing their own salary schedules. There is great variety in the number of steps on district salary schedules. For instance, Waco ISD's salary schedule has 26 steps; Fort Worth ISD's

salary schedule has 40. In addition, many district salary schedules have an additional column or stipend for advanced degrees.

Some innovative school districts are employing free-market tactics and paying additional money above the salary specified on the salary schedule to aid them in hiring teachers for specific purposes. To compete with other school districts jockeying for the best new teachers, some school districts pay large signing bonuses. To attract teachers in the shortage areas of math, science, bilingual education, and special education, some school districts pay teachers a yearly stipend ranging from \$500 to thousands of dollars. To encourage teachers to teach at challenging schools, some school districts pay teachers an additional stipend of several thousand dollars, sometimes referred to as combat pay. To recognize, reward, and keep their best teachers in the classroom, some school districts are designing objective criteria to determine the quality of a teacher and then paying out substantial bonuses to teachers that meet those criteria.

Throughout the history of our nation, the system of schooling and teacher compensation have varied and changed to fit the needs of the time. The current single salary schedule, introduced more than 85 years ago, was designed for another era. It is outdated and ineffective. While well-intentioned, the salary schedule is rigid and inflexible to market demands, unable to reward excellent teachers, and has no relation to a teacher's ability to improve student learning.

Despite enormous challenges facing schools and limited financial resources, the majority of Texas school districts do not link a teacher's annual performance review to their compensation. Instead, many school officials and publicly elected school board members choose to tie their hands by adopting their own salary schedules and paying teachers with this antiquated system. The salary

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schedule consumes enormous resources by giving teachers a salary increase every year as they all increase one step and is not directly tied to improving teacher quality and improving the minds of their students. Schools interested in trying innovative free-market strategies to improve student achievement might have trouble finding the resources if they are locked into the automatic pay raises that accompany salary schedules.

The mammoth national teacher union, the National Education Association, with more than 3.2 million dues-paying members, defends the use of the salary schedule arguing that it is the fairest way to pay teachers, easy to administer, and requires less time to evaluate employees.

The goal of every Texas school should be to raise student achievement in the classroom. Research clearly identifies the quality of a student's teacher as the single-most important school-related factor in raising student achievement. After a child's parent, teachers have the most impact on their intellectual growth. Scholar Marie Gryphon finds that "raising the quality of teaching is one of the most important ways that

policymakers can improve educational outcomes for students." All students deserve the opportunity to have an outstanding teacher every year. Yet many education policies and pay structures are focused on fairness and uniformity at the expense of our children.

Beware of legislative recommendations to add steps to the salary schedule, raise the minimum salary at each step on the schedule, and increase the number of employees paid with a salary schedule. All of these only restrict the flexibility of local school officials by adding mandates on how they pay teachers and other school personnel.

State policymakers wanting to increase local control and flexibility should abolish the statewide minimum salary schedule and stop passing statewide across-the-board pay raises. Both of these policies restrict the flexibility of local schools to make their own decisions on how best to attract, pay, and retain teachers.

Local school officials grappling with how to make the most of their limited resources and trying to increase student

learning could free up a considerable amount of resources by not continuing to adopt and use a salary schedule. This policy change would need a well-designed transition plan such as freezing all teacher salaries at the current level, not paying any new teachers on the salary schedule, and tying all future raises to positive performance reviews. The cost savings could be effectively targeted towards filling math and science shortages by paying shortage stipends, rewarding excellent teachers with raises or bonuses, and encouraging strong teachers to work in challenging schools.

If Texas truly wants to have a first-class education system, it must revitalize its teacher compensation structure to attract, reward, and retain the highest quality teachers possible. ★

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