

TEACHER LABOR MARKETS | EE 473

TEACHER SALARIES |

TEACHER SALARIES

The effect of compensation on teacher behavior – not just whether young people go into teaching, but who decides to become a teacher, where they teach, how well they teach, and how long they choose to stay in the profession

- ❖ Real versus nominal wages
- ❖ Relative wages
- ❖ Uniform salary schedule
- ❖ Determinants of teacher salaries

REAL VS. NOMINAL SALARIES

Nominal salary

- ❖ The original or stated value
- ❖ It does not take into consideration the effects of inflation on purchasing power over time

Real salary

- ❖ The actual purchasing power of the salary
- ❖ To convert nominal salaries to real salaries, we must use an index that compares the costs of different goods at different times
- ❖ The index used is often referred to as a consumer price index

RELATIVE SALARIES

- ❖ A teacher's relative salary is the salary that a teacher earns in comparison to salaries in similar fields available to prospective teachers
- ❖ Gives an idea of what a teacher could have earned if he or she had chosen a different career
- ❖ Direct comparisons with other fields are difficult due to a number of unique features of the teaching profession
 - ❖ Teachers usually do not work the whole year and their benefits and job security tend to be greater than those in other fields
 - ❖ On the other hand, teachers generally do not earn bonuses, overtime, or other types of income not included in the teacher salary schedule

HOW ARE TEACHERS PAID?

- ❖ Uniform salary schedule – rewards teachers for the years of experience and the level of educational attainment and training they have received
- ❖ The near universal use of teacher salary schedules means that the method of compensating teachers varies little across countries
- ❖ The uniform salary schedule eliminates much of the subjectivity and uncertainty that result from rewarding workers on the basis of merit

- ❖ No incentive to work harder or teach more effectively
- ❖ Does not distinguish between teachers of different subjects or take into account current labor market conditions
- ❖ It may reward teachers using criteria that do not adequately distinguish effective teachers from less effective teachers

ALTERNATIVES TO THE UNIFORM SALARY SCHEDULE

- ❖ To identify and reward teachers who work harder or teach better
- ❖ To merit pay is to base salary increases on the performance of students on standardized tests or some other measure of academic performance
- ❖ As problematic as the uniform salary schedule is, alternative approaches also pose many difficult problems

DETERMINANTS OF TEACHER SALARIES

- ❖ The size of the student populations
- ❖ The total number of current teachers
- ❖ Their age and qualifications
- ❖ The structure of the current salary scale
- ❖ The presence and strength of teacher unions
- ❖ Economic factors – the level of per capita income, taxation, and property values

EFFECTS OF TEACHERS UNIONS

- ❖ Unions operate differently in education
- ❖ Union in other fields often control who joins the profession by requiring that employees hire only union members
- ❖ Teachers unions exercise control not by influencing admission to the occupation, but through collective bargaining, during which unions negotiate salaries and working conditions

- ❖ The effects of teacher unions on salaries and employment depend on many conditions
 - ❖ If the demand for teachers is growing, then the effect of the union on overall employment should not be as strong as it is if the demand curve remains stable
 - ❖ Growing demand should raise employment levels- counterbalancing the downward pressure of unions on the demand for employees
 - ❖ If the demand for teachers is inelastic – demand does not change even if price change – then union demands should not have an effect on employment no matter how high the salaries they negotiate (Cohn & Geske, 1990)

Do the results of economic studies support the prediction that presence of unions raises salaries?

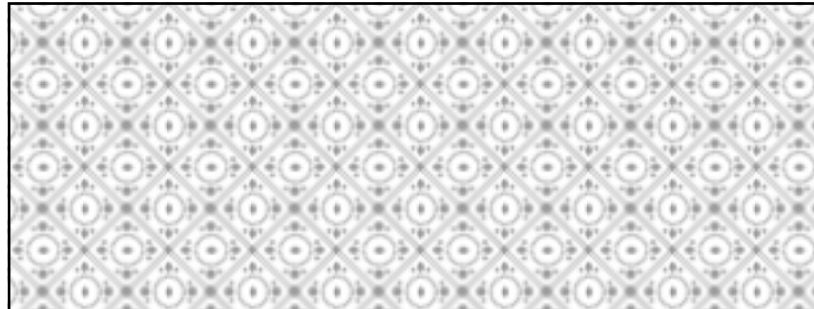
- ❖ In the United States, union members earn salaries that are 10 to 20 percent higher than workers in similar occupations who do not belong to unions
- ❖ Unions reduce employment levels in the individual firms where they operate (Ehrenberg & Smith, 2000)
- ❖ These results do not necessarily apply to teachers unions, but studies also suggest that the presence of unions has a positive effect on teachers' salaries (Cohn & Geske, 1990)

THE EFFICIENCY WAGE HYPOTHESIS

The efficiency wage hypothesis

- ❖ A worker's wage positively affects his or her productivity
- ❖ The more a worker is paid, the more he or she will produce, all else equal
- ❖ The wage at which workers earn enough to be productive is known as the efficiency wage
- ❖ To make sure their workers are productive, employers must pay the efficiency wage, even if it is above the economy's equilibrium wage

- ❖ Employers may consider it necessary to pay above the average wage in a certain industry in order to recruit high-quality labor
- ❖ Some economists argue that this practice explains why there is always some unemployment in the economy; by paying an above-market wage, employers cause the supply of workers to exceed demand, resulting in a surplus of labor, or employment (Ehrenberg & Smith, 2000)
- ❖ When applied to teacher labor markets, the efficiency wage hypothesis could explain why in some cases teacher salaries increase over time while teacher quality does not



TEACHER CAREER PATHS AND MOBILITY

TEACHER ATTRITION

- ❖ The length of time that a teacher remains in the profession has an important effect on the size and quality of the supply of teachers
- ❖ If the attrition rate is high, more replacements are needed every year
- ❖ If the replacement teachers have little experience, high attrition rates may lead to a reduction in quality of the teaching workforce
- ❖ The departure of younger teachers, every year many experienced teachers retire and leave the profession for good – a U-shaped curve of teacher attrition

- ❖ The U-shaped curve illustrates that the age of current teachers is an important determinant of teacher attrition rates
- ❖ If most teachers in the labor force are older, then regardless of the behavior of new teachers, there will be high attrition rates as many teachers retire every year
- ❖ Conversely, if most teachers in the labor force are inexperienced, there will also be very high attrition rates as many of these new teachers leave for other professions
- ❖ Consequently it is important for policy makers to consider the age of current teachers when calculating the future demand for teachers

THE TEACHER RESERVE POOL

- ❖ There are many qualified teachers in a society who are outside of the teacher workforce; these teachers constitute what is referred to as a “reserve pool” of potential teachers
- ❖ One potential explanation for this large reserve pool concerns the size of the student population
 - ❖ When the population of school-aged children is large, there are many jobs available to teachers and many young people earn teaching licenses
 - ❖ However, if student population decrease, many of these young people cannot find jobs in teaching and go into other occupations
 - ❖ Many practicing teachers may also lose their jobs
 - ❖ Another explanation – many women leave the teaching force to have and raise children

- ❖ The important question for policy makers is how to lure teachers in the reserve pool back to teaching during times of teacher shortages
- ❖ The solution is likely to be a combination of improvement in salaries and working conditions, as well as sensitivity to the concerns of working mothers

HOW DO TEACHERS DECIDE WHERE TO TEACH?

- ❖ Salaries
- ❖ Working conditions – availability of instructional materials, the working environment, and the nature of their students
- ❖ Teacher sorting – teachers are systematically distributed in a way that disproportionately concentrates teachers with certain attributes in schools or classrooms with specific characteristics
 - ❖ E.g. if teachers with high levels of education are more concentrated in schools with economically advantaged students than in schools with disadvantaged students

- ❖ Teacher sorting is detrimental to students and schools with characteristics that high quality teacher avoid
- ❖ Teachers prefer to teach near their hometowns

MAIN LESSONS

- ❖ Incentives matter in determining teacher behavior – teachers respond to salaries in deciding whether to teach and how long to teach; they also respond to working conditions, such as the availability of instructional materials, administrative support, and the characteristics of their students
- ❖ Demographics are important in determining the composition of teacher work force and whether prepared teachers find jobs – in times of large student populations, there tend to be shortage of teachers, but when the size of the student population decreases, teacher surpluses often result

- ❖ While it is important to discuss the overall supply and demand for teachers, policy makers and educational planners must devote more attention to more focuses issues, such as the supply of teachers of certain subjects, the quality of people entering and staying in teaching, and the willingness of high-quality teachers to work in certain geographical area