



## Teachers Win: A Case for School Choice

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The National Education Association (NEA) is the largest union in the nation. Their president, Dennis Van Roekel, recently observed that low teacher morale is linked to decreasing school budgets.<sup>1</sup>

Similarly, *The MetLife Survey of the American Teacher* says, “Teachers at schools where the budget has decreased within the past year are less likely than teachers at other schools to be very satisfied with their profession (33% vs. 48%). Furthermore, they are more likely to experience great stress on the job at least several days a week (55% vs. 46%).”<sup>2</sup>

One response to these concerns is to advocate for higher teacher pay, thereby increasing public education spending. The Texas Legislature has tried this strategy since it first established a minimum salary for public school teachers in 1949.<sup>3</sup> Over the last 65 years, the

state school system has grown into the single largest employer of teachers. Currently, it employs 324,282<sup>4</sup> Kindergarten through High School (K-12) teachers, far more than all private schools, which employ only 23,360<sup>5</sup> K-12 teachers (see *Figure 1 below*).

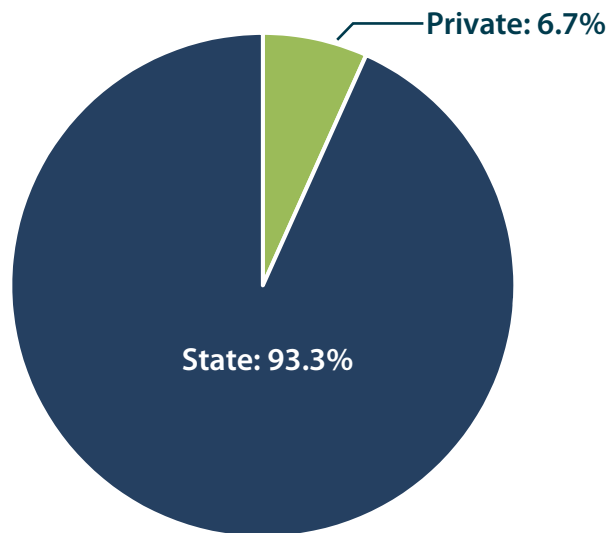
Since teaching services are primarily purchased by a single entity, the public school system, this activity likely distorts the labor market of K-12 teachers.<sup>6</sup>

During Texas’ most recent school finance trial, this was the subject of a testimony by Dr. Jacob Vidgor, an expert witness hired by public school districts.<sup>7</sup> Dr. Vidgor holds a Ph.D. in Economics from Harvard University and currently specializes in Labor Economics at Duke University, where he is a professor of Public Policy and Economics. In his expert report, he addressed the labor  
continued.

### Key Points

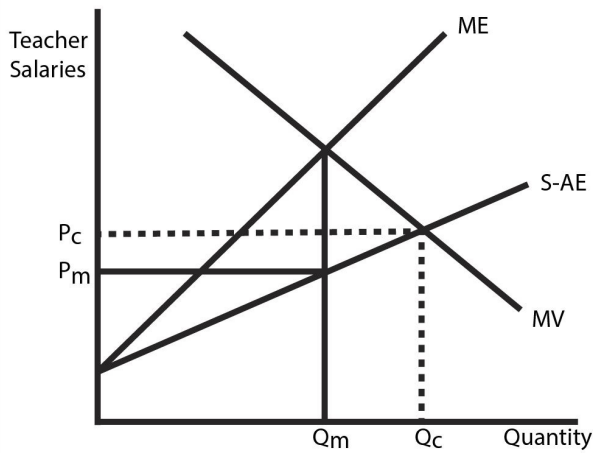
- Monopsony—a market in which there is only one buyer of a good or service—is able to pay less than a competitive market would pay.
- In the ongoing Texas school finance trial, expert witnesses hired by the school districts testified that wages would increase in a system of school choice because it’s currently a monopsony.
- By increasing competition among schools, classrooms will become the focal point of education policy, and teachers will be given a more substantial role in their school’s direction.

**Figure 1: Percent of K-12 Teachers Employed by Texas State Schools**



Source: National Center for Education Statistics

**Figure 2: Monopsonist Buyer**



Source: *Microeconomics*, by Pindyck & Rubinfeld, 5th edition

market situation for K-12 teachers across Texas. His complete statement and associated diagram are worth reproducing here:

“So the competitive labor market is one with many firms trying to hire workers, in this case, imagine many schools or school districts competing with one another for the same pool of teachers. In that sort of situation, the standard predictions of economics imply that wages and the number of teachers hired will be determined by the intersection of supply and demand. In this particular figure, the supply curve is represented by the line marked S-AE. The demand curve is represented by the curve marked MV. The intersection of those two lines is delineated with dash lines and the dash lines tell us what the wage would be or the salary would be for teachers in a perfectly competitive market on the vertical axis. In a market that’s marked by monopsony power, the standard prediction for economics is that *fewer teachers will be hired overall and their wages will be lower.*”<sup>8</sup>

Simply put, if Texas adopted school choice, and thereby added more competition in the K-12 teacher market, many experts say that more teachers would be employed and they could negotiate a higher salary. Dr. Vigdor stated this explicitly, “introducing greater competition into the market for teachers will raise teacher salaries.”<sup>9</sup> As an expert for Texas public school districts, Dr. Vigdor con-

tended that Texas should not adopt school choice because districts would then have to pay teachers more. But his argument supports exactly what quality teachers and concerned Texans desire: using school choice to improve the quality and salaries of teachers.

What are the current salaries of public school teachers? In Texas, local boards determine teacher wages subject to the State Minimum Salary Schedule.<sup>10</sup> The state schedule mandates minimum 10-month salaries with annual step increases based on the number of years teachers are employed by the state school system. Teachers with a Bachelor’s or Master’s degree earn more in many districts (see *Table 1*).<sup>11</sup> Because about 97 percent of K-12 teachers have at least a Bachelor’s degree and over 90 percent have more than three years of experience,<sup>12</sup> the result is that the average salary exceeds the state required minimum. According to the TEA’s Texas Academic Performance Report, the average teacher salary was \$48,821 in the 2012-13 school year.<sup>13</sup>

Table 1: Minimum Salary Schedule & Average Salaries of Texas Teachers			
Years of Experience	Minimum 10 Month Salary	Average Salary for B.A. Holder	Average Salary for M.A. Holder
0	\$ 27,540	\$ 41,200	
5	\$ 31,810	\$ 43,630	\$ 44,300
10	\$ 37,340	\$ 44,900	\$ 46,340
15	\$ 41,490	\$ 47,820	\$ 50,120
20 & Over	\$ 44,620	\$ 54,600	\$ 56,520

Source: Texas Education Agency & National Center for Education Statistics

The National Center for Education Information reports that salaries are the sorest point of contention for teachers, with 45 percent saying it’s a dissatisfying part of their profession.<sup>14</sup> Due to lack of competition for their services, teacher pay lags behind what many other professionals earn. While most Texans believe teachers should be paid more,<sup>15</sup> the current system fails to meet the expectations of the public regarding pay and of teachers regarding working conditions. It is time to seriously consider other options suggested by many experts that would benefit *both* teachers and students.

Dr. Vigdor's conclusions regarding higher pay from school choice were never challenged in trial. In fact, several experts confirm his analysis.

For example, Joseph Bast, President of The Heartland Institute, concluded, "greater parental choice in education increases demand for good teachers, which in turn leads to higher compensation."<sup>16</sup> When asked about this statement in trial, Bast explained that the key benefit of school choice regarding teacher pay is that pay would increase while overall K-12 education costs would not. He stated, "the cost savings don't come out of the hides of the teachers, it comes out of waste and inefficiency, underutilization of assets and resources."<sup>17</sup> In particular, Bast testified based on a study he co-authored that tried to pinpoint the increase in earnings for Texas teachers. The study concluded, "Universal school choice could lead to average pay raises for Houston public school teachers of \$12,000 or more."<sup>18</sup>

Similar to other markets where prices are determined based on supply and demand, school choice would allow there to be multiple purchasers of teacher services—eliminating the current monopsony of public schools. It would also eliminate the current monopoly of K-12 education provided by public schools. Collectively, school choice would provide a schooling market whereby teachers, students, parents, and all Texans benefit through the allocation of resources based on market-driven prices and wages, not state-controlled prices and wage.

## **School choice's primary effect on Texas teachers would be to increase average teacher pay. As teachers' compensation increases, public schools will divert more spending to the classroom, thereby increasing school efficiency.**

School choice's primary effect on Texas teachers would be to increase average teacher pay. As teachers' compensation increases, public schools will divert more spending to the classroom, thereby increasing school efficiency. This will contribute to teachers having more input in their school's operation.<sup>19</sup> School choice would do for teachers what no amendment to any salary schedule, or more state spending, can accomplish.

With teachers clearly winning from school choice, bright young minds will win in the process. This will help Texas lead the way economically, socially, and academically. ★

## Endnotes

<sup>1</sup> National Education Association, "NEA president says MetLife Survey of the American Teacher results should be a wake-up call" press release (21 Feb. 2013).

<sup>2</sup> *MetLife Survey of the American Teacher* (Feb. 2013).

<sup>3</sup> Gilmer-Aikin Laws, Texas State Historical Association.

<sup>4</sup> NCES Digest of Education Statistics, Table 213.40.

<sup>5</sup> NCES Private School Universe Survey, Number of private schools, students, full-time equivalent (FTE) teachers, and 2010-11 high school graduates, by state: United States, 2011-12.

<sup>6</sup> In economics, "monopoly" refers to a market in which there is a single producer; "monopsony" refers to a market in which there is a single consumer. State education could conceivably be either, depending on what market is discussed. If the market in question is teaching services, then the state is nearly the only consumer; if the market in question is K-12 education, then the state is nearly the only producer. For our purposes of explaining the labor economics surrounding K-12 education, the market addressed will be teaching services.

<sup>7</sup> "Texas School Finance on Trial," *The Texas Tribune*.

<sup>8</sup> *Texas Taxpayers et al. v. Robert Scott et al.*, Testimony of Dr. Jacob Vigdor (Dec. 2012). The full figure and caption explaining the average expenditure curve are available in *Microeconomics*, by R.S. Pindyck and D.L. Rubinfeld, 5th Edition, 2001, Page 354.

<sup>9</sup> *Texas Taxpayers et al. v. Robert Scott et al.*, Supplemental Report of Dr. Jacob Vigdor (Oct. 2012).

<sup>10</sup> Though the salary is governed by Chapter 21, Sec. 21.402 of the Texas Education Code, automatic adjustments in 2014-15 have increased the amounts to those found in Table 1. See the 2014-2015 Minimum Salary Schedule published by the Texas Education Agency (TEA).

<sup>11</sup> Data from Table 1 was derived from the 2014-2015 Minimum Salary Schedule, and Tables 211.30 and 211.40 of the Digest of Education Statistics. Note that the TEA's annual steps on the Minimum Salary Schedule do not correlate precisely with the NCES' tables, which measure ranges of teaching experience.

<sup>12</sup> According to Table 209.30, only 3.3% of K-12 teachers have less than a Bachelor's degree; 91.1% of K-12 teachers have more than 3 years of experience.

<sup>13</sup> Texas Education Agency, Texas Academic Performance Report. See also the NCES Digest of Education Statistics, Table 211.60, which reports an average salary of \$48,110. The TEA's salary figures are consistently higher than those of the NCES.

<sup>14</sup> C. Emily Feistritz, *Profile of Teachers in the U.S. 2011*, National Center for Education Information (2011) p. 50. Dissatisfaction with student achievement and their profession's status in the community are close runners up to dissatisfaction with salary.

<sup>15</sup> According to the *University of Texas/Texas Tribune Texas Statewide Survey*, 67% of Texans said raising teacher salaries would be an extremely or somewhat effective means of improving the quality of K-12 education (June 2014).

<sup>16</sup> *How Teachers in Texas Would Benefit from Expanding School Choice*, Joseph Bast, Herbert Walberg, Ph.D., Bruno Behrend (April 2011).

<sup>17</sup> *Texas Taxpayers et al. v. Robert Scott et al.*, Testimony of Joseph Bast (Dec. 2012).

<sup>18</sup> *How Teachers in Texas Would Benefit from Expanding School Choice*, Joseph Bast, Herbert Walberg, Ph.D., Bruno Behrend (April 2011). Bast also extrapolated from another study by Dr. Lori Taylor, a Texas A&M economist, and came to the following conclusion: "88 percent of teachers would actually benefit from increased competition. Only 12 percent would be hurt by increased competition. 79 percent of highly experienced teachers would benefit. Only 2 percent of beginning teachers would experience lower pay as a result of competition." *Texas Taxpayers et al v Robert Scott et al.*, Testimony of Joseph Bast (Jan. 2013).

<sup>19</sup> As Bast & Walberg concluded, "School choice would give employers incentives to listen to teachers' needs and adopt policies to suit their needs. This is something no other kind of school reform has ever succeeded in doing." *How Teachers in Texas Would Benefit from Expanding School Choice*, Joseph Bast, Herbert Walberg, Ph.D., Bruno Behrend (Apr. 2011).

