

# TEXAS PUBLIC POLICY FOUNDATION

## Better Salaries For Teachers In Texas Public Schools

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By Chris Patterson  
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Texas Public Policy Foundation

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## Texas Public Policy Foundation

In 1989, a small group of civic-minded Texans created the Texas Public Policy Foundation to bring independent, market-based thinking to tackle problems facing state government. Through the years, the Foundation has championed solutions to the day’s pressing issues, and won support for market-based policies that have made Texas a better place to live and work.

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The Foundation’s mission is to improve Texas government by generating academically sound research and data on state issues, and by recommending the findings to opinion leaders, policy makers, the media, and general public. The work of the Foundation is conducted by academics across Texas and the nation, and is funded by hundreds of individuals, corporations, and charitable institutions.

By refusing government funding, the Foundation maintains its independent voice on the issues important to Texas’ future.

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Texas Public Policy Foundation





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## Executive Summary

Are public school teachers paid adequately? Every session of the Texas Legislature examines this question because state policymakers are responsible for the teacher salary system and setting rates of pay. The capacity of Texas public schools to recruit and retain a sufficient supply of qualified teachers depends on the answer.

It is difficult to determine if pay for teachers in Texas public schools is “right.” Several different standards can be used to evaluate the adequacy of teacher pay and each produces a different perspective. If the standard for “right pay” is the national salary average for teachers, average teacher pay in Texas looks low; however, when adjusted for cost of living, the state’s average pay looks almost right. But national averages alone should not be used as the basis of evaluating state or district salaries, the National Education Association cautions, because they furnish limited information about the real value of salaries. Averages mask important salary differences for teachers within and between schools, as well as districts—differences that suggest some teachers in Texas public schools are paid handsomely compared to teachers throughout the nation, others are paid too little, and some are paid too much. If the “right pay” is the national salary average for private sector occupations that compare to teaching, Texas teachers are underpaid on the basis of annual salaries and overpaid on the basis of hourly salaries. If the “right pay” means that Texas public schools are able to recruit and retain a sufficient supply of qualified teachers to staff all classrooms, salaries are about right for some positions and too low for others.

Texas’ uniform salary schedule meets the needs of neither teachers nor schools. The schedule is inflexible, pays everyone the same based on seniority, is unresponsive to labor market conditions, compresses pay into a narrow range, and puts a ceiling on earnings. It is not connected with goals for teaching or learning, and it discourages teaching professionalism and school productivity. The connection between teacher quality and student achievement makes it imperative for state policymakers to reform what and how teachers in Texas public schools are paid. If students are to achieve high levels of academic proficiency, teachers must be paid in a way that recognizes the demonstrable impact of effective teaching—with differentiated, performance-based pay. Salaries of comparable private sector professions offer a model for reform. It is time for the state legislature to substitute standards for regulations, and to give schools the authority they need to make the employment decisions necessary to improve student achievement.

## Policy Recommendations:

- Phase out the uniform salary schedule and all laws regulating school employment decisions.
- Establish state standards for district management of human resources.
- Create a state teacher salary incentive program and dedicate a specific percentage of state funding to differentiated, performance-based salary for teachers. Invite schools to submit competitive bids that target funds for (a) teachers to take hard-to-place positions, both in shortage areas and in low-performing campuses, and (b) performance-based pay incentives.

- Set state standards for differentiated salaries, based on objective measures of (a) student performance (including *changes* in test scores); and (b) teacher performance (including contributions to other teachers and whole school improvement).
- Require school districts to implement programs that affect the value of teacher salaries, including (a) improving the school environment for teaching and learning; (b) expanding professional development associated with classroom instruction; and (c) creating opportunities for career development that keep highly effective teachers in the classroom.
- Align salaries, performance, and accountability: Set significantly higher standards for student achievement that recognize the potential of teacher impact—strengthen curriculum and assessments to meet higher standards—and hold students, teachers, administrators, and schools accountable for results.

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## About The Authors

Chris Patterson is the director of the Education Policy Center and the Foundation’s research director. Jamie Story is the education policy analyst, who focuses on K-12 math-science reform. These two individuals work in the Foundation’s Center for Education Policy. The Center’s primary focus is to champion market-based, proven reforms to improve public education in Texas by researching, developing, and promoting reforms that:

- Free public schools from needless government bureaucracy;
- Foster respect for the teaching profession;
- Create incentives for schools to respect parents, students, and taxpayers as customers;
- Create incentives for continuous quality improvement, public involvement, and efficient use of resources; and
- Expand competition and educational choice as a means for all families, especially economically-disadvantaged families, to gain greater access to a quality education.

To achieve these goals, the Center produces comprehensive research reports, literature reviews, and brief policy analyses; develops and promotes practical, market-based, proven solutions to improve the education of all Texas youth; and informs and engages policymakers, community leaders, corporate leaders, policy groups, the public, and media in solving the critical education problems facing Texas today.

## Introduction

Teachers and educational associations believe that teachers are underpaid. Many taxpayers agree, but researchers are divided on the issue. Over the past several decades, the Texas Legislature has supported regular increases in teacher pay, and, believing that pay is still too low, state policymakers proposed a general increase for all teachers—plus incentive pay—during the last legislative session. Because the session concluded without passing the education reform omnibus, the teacher pay debate will continue into the upcoming 80<sup>th</sup> Session of the Texas Legislature.

Are teachers in Texas public schools paid too little? How much pay is “right?” What is the best way to pay teachers? Who should decide what teachers should be paid? The answers to these questions will frame reform of the state salary system for teachers and, because of the important role teachers play in classroom learning, will support—or undermine—efforts to improve Texas public schools.

Listening to school administrators, it is clear that the “right pay” is a salary that attracts and retains sufficient staff to place a qualified teacher in every classroom. For teachers, it is clear that the “right pay” gives them financial parity with other professions open to individuals with bachelor’s degrees—a competitive salary that increases remuneration and respect for the profession of teaching.

Because salaries for teachers in Texas public schools are largely governed by state law, teaching suffers a competitive disadvantage with most other professions where the labor market determines salary. In teaching, as in all markets, government regulations exert a strong impact on price and supply, as well as quality. Over the past several decades, this impact has changed public perception about teachers. Although public school teaching is one of the largest, fastest growing professions, American scholar Jacques Barzun observes “Teaching is not a lost art, but regard for it is a lost tradition.”<sup>1</sup>

This report will evaluate the adequacy of pay for teachers in Texas public schools by using various standards, and explore how Texas can restore regard for teaching, invigorate the market for teaching professionals, and improve the quality of teaching and learning by establishing a teacher pay system that mirrors pay of private sector professionals.<sup>1</sup>

## Good Teachers Matter

The importance of teachers has always been recognized, but only recently have we learned just how much teachers matter. Researchers now attribute roughly 40 percent of differences in annual academic achievement to teachers and to schools—this influence is even greater when one considers that the remaining 60 percent is associated with previous teachers, prior achievement, classroom peers, and socio-economic background.<sup>2</sup> With highly effective teachers, students can actually achieve a whole year of additional academic growth on top of expected annual gains.<sup>3</sup> Researchers find the academic benefit of switching from an average teacher to a highly effective teacher is twice as large as the effect of a 10 percent reduction in class size.<sup>4</sup>

While important for all students, highly effective teachers are most important for lower achieving students. Low performing students gain significantly more academic benefit from effective

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<sup>1</sup>Although benefits and certification requirements bear on teacher pay and quality, the authors examined neither in this report, believing their complexity dictates the need for a thorough, separate analysis.

teachers than do students of average or even high ability.<sup>5</sup> Teacher effects have been found both immediate and cumulative over a student's schooling. Students who are matched with strong teachers for three consecutive years are able to achieve at a level more than 50 percent higher than their classmates who were assigned to weak teachers, and within three to five years, students who remain with strong teachers are fully able to erase the achievement gap associated with race, ethnicity, and income.<sup>6</sup>

The evidence of academic gains with highly effective teachers makes it clear that Texas public schools could and should expand the pool of highly effective teachers. Although achievement has steadily improved for Texas' elementary and middle school students (according to state assessments and the National Assessment of Educational Progress), few young students are making the significant gains that are known to be possible with highly effective teachers. In Texas high schools, the need for highly effective teachers is more urgent. Over the past decade, there has been no significant improvement in high school outcomes, either in the percent of students who graduate with a diploma or their preparation for post-secondary experiences.<sup>7</sup> Developing a workforce of effective teachers is essential if students are meet state goals for high levels of student learning.

## Are Texas Teachers Paid Too Little?

Money matters in recruiting and retaining teachers, although researchers strongly disagree about *how much* money matters. Teachers in Texas public schools believe they are underpaid. But is it true? Several different standards can be used to evaluate the adequacy of teacher pay and each evaluation offers a different perspective.

### Using National Average Teacher Pay as the Standard for Teacher Pay

Teacher associations in Texas champion national average pay as the gold standard for evaluating teacher pay and argue that average teacher pay for Texas public schools should, at the minimum, reach the national average. Surveys of average state teacher salaries are conducted annually by the National Education Association (NEA) and American Federation of Teachers (AFT).

If the "right pay" for Texas public school teachers is based on national salary averages, average pay for Texas teachers is too low. The AFT's 2005 survey reports that Texas teachers earned an average salary of \$40,476 for the 2003-04 school year—about \$6,100 less than the national average of \$46,597.<sup>8</sup> The NEA's 2005 report was very similar. For the 2004-05 school year, the NEA reported that average teacher salary for Texas was \$41,009—almost \$6,000 less than the national average (\$47,750) for the 2004-05 school year.<sup>9</sup>

However, there are sound arguments *against* using national salary averages as the standard for Texas or any state to determine teacher pay. The strongest argument is presented by the NEA itself. Salary statistics, warns the NEA, "alone should not be the basis of evaluating state or district compensation..." because they furnish limited information about the real value of salaries.<sup>10</sup>

National salary averages are poor standards because they do not take into account actual economic value or spending power of the dollars. To understand the real value of salaries, it is necessary to consider cost of living.

A cost-adjusted examination of teacher salaries was published by the Southern Regional Education Board in 2001. SREB examined teacher salaries in several states, including Texas, and found that teachers in Texas public schools were paid comparably to the national average wage when cost of living was considered.<sup>11</sup>



A recent study of teacher pay in 50 U.S. cities by the National Center for Policy Analysis demonstrates the importance of considering living costs on the practical value of salaries. In San Francisco, the average annual salary of elementary teachers ranked as second highest of the 50 cities at \$59,824; however, when adjusted for cost of living, the value of this salary fell to \$32,663—which moved San Francisco teachers to second lowest paid of the surveyed cities.<sup>12</sup> In this study, the average salary of some teachers in Texas public schools showed close to top of the list when adjusted for cost of living. High school teachers in Fort Worth earned the fourth highest teacher salaries in the 50 cities, and El Paso, Dallas, and Houston ranked sixth, thirteenth, and fifteenth, respectively.<sup>13</sup>

For salary comparisons to be meaningful, cost of living must be considered. One way to consider the cost-adjusted value of average salary for Texas teachers is to use a formula recently published in an analysis of the state economy by the Texas Public Policy Foundation. According to this formula, Texans have extra purchasing power—10 percent on every dollar—when wages, taxes, and cost of living are considered.<sup>14</sup> The real value of average teacher pay in Texas, using this formula, appears to fall just short of the national salary average by \$2,000. This analysis seems reasonable, given that recent average annual pay increases for Texas public school teachers have not risen as quickly as inflation; between the 2002-03 and 2003-04 school years, average pay rose 2.2 percent for Texas teachers, while inflation was 2.7 percent.<sup>15</sup>

Nevertheless, before concluding that average teacher pay in Texas is too low, other facts must be considered. The state minimum pay scale was increased for the 2005-06 school year, providing an average pay increase of 2.76 percent.<sup>16</sup> Even adjusted for the cost-of-living, salary averages are truly poor standards for evaluating the adequacy of teacher pay and for making policy decisions. Salary averages mask considerable variation from district to district and even within schools. Salary averages also distort what teachers are actually paid because they represent only base pay. Salary averages omit salary supplements—provided to teachers for such things as hiring bonuses, working in shortage areas, and having master’s degrees. Approximately 50 percent of Texas school districts pay salary supplements on top of base salary that are not reflected in reported salary averages.<sup>17</sup>

Putting the facts together, a comparison of average state teacher pay with national average pay provides no definitive answer about the adequacy of average salaries for Texas teachers, even when salary averages are adjusted for cost of living. The facts do suggest that some teachers in Texas public schools are paid handsomely, far above the national average after considering cost of living, while highly effective teachers and teachers in difficult-to-place positions may well be underpaid.

### **Using Salary Comparisons with Similar Occupations as the Standard for Teacher Pay**

Another way to evaluate the adequacy of teacher pay is to compare starting pay or average earnings of teachers with individuals in similar occupations. However, this approach is fraught with difficulty—the outcomes vary widely, depending on the researcher. Looking at hourly wage data reported by the Bureau of Labor Statistics, Lawrence Mishel and associates found a 23.4 percent average salary difference between public school teachers and like professions (Economic Policy Institute).<sup>18</sup> For Frederick Hess, this same data indicate that public school teachers earn on the average about 10 percent *more* than the typical professional (American Enterprise Institute).<sup>19</sup>

Other researchers take a position halfway between these two extremes. Using data from the U.S. Census Bureau and the U.S. Department of Education, the National Council on Teacher Quality notes that median salary of teachers is significantly lower than salaries for other professions with bachelor's degrees (although also noting that teachers earn significantly more than most other professionals when salary is calculated on an hourly basis);<sup>20</sup> Between 1991 and 2001, median salaries for individuals with a bachelor's degree rose by 33 percent for males and 44 percent for females, while during the same period of time, teacher salaries only rose by 31 percent.<sup>21</sup>

The difference between average annual salaries of teachers and other college graduates is most marked in technical fields—such as nursing, accounting, computer science, and engineering.<sup>22</sup> As a matter of interest, average salaries of teachers in Texas public schools have always exceeded the average state income; in 2002, teachers earned an average income of \$39,232<sup>23</sup> while the average Texan earned \$36,248.<sup>24</sup>

These salary comparisons fall apart, though, when pay is computed and compared on an hourly basis. Teachers work significantly fewer hours than other occupations; teachers are generally paid for a 38 to 40 week work year, whereas other professionals are paid for a 52 week year. Based on the 2000 Bureau of Labor Statistics' computation of earnings for the work year, average hourly pay for professional specialties was \$27.49—whereas elementary teachers earned \$28.79 per hour and secondary teachers earned \$29.14 per hour.<sup>25</sup> With this comparison, teachers earned more per hour than architects, statisticians, biological scientists, civil engineers, and university-level foreign language teachers.<sup>26</sup> *When teacher pay is calculated on the basis of hours worked, their hourly earnings ranked on a par with nuclear engineers, computer scientists, and dentists.*<sup>27</sup>

Many debate whether salary comparisons should be conducted on an *hourly* or *annual* basis, but at the end of the day, salary comparisons offer limited information about the adequacy of teacher salaries. In fact, the Southern Regional Education Board strongly suggests that average salary comparisons should *not* be used as the basis for policy decisions.<sup>28</sup> The best standard for determining if teacher salaries are adequate, according to SREB, is whether teacher salaries attract and retain the best teachers.

## Using the Market to Determine the “Right Pay” for Texas Teachers Today

The most reliable standard for teacher salaries, that recommended by SREB, is the current marketplace. Are salaries sufficient to allow Texas public schools to attract and retain a sufficient supply of qualified teachers? One of the fundamental principles of economics is that price is based on supply and demand. If the supply of teachers meets demand, then the price—teacher salary—is adequate.

There are some who believe the best way to measure teacher supply is by high attrition or turnover—thinking that low pay drives teachers to leave the classroom. However, there is sound evidence challenging the assumption that Texas public schools experience high attrition or turnover.

In a soon-to-be published report for the Texas Lyceum, Dr. Edward Fuller at the University of Texas-Austin documents that teacher attrition in Texas high schools is rising, and low salaries are stimulating teachers to leave their classrooms.<sup>29</sup> However, the State Board for Educator Cer-

tification found *scant* evidence that teachers are leaving Texas public school classrooms for reasons of pay, although the Board does find evidence that attrition is rising (from 15.5 percent in 1999<sup>30</sup> to 17.44 for 2001-2004<sup>31</sup>).

Examining the same population of teachers, the Texas Schools Project finds no evidence of rising attrition. Instead, the Project documents a slightly higher, but steady, annual rate of teacher turnover or attrition at 18 percent—a rate that is slightly below the average national teacher turnover rate of 20 percent.<sup>32</sup> Their research indicates that working conditions, much more than salary alone, serves as the primary reason Texas teachers leave the classroom.<sup>33</sup>

In Texas, teacher surveys, conducted by organizations across the ideological spectrum, reveal the relative unimportance of salaries in employment decisions. The most notable include annual surveys by Dr. David Henderson for the Texas State Teachers Association<sup>34</sup> and Dr. John Pisciotta for the Texas Public Policy Foundation.<sup>35</sup> Nationally, however, researchers continue to debate the role salary plays in teacher turnover. While the RAND Corporation links higher salaries to lower teacher turnover,<sup>36</sup> the opposite finding is demonstrated by Dale Ballou and Michael Podgursky's review of research on teacher pay.<sup>37</sup>

Salaries really matter to teachers when they work in difficult environments (such as low-performing, urban schools where teachers are concerned about discipline and safety); research suggests that a 25 to 40 percent salary increase is required to keep Texas teachers in low-performing schools.<sup>38</sup>

The market actually does provide reliable information about the adequacy of teacher salaries, despite the vagaries of teacher attrition or turnover. In Texas public schools today there is no overall shortage of teachers; in fact, there are more certified teachers in Texas than there are public classrooms, and public schools fill all open teaching positions.<sup>39</sup> Because the overall supply of teachers generally meets the staffing needs of Texas public schools today, it might be assumed that teacher salaries are about right.<sup>40</sup> This assumption would not be completely correct.

While there are more teaching applicants than open positions in Texas public schools, most schools do experience teacher shortages for certain *types* of positions—particularly math, science, and special education teachers. When this happens, schools generally hire certified teachers, but hire teachers for positions outside of their areas of certification.<sup>41</sup> During the 2003-04 school year, approximately 11 percent of elementary teachers and 22 percent of middle and high school teachers taught classes they were not certified to teach.<sup>42</sup> Small districts, particularly in remote rural areas, are more likely to experience shortages in a broader range of instructional areas.<sup>43</sup> Shortages are most acute in high-poverty, urban schools.<sup>44</sup>

In short, the market for public school teachers seems to indicate that many teachers currently employed are adequately paid—but salaries are too low for certain types of teaching specialties, and hard to staff rural and urban schools.

## Using the Market to Determine the “Right Pay” for Teachers Tomorrow

Looking at the individuals who are *choosing* to enter teaching, but not yet employed by public schools, also provides important information about the adequacy of teacher salaries. The percentage of individuals going into teaching who ranked among the top 10 percent of their high school class fell from 20 percent in 1964 to just over 11 percent in 2000.<sup>45</sup> According to data collected by the National Center for Education Statistics, college students with low standardized

test scores are more likely to major in education and become primary or secondary teachers than students with the highest scores.<sup>46</sup>

In other words, the teaching profession is attracting fewer and fewer high-ability individuals. At the same time, the percentage of *all* college students who choose teaching has also been falling—from 26 percent in 1968 to 10 percent of college freshman.<sup>47</sup> These disturbing statistics do not bode well for maintaining an adequate supply of teachers or for significantly expanding teacher quality.

Considerable research has been conducted to determine why so few individuals, particularly high ability individuals, are becoming teachers. Two reasons are commonly cited: salary and career opportunities. When salary is annualized, individuals with a bachelor's degree can earn significantly higher pay outside the field of public school teaching. At least 16 professional and management occupations—comparable in terms of required knowledge, level of supervision and scope of responsibility—earn on the average of 15 percent more than K-12 teachers.<sup>48</sup>

Teacher salaries look even less competitive when considered on the basis of lifetime earnings. Not only is average annual pay less competitive for teachers, teachers also have less ability to expand earnings over time, and to achieve the high salary levels that are available to high performers in other occupations.

In Texas and elsewhere throughout the nation, a uniform or single salary schedule largely governs what and how public school teachers are paid. Most teachers must work for more than 20 years before they can earn a base salary of \$50,000.<sup>49</sup> After 20 years, teachers in Texas reach maximum base pay of \$41,930.<sup>50</sup> The difference between minimum and maximum base pay is so narrow that teachers have little or no likelihood of doubling their initial salaries. Nor is there any opportunity for high-performing teachers to achieve financial recognition for their contribution. Researchers believe that salary compression and loss of potential earnings explain about 80 percent of the reason that individuals, particularly high ability individuals, choose a career other than teaching.<sup>51</sup>

Limited career opportunities in the field of teaching also discourage individuals, particularly high ability individuals, from entering the profession. Over the past several decades, occupations that were long dominated by males, particularly technical professions that pay high salaries, have been opened to college-educated women. Unlike teaching, private sector professions offer a variety of career opportunities and possibilities for promotion, as well as financial recognition for individual contributions to organizational success.

If Texas public schools are to recruit and retain high ability individuals in the years to come, teacher salaries must dramatically change and become competitive with similar occupations—replicating the way and amount that professionals in the private sector are paid.

## Professional Pay for Professional Educators

Incentives matter. For understanding the labor market, no other economic principle offers greater explanatory power. People make employment decisions based on the expectation of financial and psychological rewards. Consequently, Texas policymakers must create the right incentives for teacher pay to expand the supply of qualified teachers presently needed to staff public schools and to create an increasingly effective teaching workforce needed for schools of tomorrow.

The state's uniform salary schedule requires Texas school districts to pay teachers a minimum monthly salary that is based on years of experience. Setting annual salary increases for each year of experience, up to 20 years, the schedule creates annual across-the-board increases that districts customarily issue, although there is no state requirement for salary increases as long as teachers are paid at or above the minimum rate.

Both positive and negative incentives are established by this system of pay. It provides a positive incentive for teachers to stay in the classroom for at least 20 years—an incentive that is reinforced by state laws governing employment. The Education Code shields teachers from being dismissed without just cause and due process<sup>52</sup>—laws that function as a form of tenure and replace union job protections unavailable to teachers because Texas is a “Right to Work” state.<sup>53</sup> These laws are reported to set such a high threshold for dismissal that districts rarely terminate employment contracts of experienced teachers unless teachers have engaged in criminal activities or are blatantly derelict.<sup>54</sup>

Dismissing a teacher is prohibitively resource intensive and occurs very rarely, according to one national study—on the average public schools let go “only one teacher a year for low performance.”<sup>55</sup> A recent study of five urban school districts in the nation reports that passing along poorly performing teachers to other schools “may be a rational response to the absence of a viable pathway for legitimately dismissing poorly performing tenured teachers” (although the study describes this as a “terrible management practice”).<sup>56</sup> Approximately one-third of the superintendents interviewed for this study reported they had encouraged a poorly performing teacher to transfer to another school.<sup>57</sup>

Protected employment and regular annual salary increases, offered to every teacher regardless of performance, have proven a powerful incentive for teachers to maintain the status quo and an equally strong disincentive for teachers to make above average contributions.

The uniform salary schedule establishes disincentives that make it difficult for school districts to place qualified teachers in difficult-to-recruit positions, schools, or localities. Having little authority over pay and employment, school districts have limited ability to change teacher behavior, reform classroom instruction, and set challenging goals for teaching.

Many school districts pad the Texas salary schedule to add on the financial incentives necessary to recruit and retain teachers. Many school districts hire teachers at a salary far above the scheduled minimum—in the 2004-2005 school year, actual average starting salary for teachers was 19 percent higher than the first salary step.<sup>58</sup> At least 50 percent of Texas school districts supplement their base pay with hiring bonuses, stipends for extra duties, bonuses for longevity and attendance and salary incentives for shortage areas.<sup>59</sup> Despite these incentives, close to 90 percent of school districts continue to use the state salary schedule as the framework for teacher pay and annual raises<sup>60</sup> and, despite manipulations of the schedule, chronic teacher shortages remain throughout Texas public schools.

Incentives are very different for employees and employers outside the teaching profession, particularly in the private sector. Current protections providing teachers with a safe haven of employment are unmatched in any other field. Most employees do not have employment contracts, statutory due process clauses, a state-established salary schedule, or annual across-the-board raises. Individuals in the private sector earn 100 percent of their pay based on performance—individuals are paid if they meet job expectations and discharged if they do not. In other words,

all individuals earn performance-based pay in the private sector. Higher salaries, in part, compensates employees for the increased risk taken in private sector jobs, which stand in contrast to the job security and lower pay associated with public school teaching.

Across-the-board pay increases are rare in the private sector; salary increases are generally individualized, in terms of timing and amount. Unlike the teaching profession, differentiated pay is common. To increase productivity and recognize strong performance, many companies award salary supplements to reward strong performance or reaching optional job objectives in the form of merit bonuses or performance incentives.

Unlike the teaching profession, private sector professionals have undetermined, sometimes unlimited, opportunities for financial remuneration and promotion or career development. These incentives—performance-based employment, differentiated pay, salary incentives, high earnings capacity, and career opportunities—encourage private sector professionals to achieve at high levels and rapidly adapt to higher job standards and different performance objectives. These incentives and the absence of regulatory job protections enable private sector employers to be more organizationally flexible, market-responsive, creative, and productive.<sup>61</sup>

For teacher salaries in Texas public schools to replicate the elements of private sector professional salaries, therefore, local and state policymakers must work toward:

- Eliminating the uniform salary schedule;
- Encouraging salary flexibility, eliminating salary ceilings and floors;
- Allowing the labor market to determine salary levels;
- Connecting pay with performance;
- Paying teachers a competitive salary that allows districts to fill positions;
- Differentiating teacher pay;
- Establishing salary incentives for teachers to achieve new instructional targets and achieve at high levels; and
- Elevating the salaries of the teaching workforce to compete with similar professions as the pool of highly productive teachers grows.

## **More Money Is Not Enough Across-the-Board Salary Increases Do Not Work**

Although there is pervasive sentiment for boosting all teachers' salaries across-the-board, there is no evidence that wholesale increases will reduce turnover or improve teacher quality. In fact, national research provides plentiful evidence to the contrary.<sup>62</sup> Analyses of spending and learning in Texas public schools indicate that increasing salaries has no discernable affect on student performance.<sup>63</sup> To improve teacher recruitment and retention, Texas policymakers must target salary increases and connect them with other reforms, particularly higher student performance standards and stronger teacher accountability for results.

## **Working Conditions Matter**

Simply increasing salaries will not improve teacher recruitment and retention because pay does not top the list of reasons that teachers stay in or leave the classroom. Numerous state and na-

tional surveys show that working conditions are much more important to teachers than pay. Teachers cite student discipline, administrative problems, school district policies, and the inability of teachers to participate in school decision-making as their highest concerns.<sup>64</sup> When teachers were asked to weigh in on the importance of salary by Public Agenda, a majority of teachers said they would choose schools with well-behaved students and supportive parents and administrators over schools that paid higher salaries.<sup>65</sup> To improve recruitment and retention, Texas policymakers must encourage school districts to improve working conditions for teachers—those conditions that are also learning environments for students—along with salary reform.

## Professional Opportunities Matter

High percentages of teachers indicate the need for a wider range of opportunities for career advancement, when surveyed about the changes needed in public schools today.<sup>66</sup> For teachers who wish to remain in the classroom, new career opportunities and promotion are generally limited. To improve teacher recruitment and retention, Texas policymakers must encourage school districts to expand professional opportunities within the classroom for effective teachers.

## Who Makes Decisions Matters

Teachers' need for flexible, differentiated, market-responsive salaries is linked to the need for decentralized decisions about salary and other conditions of employment. School districts, not state policymakers, are most able to make decisions about human resources. It is unreasonable to hold school administrators accountable for educational outcomes unless they have unabridged authority for hiring and firing the individuals who, in large part, determine student achievement. To improve teacher recruitment and retention, Texas policymakers should give autonomy to school boards and administrators regarding employment and salaries. In doing so, policymakers should establish standards for efficient, responsible district policies to allay concerns about salary favoritism, a problem associated with Texas Teacher Career Ladder (the salary system preceding today's uniform salary schedule).<sup>67</sup>

## Resource Allocation Matters

The importance of how schools allocate resources has become increasingly evident as public education faces increased competition for state dollars from other government functions, particularly health care. Recent research on school district spending strengthens the importance of careful budgeting and allocation of money. Both national research and research examining Texas public schools demonstrates the importance of prioritizing funding education dollars for classroom instruction.<sup>68</sup> Studies show that student achievement improves when districts invest the larger the proportion of total district spending on classroom instruction—although no strong relationship has been demonstrated between higher district spending overall and student achievement.<sup>69</sup>

Because students benefit when classroom instruction is the financial priority, funding for classroom teachers should represent the highest priority for schools. This is not the case, however, for Texas public schools. Recent examinations of district resource allocation suggest that non-teaching personnel are growing at a significantly higher rate and their pay is growing at a faster rate than teachers. From 2001-2005, the number of full time teachers has grown 8.7 percent while administrative staff grew by 12.6 percent and auxiliary staff grew by 11.6 percent.<sup>70</sup> The ratio of teaching to non-teaching staff is 1.06 in Texas public schools—20 percent greater than the national average.<sup>71</sup> In salaries, districts also prioritize non-instructional over instructional staff. During 2001-2005, teacher salaries increased 8.7 percent while administrative salaries increased 12.2 percent and salaries for auxiliary staff increased 16.7 percent.<sup>72</sup>

District spending priorities may change as a result of new state policy that sets 65 percent as a minimum standard for district investment in classroom learning.<sup>73</sup> This standard could shift an additional 4 percent of total district funds into classrooms, freeing up approximately \$1.6 billion for funding teacher salary increases—without any changes in staffing or higher taxes.<sup>74</sup>

However, districts could and should look at staffing decisions as one means to make more money available for teacher salaries. Limiting the growth of non-instructional personnel, who make no material contribution to student learning (such as public relations specialists, adult education teachers, and social workers), would free up current funds for instructional salaries. Another opportunity to improve resource allocation and create additional funding for teacher salaries is provided by student-teacher ratios.

For any given number of students, Texas public schools employ 8 percent more teachers than the national average; the student-teacher ratio in Texas is 14.8 compared to the national average of 15.9.<sup>75</sup> While research indicates there is some academic value in small sizes for early elementary grades and benefits for under-performing students, there is no evidence that small classes provide measurable academic gains for most students.<sup>76</sup> Expanding class size, where there is no demonstrable academic benefit for students, offers districts a way to improve resource allocation and free up funds for improving teacher salaries.

Texas policymakers should set standards, create incentives, and hold districts accountable for efficient resource allocation that prioritizes classroom learning. For districts to achieve state goals for student learning, it is important for classroom teachers to be a financial priority.

## Teacher Quality Matters

No individual, other than a parent, has a greater impact on a child than a teacher. Whether a student masters required learning, performs at high academic levels, closes the achievement gap between student groups, or fulfills individual potential is largely dependent on teachers. The material difference between the educational outcomes of students with weak, average, and highly effective teachers requires state leaders to craft policy that promotes the hiring and retention of great teachers—as well as the dismissal or more suitable reassignment of weak teachers.

## Reforming the State Teacher Salary Schedule

In response to labor market demands, many school districts in Texas and other states have departed, in part or whole, from the state-determined uniform salary schedule. Their efforts, some of which are described below, offer valuable insights into creating a fully market-responsive, differentiated salary system for teachers in Texas public schools. These descriptions reveal that there are many different forms of performance-based pay, such as salary bonuses for hiring, stipends for taking difficult-to-place positions, merit pay for superior performance, one-time salary supplements, permanent salary supplements, supplements for individual teachers, and supplements for groups.

- Dallas ISD established performance pay as a component of district accountability in 1990 to improve student achievement—awarding campus bonuses on the basis of test score gains, student attendance, grade-to-grade promotion, drop-out rates, enrollment in advanced courses, and scores on tests of post-secondary readiness.<sup>77</sup>
- In June 2005, Houston ISD created a salary plan designed to turn around three low-performing schools—offering teachers the opportunity to earn \$3,000 bonuses annually for meeting state goals for student achievement.<sup>78</sup>



- Aldine ISD’s salary program has earned wide, well-deserved acclaim for linking bonuses to individual student and individual school success. “Recognition, Interventions, and Adjustment”—Aldine’s theme for the program—describes the intimate relationship between student achievement, teacher performance, salaries, and school quality.<sup>79</sup> Bonuses are based on a combination of measures (student attendance, teacher retention, percentage of students passing state assessments, and percentage of students scoring at a specific level of achievement gains on assessments), and paid to campuses where a school committee determines how money is distributed to staff within the school.<sup>80</sup>
- Passing legislation in 2001, Iowa was the first state in the nation to enact a statewide plan for compensating teachers on the basis of performance. Districts are given the choice of participating in one or all of the different supplemental salary programs—mentoring and induction, career paths or variable pay.<sup>81</sup>
- In 1994, Douglas County, Colorado established a performance pay system, ratified by 90 percent of teachers and teachers continue to vote on the system annually, that provides a base salary schedule for all teachers and bonus incentives to teachers who elect to participate in the performance pay system. Incentives are paid to individuals, groups of teachers, and schools.<sup>82</sup>
- In Denver, 15 schools participate in a performance pay system that began in the 1999-2000 school year—the system was designed collaboratively by school leaders and the Denver Classroom Teachers Association.<sup>83</sup> The emphasis placed on student performance by the Denver effort, and the evidence of enhanced student performance, has prompted some to describe this as the nation’s first real teacher performance pay system.<sup>84</sup>
- In 2000, voters in Arizona authorized a sales tax increase that dedicates revenues for teachers to earn performance-based pay—the Teacher Advancement Program, an initiative of the Milken Family Foundation, helps schools design performance-based accountability for public schools in Arizona. TAP is based on five principles: multiple career paths, market-driven compensation, performance-based accountability, applied professional development, and expanding the supply of highly effective teachers.<sup>85</sup>

Although there is a fairly large body of research that describes differentiated, market-based, and performance pay in public schools throughout the nation, there is a limited amount of empirical research examining the academic outcomes of professional teacher salary systems. Research has been limited by the difficulty in measuring student outcomes associated with salary reforms; technical challenges of definitively isolating the impact of one reform when many reforms are initiated simultaneously remain unperfected. Additionally, there are many relatively new salary programs that have yet to prove themselves while many of the older programs were not fully implemented or completely funded.

Limitations of research in the public school setting can be bridged, however by referencing the wide, successful use of salary incentives and differentiated salaries in the private sector. This is not to say there is no evidence of successful salary alternatives in public schools. The research currently available shows solid evidence that salary incentive systems in public schools have a positive impact on educational outcomes and absolutely no evidence that salary reforms harm teacher recruitment/retention or student performance.

The Urban Institute, producing what is inarguably some of the most comprehensive research on the nation’s public school salary incentive programs, provides both descriptions of systems and positive findings in the compendium entitled *Issues and Case Studies in Teacher Incentive*

*Plans.*<sup>86</sup> Another primary resource for research on teacher salary incentives is the Consortium for Policy Research in Education at the University of Wisconsin-Madison. The Consortium’s extensive research notes growing evidence of the effectiveness of performance-based teacher salary systems and concludes that performance-based salary systems offer a potentially useful tool for improving student achievement.<sup>87</sup>

The cumulative experience of schools throughout the state and nation offers state policymakers good information about what works—and what does not—to use in designing a new teacher salary system for Texas. Differentiated, market-responsive, performance pay systems should be:

- Created as a collaborative effort that includes all stakeholders from the beginning;
- Designed by school districts, with the state providing the framework and standards;
- Offered to teachers as an optional form of compensation until systems have proven successful;
- Established as a long-term commitment, particularly of resources;
- An incentive or reward for individuals and groups;
- Guided by clear, explicit goals and objective measures;
- Closely linked to standards for teaching, standards for student learning, performance appraisals, solid assessments of student learning, data collection and analysis, and quality professional development;
- Explicitly linked with teacher performance appraisals that are aligned with teaching standards, student learning objectives, and professional development; appraisals must incorporate a variety of measures, be objective and fair, and measure what teachers can legitimately be held accountable for achieving;
- Based on assessments of student outcomes that include a variety of measures and include achievement gains;
- Financially meaningful—providing competitive salaries and incentives that represent a seven to eight percent increase;<sup>88</sup> and
- Designed with measures to evaluate the success of the system and mechanisms to allow necessary adjustments.

Creating a fully market-responsive salary system with incentive and differentiated forms of pay need not be prohibitively expensive. In fact, differentiated salaries and salary incentives could be established today with current funds—supplemented by the Governor’s new salary incentive program and federal funds specifically designated for this purpose by *No Child Left Behind*. Reallocation that prioritizes classroom spending will provide additional funds for teacher salaries.

## **Reform Ahead: Professional Pay for Professional Educators**

In reforming the state teacher salary system, Texas policymakers face two major challenges: alignment and incentives. For the “right pay” and “right pay system,” the legislature must establish policies that align teacher pay with state goals for student achievement—and, in these policies, create incentives that encourage teachers to become increasingly productive and encourage schools to manage human resources efficiently.

The current system is dysfunctional. It provides no alignment between teaching and student outcomes, and it hampers the capacity of Texas public schools to recruit and retain effective teachers, a capacity which is fundamental to improving student performance and closing the achievement gap between student groups in Texas public schools.

Independent efforts of many school districts, working around the salary schedule, herald the need for state policy reform. The first step toward a new salary system for teachers was recently taken by Governor Perry. His executive order directs the commissioner of education to establish salary incentives for highly effective teachers in economically disadvantaged schools and sets aside \$10 million for teacher incentives.<sup>89</sup>

Teachers in Texas public schools need a better salary system, and salaries should be increased for some teachers, as well as some teaching positions. Providing overall increases in teacher salaries, however, would be unwise—unwarranted for some teachers, prohibitively expensive for meaningful increases, and unlikely to result in higher recruitment, retention, or quality of teachers. These goals can be achieved by targeted salary increases, differentiated pay, linking pay to performance, and employment incentives. School administrators, as well as teachers, need a market-responsive, competitive teacher salary system in order to recruit and retain effective teachers. Last, but not least, students in Texas public schools need a better salary system for teachers, so that students have a better opportunity to experience highly effective teachers.

Creating a differentiated, market-responsive system of teacher pay will require Texas policymakers to craft a new role for state government and restore a measure of local control. State government will have to transfer authority for employment decisions, including salaries, to school districts and replace state regulations with standards, incentives, and accountability.

Now is the time for Texas to create the “right pay” and “right pay system” for public school teachers. It is needed to recruit and retain teachers for schools today. It is absolutely necessary for expanding and improving the productivity of tomorrow’s workforce. Reforming the teacher salary system promises to serve as a reliable vehicle to improve teacher quality, restore respect for the teaching profession, and, most importantly, provide all students in Texas public schools with the opportunity to acquire the academic skills they need to be successful.

## Policy Recommendations

- Phase out the state uniform salary schedule.
- Phase out laws and regulations limiting schools’ ability to make employment decisions.
- Establish state standards for district human resource decisions.
- Dedicate a specific percentage of state public education funding to differentiated and performance-based salary for teachers (professional salary plan).
- Invite school districts to submit competitive bids for state incentive funds.
- Award grants for professional salary plans to districts that target funds to teachers in (a) hard-to-place classrooms, both in shortage areas and on low-performing campuses, and (b) performance-based pay incentives.
- Require all districts that receive state salary grants to provide some form of performance-based salary options:

- Using objective measures of student performance (including *changes* in test scores, attendance, student conduct, advanced course taking, and school completion);
- Allocating funds to campus and individual teachers; and
- Recognizing no more than the top 25 percent of campuses and teachers.
- Require districts to include plans that have been developed by teachers and taxpayers.
- Require school districts to implement programs for improving the school environment that teachers develop, implement, and monitor.
- Create state incentives for school districts to expand performance incentives and create differentiated salary programs for all school personnel.
- Create state incentives for school districts to expand professional opportunities to keep highly effective teachers in the classroom.
- Set significantly higher standards for student achievement that recognize the potential of teacher impact—strengthen curriculum and assessments to meet higher standards—and hold teachers, administrators, and schools accountable for results.
- Create incentives for districts to evaluate resource allocations and improve financial efficiency.

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## About This Report

Although public school teaching is one of the largest and fastest growing occupations, some researchers contend both supply and quality of teachers are jeopardized throughout the nation—by the declining numbers of youth entering the profession, salaries that do not compete with comparable professions, and diminishing public regard for the profession. Many believe that teacher salaries are largely to blame.

Teachers in Texas public schools are underpaid, according to teachers and educational associations. Is this true? This report evaluates the adequacy of pay for teachers in Texas public schools by using various standards, and explores how Texans can restore regard for teaching, invigorate the market for teaching professionals, and improve the quality of teaching and learning by establishing teacher pay that mirrors pay of private sector professionals.

