

Teachers Win with School Choice

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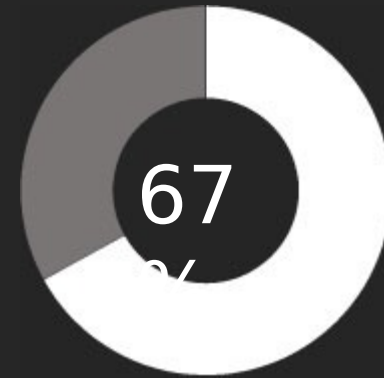
Policy Orientation 2015



Good Teachers Should Be Paid More

Texans say increasing teacher pay would improve educational outcomes.

(2014 Texas Tribune / UT Austin Poll)



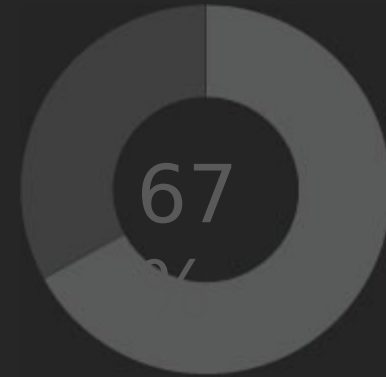
Common Solution:
Increase spending through state law.



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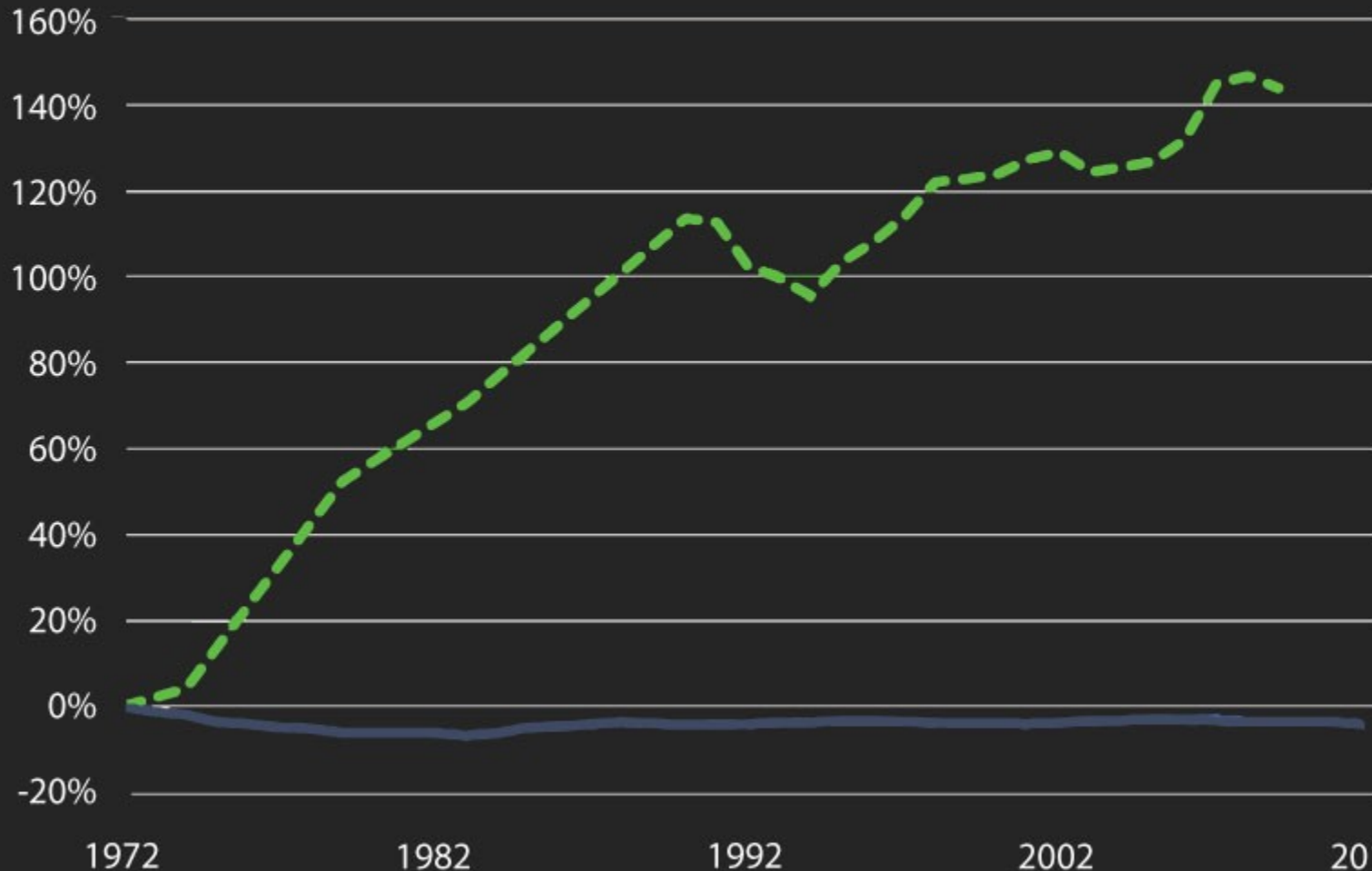
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Texas Education Trends: Spending & Achievement

--- Dollars per Pupil (Adjusted for Inflation)
— SAT Score (Adjusted for Participation & Demographics)

Percent Change
Relative to 1972



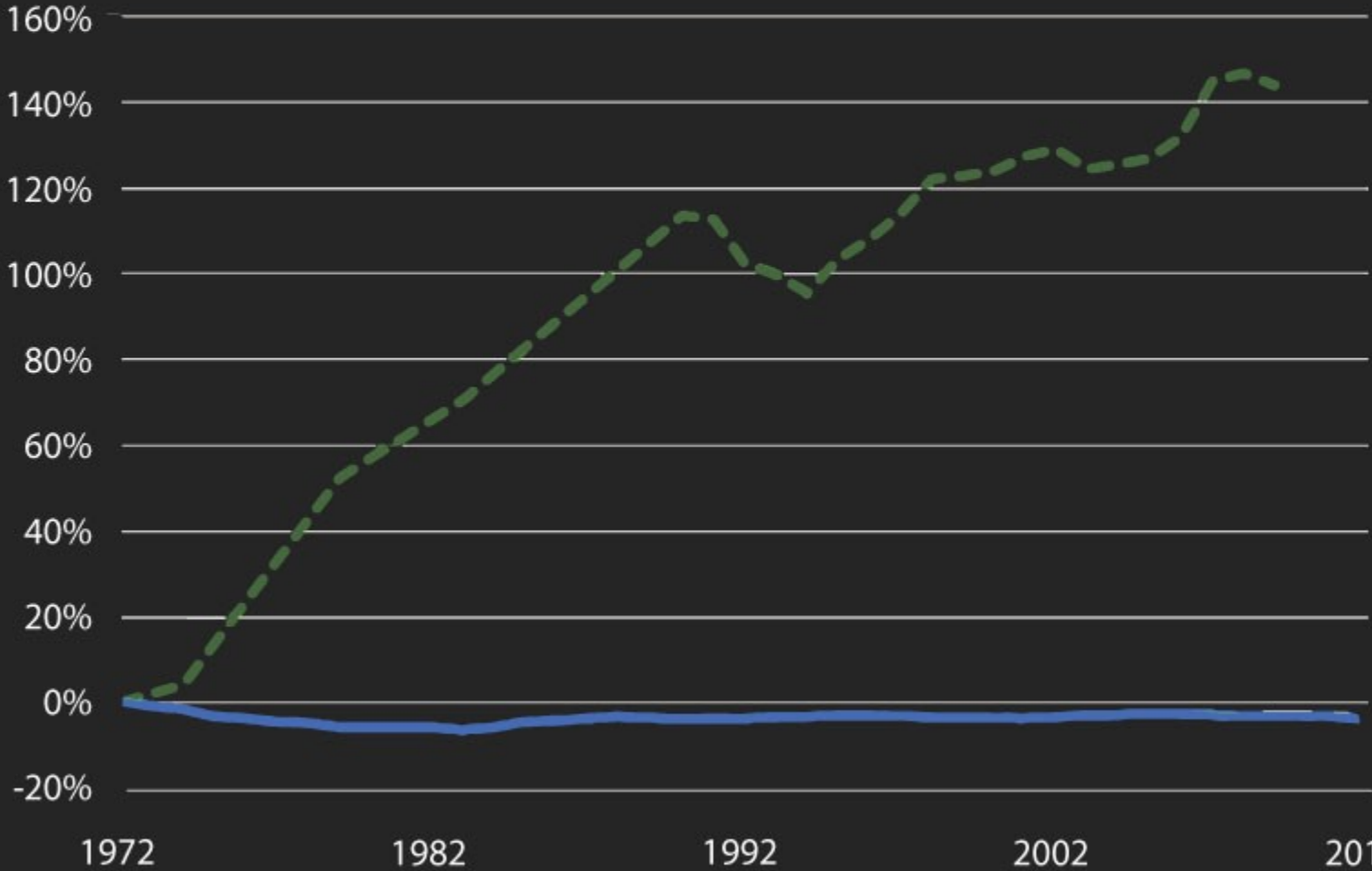
Source: Andrew Coulson, State Education Trends: Academic Performance and Spending over the Past 40 Years. Enrollment data from 1972-2002 is from the NCES' Historical Tables & Reports. Enrollment data from 2004-2012 is from the NCES' 2013 Digest of Education Statistics, Table 203.20



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Most Public Education Spending Doesn't Reach the Classroom



Total Spending per student was \$12,106 in 2012-13.



The average elementary school class is 18 students.



The average high school class size is 27 students.



That means Texas spends \$215,000 - \$325,000 per class.



The average salary of Texas teachers is \$48,821.

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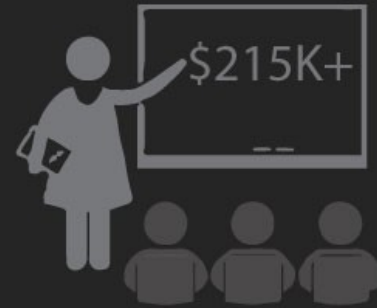
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Public Schools Control Teacher Salaries

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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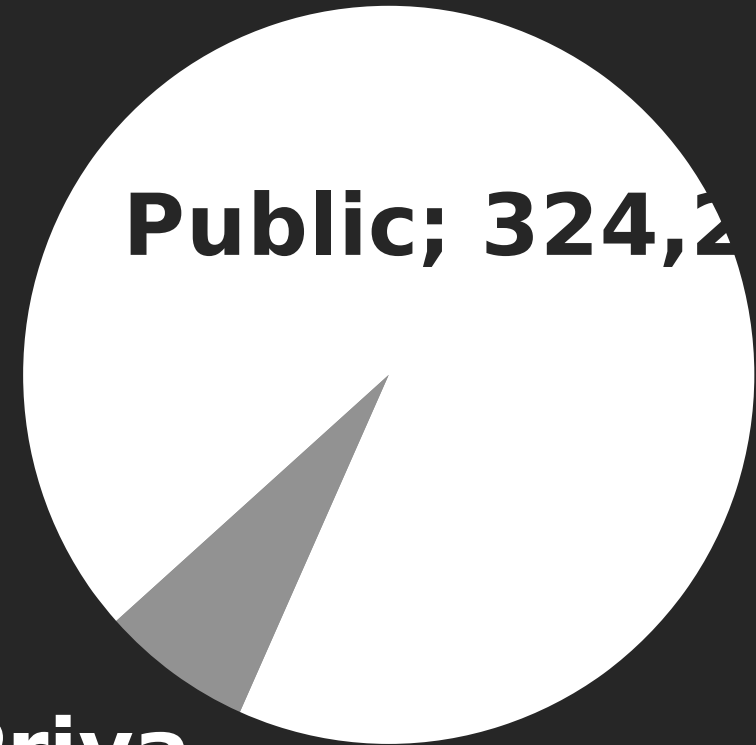
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Public Schools Control Teacher Employment

Texas school districts employ about 325,000 of the 350,000 teachers.

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



Private
23,360

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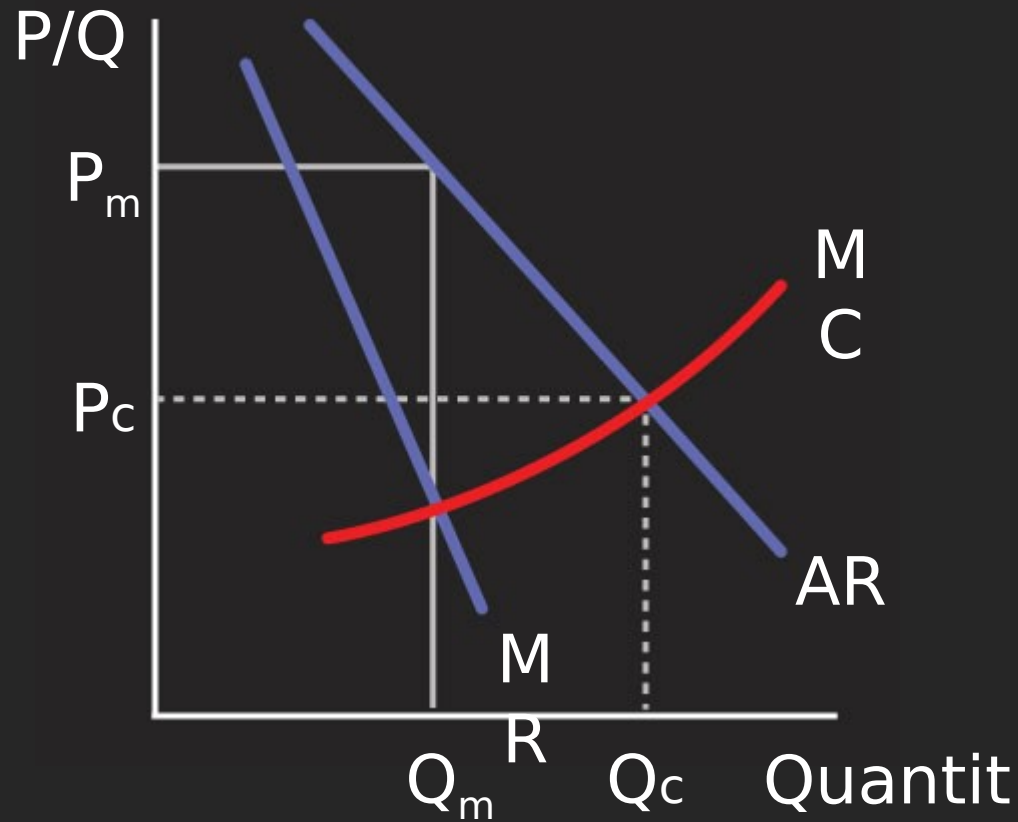
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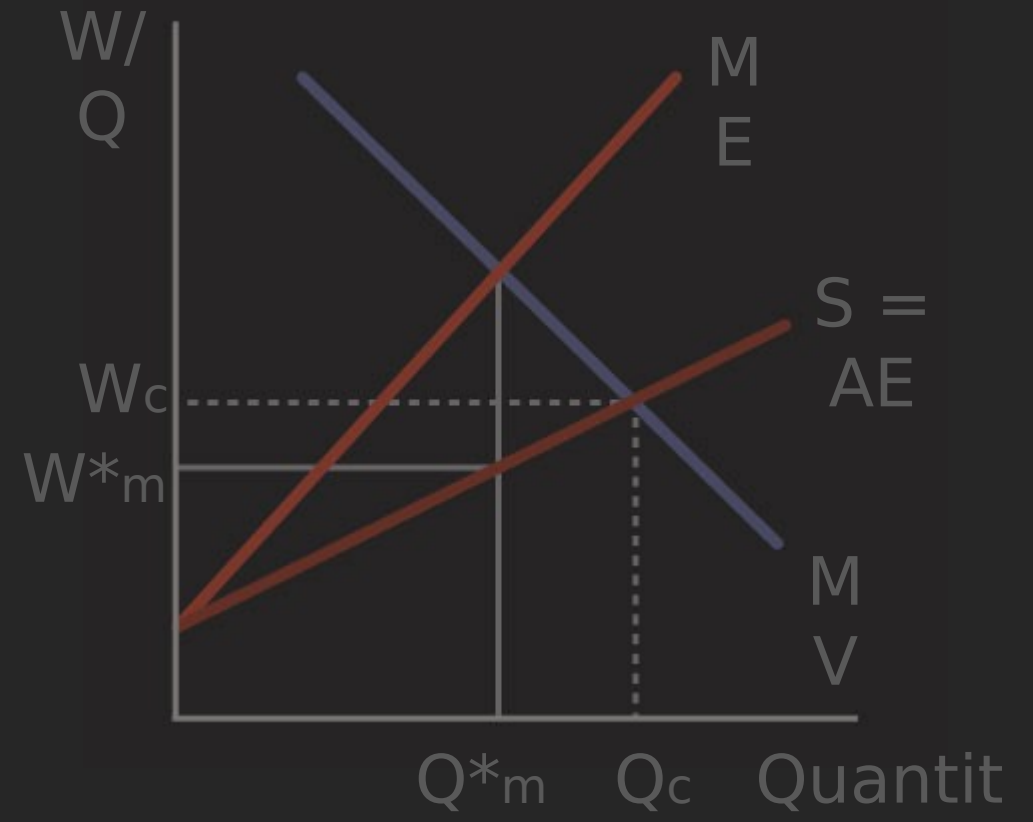


Private; 23,360

Public Schools' Control Depresses Teacher Wages & Jobs

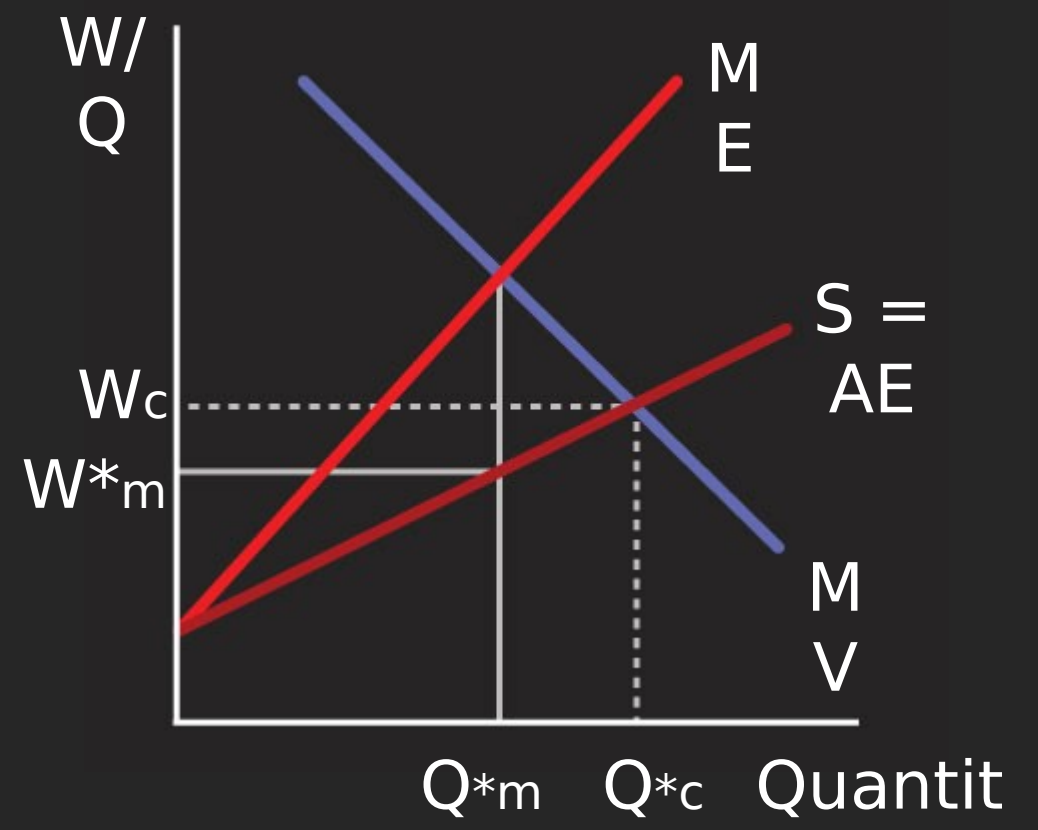
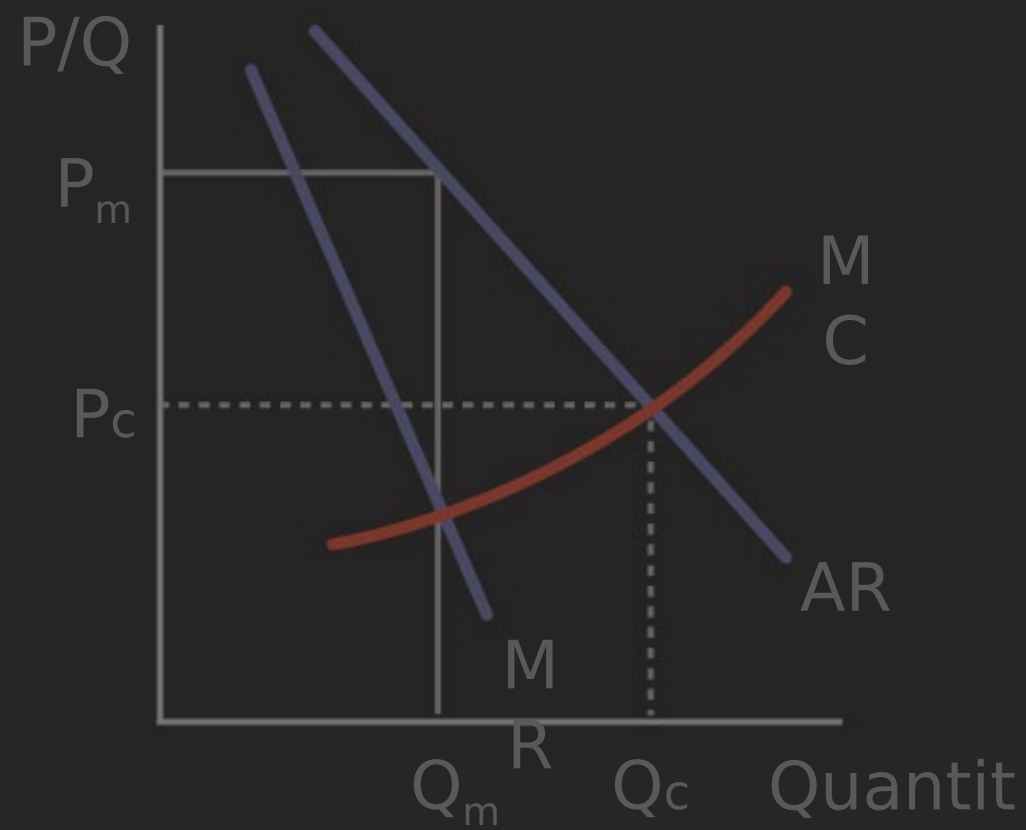


Monopoly: K-12 Schools



Monopsony: Teacher Employment

Public Schools' Control Depresses Teacher Wages & Jobs



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>

Teachers Win with School Choice

Study: Salaries in Houston could increase by as much as \$12,000 annually, which is 25% of the average \$48K salary.

Teachers could choose what kind of school to teach at without sacrificing their financial health.



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Conclusion

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

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Policy Orientation 2015

