Are Teachers Underpaid?

It is often said that the nation does not properly value teaching. Is this true?

As the nation continues to search for ways to upgrade the public school system, much attention has focused on how to improve the quality of K-12 teachers. The focus makes perfect sense: nothing in education is more important than what happens once the classroom door closes. The question is how to draw more high-caliber candidates to the profession. Raising salaries is one option, but it depends on whether one thinks teachers actually are underpaid. Our authors examine this widely held assumption.

Peter Temin finds a rare market failure PAGE 8  Richard Vedder wants pay to respond to market forces PAGE 14
ARE TEACHERS UNDERPAID?
As an economist, I find it difficult to question market outcomes. Goods and services generally cost the market price. Only in the event of some kind of “market failure” do we say that goods or services are either over- or underpriced—meaning that they cost more or less than the price would have been in a fluid, competitive market.

At first glance, it is hard to see how the market for teachers could fail. True, most teachers’ salaries are set by governments in a noncompetitive environment. But candidates choose freely whether to become teachers, in full knowledge of what salaries they will receive. In this sense, the people who choose to become teachers are paid a salary commensurate with their skills, preferences, and working conditions. These teachers are not underpaid relative to what they could earn in other occupations.

But what if we wanted to draw a higher-quality pool of candidates to teaching? Are we paying too low a price to accomplish that? I argue that the market for teaching has failed—in the sense that we are paying low salaries for low-quality teachers when we would prefer high-quality teachers. This is the result of two main flaws in the market: the difficulty of identifying who will be a good teacher and the reliance on an obsolete conception of the pool of potential teachers.

Squeezing the Lemons
Nobel Laureate George Akerlof’s “lemons model” of market failure helps to explain why schools may not be willing to pay the market price for good teachers. Consider the market for used cars. Buyers want to purchase good cars, but they wonder if only “lemons” are put up for sale. And they have no easy way of evaluating whether a particular car is a lemon. They can look under the hood, take it for a test drive, even ask for the

LOW PAY, low quality

For decades the nation has been able to school its children on the cheap by exploiting a trapped workforce of educated women.

Those days are long gone

by PETER TEMIN
owner’s service records, but none of those will guarantee a vehicle’s integrity. The buyer’s concern for quality without a corresponding ability to evaluate that quality can cause markets to fail. Buyers may not be willing to pay the price necessary to draw high-quality cars into the market, thus ensuring that the proportion of lemons in the market will be higher than if the market were functioning well.

Likewise, schools are deeply concerned with the quality of their teachers, but quality is difficult to discern when hiring a new teacher. Studies have found that graduating from a good college and achieving high scores on tests of verbal aptitude are reasonable, though highly imperfect, indicators of teacher quality. In addition, licensing and certification rules attempt to ensure that teachers possess a certain level of skills. Nevertheless, many of the attributes that make for a good teacher are outside the bounds of a regime for testing or licensing teachers. A high-quality teacher is one who can energize and motivate students in addition to imparting information—qualities that are hard to recognize at the hiring stage. Teachers themselves may know how good they are, but the principals and school boards who hire them have far less information, as in the lemons model. They might desire a higher level of quality, but they are reluctant to pay the salaries necessary to obtain it because of the difficulty of choosing quality teachers.

Teachers are thus underpaid in the sense that we are paying low salaries for low-quality teachers. If we wanted, we could reach a different point in the market, where we would pay high salaries for high-quality teachers. As with used cars, a small salary increase would not change the quality of aspiring teachers; only a dramatic increase would attract a different pool of candidates and prove sustainable. It has been hard to make this kind of radical change because of historical patterns in the workforce that once allowed schools to educate on the cheap.

Women’s Work
Women once considered teaching a highly attractive profession because their opportunities were tightly circumscribed. Despite the low wages, teaching was a far better line of work than slaving away in a textile mill. However, the past half-century opened a vast new world of opportunities to educated women. The nation’s failure to accommodate these recent changes has kept teachers’ salaries artificially low.

In Massachusetts the proportion of teachers who were women rose from half to more than 85 percent during the 19th century. By the 1920s almost all elementary-school teachers in the United States were women. They never were a large proportion of employed people in New England or even of employed women, but on average teachers taught longer than women worked in other occupations. The pool of female teachers comprised two quite different groups. Those who got married after starting out as teachers taught for about four years on average. But a large proportion of teachers did not marry. Thirty percent of teachers remained single, compared with 15 percent of New England women, after the Civil War. These single teachers taught an average of 12 years, raising the average tenure of teachers.

At the time, teaching was an unusually attractive career for women, compared with the alternatives. Almost two-thirds of Massachusetts women who earned wages in 1837 worked in their homes, producing goods such as palm-leaf hats, straw bonnets, and shoes and boots. The next most important employers of Massachusetts women in the 1830s were the cotton mills. As the century progressed, domestic service replaced braiding hats, but roughly half of employed women continued to work in textiles and the needle trades. This pattern began to erode during the early 20th century. As store-bought goods and services increasingly replaced those made in homes, women were increasingly demanded for work outside the home. Firms began to hire women to perform the market equivalent of homemaking: cleaning, cooking, and caring for the sick. The increasing need for clerical workers and the invention of the typewriter also afforded better jobs for women.

The participation of women in the labor force grew rapidly during the 20th century, from less than 20 percent of women in 1890 to well over 50 percent today. But women continued to have a narrow range of job choices for the first two-thirds of the 20th century. While the choices were not as restricted as in the 19th century, it should not be surprising that as late...
They found that what they called the demographic composition of teachers.

standardized teacher salaries for the economist Sherwin Rosen

Frederick Flyer and the late University quality teachers. The results of recruitment aged good students from remaining teachers, but they also discouraged good students from becoming teachers. Dedicated individuals and poor students who did not anticipate doing well in business still went into teaching, but low salaries discouraged many bright and vigorous students.

Using data on teachers’ test scores from North Carolina, Murnane found that teachers with high test scores left teaching sooner than those who did less well. This is not surprising; we may presume that high-scoring teachers had access to better jobs than low scorers. Murnane also found that teachers who were paid more stayed in teaching longer. Taken together, these results showed that low salaries not only discouraged good students from becoming teachers, but they also discouraged good students from remaining teachers. The results of recruitment and retention are consistent; low salaries were associated with low-quality teachers.

New York University economist Frederick Flyer and the late University of Chicago economist Sherwin Rosen standardized teacher salaries for the demographic composition of teachers. They found that what they called the true real wage of teachers has declined relative to wages for other college graduates and has declined even more relative to female college graduates, especially for teachers in elementary schools. Most of this decline took place during the 1970s, when school enrollments fell, but relative wages have not recovered as enrollments have risen more recently.

To see what happened in the 1990s, I examined the relationship between average teacher salaries and women aged 35 to 44 with some graduate education. I compared teachers with women who had some graduate education to capture the comparison between teachers and women who have gone on to get degrees in subjects other than education (see the top line in Figure 1). Highly educated women who were not teachers earned more than teachers throughout the past 20 years. The wage premium stayed under 20 percent until around 1987, and it has risen steadily and strongly since then. The wage premium for women who have some graduate education and are not teachers is now 40 percent. This trend shows that teachers’ salaries are falling behind those of highly educated women in other fields at a rapid rate.

Now, many high-school teachers have master’s degrees, but most elementary teachers do not. Therefore, this comparison may not be accurate for teachers of lower grades; I may have compared them with women who have more education than they do. I cannot distinguish teachers by grade, but I can compare teachers’ salaries with women who have only college degrees. This comparison is also shown in the bottom line in Figure 1. The trends are very much the same, although the divergence of wages is less strong in the bottom trend line than in the top line. Women with just a college degree earn an average of only about 10 percent more than teachers. Relative wages for elementary teachers fell in the 1970s and declined again in the 1990s.

**Quality Control**

The earnings comparisons tell only part of the story. The career choices open to women have expanded greatly in the past generation. This, coupled with the appearance of women with extensive experience in the workforce, has resulted in rising earnings for professional women. In addition, it has opened up jobs that are more interesting and challenging, careers that are more fulfilling. If there were a way to adjust for the expanding choices for educated women, the gap between teachers’ earnings and alternative “earnings”

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In the mid-20th century, schools didn’t need to pay high wages in order to attract high-caliber individuals. High-quality women went into teaching anyway.
would be larger than those shown here.

There also may be a sample-selection problem in the college-only comparison. If the brightest of women seek education after college, then the control group in the bottom trend line of Figure 1—women with only four years of postsecondary education—is self-selected to be of lower quality. The comparison in the figure reveals that teachers earn less than even those women who choose not to pursue their education beyond an undergraduate degree.

Finding themselves with lower-quality teachers, school districts have imposed work standards on teachers to make sure they are doing their jobs. These restrictions on teachers’ creativity have made teaching an even less desirable job than is indicated by the salary. This is revealed most vividly in the relations between teachers and administrators. The latter feel obliged to keep tight control over teachers, and they set tasks for them to maintain minimum standards. Lesson plans and other reports increase the workload of teachers and force them into a uniform pattern. Of course, these work rules also discourage the most adventurous and creative teachers.

In some urban schools, principals feel free to discipline teachers in front of their students. This process humiliates the teachers and undermines their authority. Teachers are publicly criticized for not keeping their lines straight, for not being in “homeroom circle” properly, and for other minor infractions of classroom neatness. A Boston middle-school teacher told me that her principal yelled at her for forsaking her lunch duty place briefly to get food for a student whose lunch she had had to confiscate earlier. This is the kind of discipline that is designed to discourage all but the most dedicated of creative teachers.

Standardized tests, the cornerstone of the federal No Child Left Behind Act, are another way of monitoring teacher performance. The new purpose of the tests is to evaluate the schools and the teachers within it. Tests previously were used to evaluate students, but annual testing was unnecessary for this purpose. The new policies are meant to keep a tight rein on teachers rather than students.

Tests, like excessive paperwork and humiliating disciplinary actions, make life miserable for teachers. They force teachers to teach to the tests, reducing the scope of their teaching. They direct attention to skills that can be measured on annual objective tests and away from learning that is more subtle or long-term. For example, we charge the public schools with promoting civic responsibility. It is not clear how one would test this by multiple choice or if one would look for steady year-to-year increases in this set of attitudes. Less tangible and more creative parts of teaching are discounted relative to the basic mechanics of teaching. If low salaries do not drive creative teachers away, excessive discipline and annual tests should do so.

I do not mean to throw the baby out with the bathwater. Any dramatic increase in salaries will have to be accompanied by an increase in accountability. Inevitably, teachers’ performance will have to be measured by some sort of tests. But the current crop of tests appears to be aimed only at evaluating minimum competence. Such tests tend to stultify the most creative teachers even as they, at least in theory, help the worst students.

Principals also may be more a part of the problem than the solution. They are recruited from the pool of teachers, and their quality has also suffered a decline. In the past, the demands on principals—to preserve order and maintain the school building—were consistent with their abilities. But if we wish to move to a point where good teachers will be rewarded for excellence and all teachers will be held accountable for their performance, it is far from clear that the current stock of principals will be adequate. To make tests an effective device for monitoring and rewarding quality, school administration as well as the tests themselves will have to

### Pulling Away (Figure 1)

Women with graduate education in other professions now earn 40 percent more than female teachers, reflecting the expansion of employment opportunities for women during the past few decades. Even women with just a college education now earn about 10 percent more than female teachers.

![Graph showing salaries of females with graduate and college education relative to female teachers](source: Current Publication Survey)
be improved almost beyond recognition.

Higher Aspirations

For most of U.S. history, the nation has been able to operate schools at low cost by exploiting the trapped labor force of educated women who had few other opportunities. Now schools must compete with other mentally and financially rewarding occupations as they recruit teachers. Surely it is immoral for us to shortchange our schools because we cannot bring ourselves to pay enough to attract good teachers.

The underpayment of teachers is likely to have important implications for the future of the American economy. The economy’s success during the 20th century was due to many factors, of which the broad sweep of American education was an important one. The United States led the world in spreading education to the masses. The American economy grew consistently during the 20th century because we constantly upgraded the quantity and quality of our human capital. The United States has been successful both politically and economically because people have been able to transcend their origins and reach heights undreamed of in earlier times and other places. Education has been one of the primary paths through which extraordinary individuals have found an outlet for their gifts. We should try our best to preserve this commendable quality of American life.

Further education reforms will be hampered by low teacher quality as long as the salaries of teachers do not rise to a competitive level—the level that would attract many high-quality applicants. The current reforms of school administration and evaluation take the quality of teachers as given; they simply rearrange the existing educational assets, and as a result have little or no effect. Only when we break out of the current mix of pay and quality will education in the United States show a marked improvement.

Raising teacher salaries across the board would be very expensive. It also might take decades for higher pay to attract enough bright new teachers to make a big difference in the composition of the teaching staff. In the meantime, today’s teachers would be paid more, with little likelihood that they would perform any better than they already do.

A more practical plan of action might be to couple increases in teacher salaries with tougher accountability. In an ideal scenario, only those teachers who were effective or who agreed to work harder to attain this standard would be retained. The pay hike then would not be as expensive, and if better teachers could handle larger classes, expenditures on teachers might not increase much at all.

How would we know which teachers are effective? Tests are imperfect at this stage, and they tend to measure achievement only on basic skills. It is easier to discover whether Mary can add than it is to find out if John is thoughtful and learns from his mistakes. Leaving the judgment up to principals is equally problematic, since they are part of the problem. While accountability is good, the nation’s ability to implement it is imperfect. We need to find either a way to anticipate whether teachers will be effective or an acceptable method of evaluating their performance after the fact before we can implement a national program.

This all calls for experimentation. If teachers and their unions can agree, perhaps policymakers can institute bundles of pay raises and accountability in different forms in a variety of school districts. As the results of these pilot programs became known, they could be the basis for a more comprehensive call to action. Evolution may be more attainable and perhaps even more desirable than revolution.

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It is an article of faith among many supporters of public education that teachers are underpaid. As Gayla Hudson, a former National Education Association official, once put it, “Until you start paying teachers at the level that other professions receive, recruiting will be a problem.” Some respected academics have argued similarly. For instance, Peter Temin of the Massachusetts Institute of Technology (see “Low Pay, Low Quality” on page 8) claims that the opening of new job opportunities for women has drained the most promising candidates from the pool of potential teachers. In this view, higher pay is necessary to lure high-quality applicants away from more lucrative alternatives.

Most new teaching positions typically attract numerous applicants, especially in elementary schools, in subjects like English and social studies, and in the suburbs, where school districts frequently draw 100 applications.
for a single slot. But the mere ability to fill positions is a poor measure of whether pay is adequate. The question is whether salaries are high enough to draw applicants of the caliber parents and policymakers desire. Furthermore, the benefits of higher salaries must be weighed against the benefits of other reforms that the money could be put toward. For instance, say a school district could raise its average test scores by one point by spending an extra $1 million on teachers’ salaries. But what if the school district could induce a two-point increase in scores by spending the same amount on nonprofessionals to tutor struggling students? Or what if reforms outside education, such as better prenatal care, incentive-driven changes to public assistance programs, or job training, provided more bang for the buck in raising student achievement? In either case, public funds would be better spent on reforms other than increasing teacher salaries.

The Evidence on Teacher Pay

A substantial body of evidence implies that teachers are not underpaid relative to other professionals. Using data on household median earnings from the U.S. Department of Labor, I compared teachers with seven other professional occupations: accountants, biological and life scientists, registered nurses, social workers, lawyers and judges, artists, and editors and reporters. Weekly pay for teachers in 2001 was about the same (within 10 percent) as for accountants, biological and life scientists, registered nurses, social workers, lawyers and judges, artists, and editors and reporters. This is not to say that teachers are not better paid than doctors, lawyers, or engineers. On the contrary, teachers are relatively well paid. The average hourly wage for all workers in the category “professional specialty” was $27.49 in 2000. Meanwhile, elementary-school teachers earned $28.79 per hour; secondary-school teachers earned $29.14 per hour; and special-education teachers earned $29.97 per hour. The average earnings for all three categories of teachers exceeded the average for all professional workers. Indeed, the average hourly wage for teachers even topped that of the highest-paid major category of workers, those whose jobs are described as “executive, administrative, and managerial.” Teachers earned more per hour than architects, civil engineers, mechanical engineers, statisticians, biological and life scientists, atmospheric and space scientists, registered nurses, physical therapists, university-level foreign-language teachers, librarians, technical writers, musicians, artists, and editors and reporters. Note that a majority of these occupations requires as much or even more educational training as does K–12 teaching.

Government data on wages and salaries also exclude fringe benefits. Typically, teachers’ retirement and health insurance benefits are more generous than the average professional’s, particularly those who work in the private sector. Federal data suggest that, on average, teachers receive a package of benefits valued at more than 26 percent of their salaries. By contrast, the average for “all domestic industries” is about 19 percent; for private industries it is even less, below 17 percent. Take health insurance. Federal data suggest that about one-half of teachers pay nothing for single coverage (the employer pays everything), whereas the proportion of private “professional and technical” workers who pay nothing is only one-fourth. If direct hourly compensation averages perhaps 5 to 8 percent more for teachers than for all professional workers, and fringe benefits are perhaps 5 percent more, all told, teachers’ average hourly compensation plus benefits exceeds the average for all professional workers by roughly 10 to 15 percent. In addition, teachers experience more job security, rarely suffering layoffs or firings. An architect’s income falls with recession-induced declines in construction spending, while the economy is currently littered with unemployed computer programmers, whose jobs disappeared when the dotcom bubble popped. Most risk-averse persons would gladly accept some decline in average annual income in order to avoid unexpected adverse shocks to their standard of living. Thus, in a “risk-adjusted” sense, teacher pay is often substantially higher than that of comparable occupations.
Shortages

Of course, these are simple averages. It is possible that the pay for some kinds of teachers is relatively low. Others may receive salaries higher than they would earn in other professions. In my view, three groups of public school teachers can make a good claim for not being typically paid above-market compensation: unusually effective teachers, teachers in some geographic areas, and teachers with specialties that are in great demand.

In almost all private-sector jobs, pay is proportional to performance—to the estimated revenue that a worker’s efforts bring to the firm. This theory of how wages are determined lies at the core of standard microeconomic theory and has been verified empirically in literally hundreds of studies. Workers are paid on the basis of outcomes. In public school teaching, by contrast, teachers are usually paid on the basis of inputs—the amount of schooling and experience that they possess. Qualitative differences in teaching ability are almost always ignored. Thus it is possible that teachers of average quality may be “overpaid” in the sense that they are earning more than workers of comparable training and productivity in other professions. Likewise, highly effective teachers might be “underpaid,” earning less than equally skilled workers in other professions.

Critics of “merit pay” argue that it is impossible to evaluate a teacher’s ability with any precision. Thus, allowing administrators to exercise subjective judgment could introduce major inequities in pay, since they will give merit raises to their friends and punish their enemies. Yet merit pay is commonplace in universities, and professors’ teaching is evaluated. In a high-quality university, salaries among professors with the same formal education and years of experience might differ by as much as 100 percent or more, and differentials of 50 percent are not uncommon within the same academic department. Even in schools of more modest repute, top-flight faculty members may make 50 percent more than those perceived as less productive. In K–12 schools, a whole variety of indicators, such as test scores, enrollment figures, and college placement statistics, could be used to evaluate teachers, yet this is seldom done. By the way, this problem has a long pedigree. Writing in 1776 in the Wealth of Nations, Adam Smith complained, “The usual reward of the eminent teacher bears no proportion to that of the lawyer or physician.” He attributed this to the move away from market-based funding of education, noting that in ancient Greece, where all education was private and financed by tuition payments, great teachers were often extremely well paid relative to their less-talented counterparts.

Average teacher salaries vary enormously in most states by area, tending to be higher in suburban and urban districts and much lower in rural areas. In my state of Ohio, for example, the average teacher salary in the district with the highest pay is about double that of the district with the lowest pay, a differential that cannot be explained entirely (or even mainly) by differences in teachers’ characteristics. Applicants are often abundant in high-achieving, high-salary suburbs, while school principals and human-resource managers in poor, relatively isolated rural school districts may face genuine teacher shortages. If their salaries were higher, they might be able to attract teachers from places that are more desirable to live.

Interstate variations in average salary are likewise substantial. In 2000 the average public school teacher salary reported by the National Education Association was less than $30,000 in North and South Dakota, but more than $50,000 in New York. Yet these differentials are often justified by local labor-market conditions. The average teacher made $51,800 in Connecticut, but only $35,000 in West Virginia. Yet, in a relative sense, the West Virginia teacher earned a higher salary. Teachers in West Virginia earn 30 percent more than the average workers in West Virginia, while teachers in Connecticut earn only 11 percent more than the average worker in their state. Generalizations about geographic inequalities in teacher salaries typically ignore these profound differences in labor markets.

Shortages have developed in fields like mathematics, the sciences, and special education in large part because school districts make no distinctions among teachers. According to the rigid salary schedules typically negotiated by the teacher union, those who are in high-demand specialties must earn the same as teachers in fields where there is a surplus of applicants. Thus schools that have no trouble finding English, history, or elementary teachers may have to scramble to hire special-education or science teachers. At a typical university these days, a new assistant professor in my field, economics, will earn 50 to 100 percent more than a new assistant professor.
of English or history. By contrast, in a typical public school district there is no differential, and new English teachers may be paid perhaps $5,000 or more than their “reservation wage,” or the lowest wage for which they will work. Meanwhile, the district may have trouble finding any special-education teachers, indicating that the going rate is below the reservation wage of competent potential employees.

In short, even where there are documented instances of teacher shortages, the problem is seldom that teacher salaries overall are too low, but rather that inefficient practices ignore the realities of the market. Without changing average teacher salaries a penny, most districts could ease their recruitment problems by paying some teachers (good ones, those in high-demand specialties) more than others (less-competent ones in low-demand specialties). The problem is not the level of pay, but rather its distribution.

Public versus Private

The most compelling evidence that teachers are not on average underpaid comes from the world of private schools. The last comprehensive analysis, performed during the mid-1990s, indicated that average private school salaries were slightly less than 60 percent of average salaries in the public schools (though the gap between public and private schools narrows substantially when religious private schools are excluded from the analysis. See Michael Podgursky’s article, “Fringe Benefits,” on p. 71 of this issue). There is no reason to believe that this differential has changed dramatically in the past few years. In other words, a public school teacher might make more than $40,000 in annual salary, while a private school teacher with similar levels of experience and education would earn $25,000.

Are public school teachers any more effective than those in private schools? On the contrary. In general, children in private schools perform better on standardized tests, even after adjusting the data to reflect differences in other factors that are relevant to learning, such as family income. The public school crowd retorts that public school teachers are certified by their state, indicating that they have taken the requisite number of courses in pedagogy, while most private school teachers, especially at the secondary-school level, lack certification. But there is little to no evidence that certification improves the quality of instruction. The absence of certification requirements is actually a virtue of the private school market, since it gives private schools access to a larger pool of qualified applicants.

Teacher salaries are set by local school boards, which compete with one another for talent. This suggests that salaries should be the going rate. So how can private schools get high-quality teachers for 40 percent less pay than the public schools can? For one thing, it is important to acknowledge that many religiously motivated teachers will sacrifice higher pay to work in a private school whose mission comports with their core beliefs. Secular private schools tend to pay more than religious schools. However, at least part of the answer lies with the powerful influence of the teacher unions. Through negotiations, political pressure, and the threat of strikes, the unions have been able to secure wages that are higher than would be dictated solely by market considerations. From this perspective, the unions’ persistent quest to raise teacher salaries, carried on under the banner of improving education, looks more like a ploy to redistribute income from one group of adults—the general taxpayer—to another—teachers.

It is probably no accident that the differential between teachers’ pay and the pay of workers in general accelerated during the 1960s, the decade when unionization among teachers took hold. Some scholarly studies suggest that unionization has raised teacher salaries (and per-pupil costs) by perhaps 10 percent. If accurate, the average pay of the 3 million public school teachers may be $5,000 or so higher annually because of unionization, or $15 billion for the entire teacher corps.

It may be that the premium paid to public school teachers reflects both the influence of their unions and the more difficult environments they work in. Public school teachers enjoy far less freedom than their private school counterparts; their actions are severely circumscribed by laws, court decisions, and administrative dictates from remote bureaucracies. Unruly students cannot be expelled or adequately disciplined. Teachers often cannot use the instructional materials that they prefer. They have little or no say in the hiring of colleagues, the establishment of curricular goals, or the disciplining of students. There is a sense of frustration, a lack of trust and of teacher empowerment. Teachers in private schools work in an environment that is comparatively less bureaucratic. They enjoy school communities where collegiality is high, goals are well stated, and success is rewarded.

In other words, the salary differential between public and private school teachers may be explained partially by what is often called “combat pay.” There is some evidence to support

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this. In surveys of private and public school teachers taken during the 1990s, public school teachers consistently showed less satisfaction with their work conditions than their private school counterparts. For example, on a 1993 survey, 21 percent of public school teachers did not agree with the statement, "The school administration’s behavior toward the staff is supportive." Only 12 percent of private school teachers did not agree with the statement. Some 23 percent of public school teachers did not agree that "there is a great deal of cooperative effort among staff," compared with only 10 percent in private schools. Nearly half of the public school teachers thought that they did not receive a great deal of parental support, compared with only about 12 percent of their private school counterparts. "Student disrespect for teachers" was a serious problem for 19 percent of public school teachers, compared with only 3 percent of private school teachers.

Yet when asked about their salaries in the 1993 survey, teachers in both private and public schools reacted similarly. Despite earning far less, teachers in private schools were only slightly less satisfied with their salary than their public school counterparts. This is highly consistent with the idea that some of the premium paid to public school teachers is due to less desirable working conditions.

**Teacher Pay and Education Policy**

I suspect that the failure to link teacher pay to individual teachers’ productivity has driven the education policy debate in unexpected ways. Consider the move to reduce class size. Teachers and their unions have been major proponents of this "reform." But would that be the case if teacher pay were tied to productivity? I doubt it.

Suppose a high school has two teachers of junior and senior classes in history, each with 100 students in five classes averaging 20 students each. Suppose both teachers make $50,000 a year, including fringe benefits. Then suppose that the less effective of the two teachers retires. Typically, the school would hire a replacement, costing perhaps $40,000 a year, because he has less experience. Now, suppose that instead the school simply asks the more effective history teacher to take on the retiring teacher’s load, thereby doubling his class sizes to 40 students. The teacher would typically howl in protest. But what if the school district offered the teacher $15,000 in additional pay and fringe benefits, plus a part-time teacher’s aide paid $10,000 a year to assist in grading and record keeping? The teacher would probably accept the assignment. The district would save $15,000 and probably maintain the level of instruction. The excellent teacher is likely to be better at teaching 40 students per class than an unknown, less-experienced teacher would be at teaching 20 students per class. Currently, there is no premium associated with taking on larger classes, so teacher unions fight for smaller classes. But sharing some of the cost savings of larger classes with teachers may be one way of breaking down teachers’ resistance to changes in the status quo. The resistance to larger classes is not just among teachers. Private schools typically have relatively small class sizes—and affluent parents seem to want them even if it adds significantly to tuition costs.

Market-based reforms would also force changes in the system of teacher compensation. Earlier I argued that public school teachers receive a pay premium for two reasons: the influence of their unions and the combat pay necessary to compensate them for their less than ideal working conditions. Market-based reforms would reduce the premiums associated with both aspects of the current public school system. Expanding the use of publicly funded vouchers and increasing the number of charter schools would reduce the power of the unions as more and more students moved to nonunionized private and charter schools. In turn, more and more teachers would move to private and charter schools, where their work environments would probably improve because of the stronger sense of school community that comes with having chosen a school. If taxpayers are paying a huge premium to public school teachers merely because they belong to powerful unions and work in unpleasant environments, then the costs of failing to reform the system are indeed substantial.

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