

# **HOW DOES TEACHER PAY COMPARE?**

## **Methodological Challenges and Answers**



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ECONOMIC POLICY INSTITUTE

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# The Debate Over Teacher Pay

Recent research in the economics of education has demonstrated the importance of individual teachers for students' academic success.<sup>1</sup> The No Child Left Behind Act of 2001 has raised the profile of the issue by requiring a qualified teacher in every classroom in 2005. Yet, mounting evidence suggests that many U.S. schools have found it increasingly difficult, except perhaps during the recent recession, to attract the very best candidates into the teaching profession.<sup>2</sup> As labor market opportunities have improved outside of teaching, public schools have lost the captive labor pool they once had with respect to women (who make up over 75% of all kindergarten through 12th grade teachers) and are today forced to compete with more lucrative professions for the best college graduates. The widespread desire in recent years to cut class sizes while simultaneously raising the quality of teachers (through such measures as No Child Left Behind) has made the recruiting task only that much more difficult.<sup>3</sup>

This concern over teacher quality has generated renewed interest in both the sufficiency of teacher pay to attract high-quality staff and the efficacy of various dimensions of teacher pay, including incentives and extra pay for working in particular fields or in particular locations (i.e., hard-to-staff schools).

For decades, researchers have asked whether teacher compensation has kept pace with outside job opportunities, and whether compensation is sufficiently competitive to attract the quality of instructors desired.<sup>4</sup> The importance of salaries (relative to other job characteristics, such as working conditions, summers off, and job flexibility) to the recruitment of high-quality teachers has also been studied in great detail. While the popular view is that teacher pay is relatively low and has not kept up with comparable professions over time, new claims suggest that teachers are actually well compensated when work hours, weeks of work, or benefits packages are taken into account.<sup>5</sup> Whatever the case, the many unique features of the teaching profession have almost certainly complicated efforts to compare its compensation to that of other professions.

In this report, we review recent analyses of relative teacher compensation, examine some of the ways in which the conclusions of these analyses differ, and provide our own detailed analysis of trends in the relative weekly pay of elementary and secondary school teachers. We propose a method for finding occupations

comparable to the teaching profession based on specific job skill requirements, and compare teacher pay with pay in these professions as an additional way to track teachers' pay relative to that of comparable workers. We use hourly compensation and benefits data for teachers and professionals to estimate the extent of any "fringe benefit bias" that exists when comparisons of teacher wages are made without considering benefits, which frequently differ across professions. Last, we examine the data on hourly wages for teachers and other occupations found in the new National Compensation Survey (NCS), which is the basis for some new claims that teacher pay matches or exceeds the pay of comparable professions. Our examination of the NCS methodology for determining hourly wages concludes that it is an inappropriate source of data for comparing teacher pay to that of other professions.<sup>6</sup>

The major findings of our review and analysis include the following:

- Recent research shows that teacher quality is key to student and school success.
- A continuing issue is whether teacher pay is sufficient to attract and retain quality teachers: trends in relative teacher pay seem to coincide with trends in teacher quality over the long run.
- Several types of analyses show that teachers earn significantly less than comparable workers, and this wage disadvantage has grown considerably over the last 10 years.
- An analysis of weekly wage trends shows that teachers' wages have fallen behind those of other workers since 1996, with teachers' inflation-adjusted weekly wages rising just 0.8%, far less than the 12% weekly wage growth of other college graduates and of all workers.
- A comparison of teachers' weekly wages to those of other workers with similar education and experience shows that, since 1993, female teacher wages have fallen behind 13% and male teacher wages 12.5% (11.5% among all teachers). Since 1979 teacher wages relative to those of other similar workers have dropped 18.5% among women, 9.3% among men, and 13.1% among both combined.
- A comparison of teachers' wages to those of workers with comparable skill requirements, including accountants, reporters, registered nurses, computer programmers, clergy, personnel officers, and vocational counselors and inspectors, shows that teachers earned \$116 less per week in 2002, a wage disadvantage of 12.2%. Because teachers worked more hours per week, the hourly wage disadvantage was an even larger 14.1%.
- Teachers' weekly wages have grown far more slowly than those for these comparable occupations; teacher wages have deteriorated about 14.8% since 1993 and by 12.0% since 1983 relative to comparable occupations.
- Although teachers have somewhat better health and pension benefits than do other professionals, these are offset partly by lower payroll taxes paid by employers (since some teachers are not in the Social Security system). Teachers have less premium pay (overtime and shift pay, for example), less paid leave, and fewer wage bonuses than do other professionals. Teacher benefits have not improved relative to other professionals since 1994 (the earliest data we have on benefits), so the growth in the teacher wage disadvantage has not been offset by improved benefits.
- The extent to which teachers enjoy greater benefits depends on the particular wage measure employed to study teacher relative pay. Based on a commonly used wage measure that is similar to the W-2 wages reported to the IRS (and used in our analyses), teachers in 2002 received 19.3% of their total compensation in benefits, slightly more than the 17.9% benefit share of compensation of professionals. These better benefits somewhat offset the teacher wage disadvantage but only to a modest extent. For instance, in terms of the roughly 14% hourly wage disadvantage for teachers we found relative to other workers of similar education and experience, an adjustment for benefits would yield a total compensation disadvantage for teachers of 12.5%, 1.5 percentage points less.
- The hourly wage data in the NCS, the relatively new Bureau of Labor Statistics survey, has been used in several recent analyses that found teacher wages to be on par with those of other professionals. Our examination of these data show that the vast differences in the way work time is measured in the NCS for teachers (K-12, as well as university professors, airline pilots, and others) and workers following a more traditional year-round schedule preclude an accurate comparison of teacher hourly wages relative to those of other professionals. These inconsistencies in work hour measurement (hours per week, weeks per year) in the NCS are so large as to obscure a 23.4% greater hourly wage advantage for professionals relative to K-12 teachers.