

As the labor market for teachers evolves, we need more competition and less regulation

POLICY BRIEF

By SCOTT NIEDERJOHN and MARK SCHUG | April 2017

Executive summary

The market for K-12 teachers is suddenly back in the news with Gov. Scott Walker and the Wisconsin Department of Public Instruction weighing in with proposals designed to address reports about teacher shortages and licensure.

There can be little doubt that the labor market for teachers in Wisconsin is much freer than it was in the pre-Act 10 era. This was one conclusion made in reports published in the *Milwaukee Journal Sentinel* and was reinforced by educators with whom we visited. Teachers today operate more like free agents, moving from district to district, seeking higher pay and even bonuses to teachers who are licensed in areas with high demand and limited supply.

However, not all has changed. On the demand side, many school districts are still hiring teachers based on something that looks a lot like the traditional salary schedule, where teacher compensation is based on years of experience, number of college courses and degrees.

The fundamental problem with traditional teacher compensation is that it produces *simultaneous* shortages and surpluses of teachers. The salary schedule sets one salary for a generic teacher — as if all teachers had the same marketable skills and therefore the same foregone opportunities.

A salary schedule is essentially a set of too-high or too-low price controls guaranteed to be insensitive to actual market conditions. Everyone wants to talk about teacher shortages, but no one wants to talk about the damage done to individual lives and the inefficient use of higher education resources that result from the production of teachers who can't find teaching jobs.

On the supply side, things are not much changed. To become a teacher in Wisconsin, one has to comply with the provisions of a set of DPI licensure rules called PI 34. School leaders often complain that PI 34 imposes an overwhelming regulatory system. Many smart college students and highly trained professionals contemplating career changes are deterred from entering the teaching profession due to these requirements. The DPI, by establishing the Leadership Group on School Staffing Challenges, seems for the first time to be hinting that reforms are necessary.

Recommendations

Demand side: More, not less, competition

► We recognize that many school budgets are tight, but districts need to do a better job of competing for the best and the brightest teachers. At the least, this means fine-tuning salary scales so they reflect the reality of multiple teacher labor markets.

Supply side: Deregulation of teacher licensure

► We propose that the Legislature repeal and replace PI 34. The current teacher licensure rules offer no assurance that licensed teachers could motivate, teach or relate to students. PI 34 presents a high barrier for entrance that deters talented college students and highly trained professionals who might otherwise be interested in becoming teachers.

► The Legislature should allow teachers who have been certified in other states to be granted an appropriate Wisconsin teaching license with a minimum of hassle.

► The Legislature should take action to allow districts to develop their own teacher licensure programs. Districts and CESAs that are interested could become “charter schools of education.” When it comes to preparing teachers, districts and CESAs could act in the same way that charter schools act in K-12 education. The DPI, in turn, would absolve the authorized districts and CESAs from following all of the specified PI 34 rules.

► The Legislature should authorize existing charter schools to make hiring decisions based solely on judgments about candidates’ background and present ability to teach effectively. Charter school educators then could consider licensure as one indication of candidates’ qualifications, if they chose to do so, but they would not be required to hire only licensed teachers. After all, this approach seems to work just fine for many of Wisconsin’s best private schools.

Introduction

This policy brief addresses key issues in the labor market for Wisconsin’s K-12 teachers. It has two primary areas of focus:

- The demand for K-12 teachers by Wisconsin school districts.
- The supply of K-12 teachers as governed by Wisconsin’s teacher licensure process and administered by Wisconsin’s schools of education at colleges and universities.

Teacher labor markets are back in the news

It’s budget season in Wisconsin, and once again Gov. Walker’s proposed policies are in the news. One aspect of these policies involves the teaching profession. The Walker administration appears to be concerned about the slump in the number of young people seeking to become teachers. The governor has proposed a lifetime teaching license, which would save teachers money and reduce the number of positions at the DPI that administer licensure.

The governor also has proposed a new Teacher Development Program for the University of Wisconsin and its Flexible Options program. The idea is to find ways to help classroom aides —

more commonly known as paraprofessionals — obtain teaching licenses. This could include allowing paraprofessionals to obtain workforce development funds from Wisconsin Fast Forward, the state's worker training grant program.

The *Milwaukee Journal Sentinel* in 2016 reported extensively on how the market for teachers has changed five years after the passage of Act 10. Journalists Dave Umhoefer and Sarah Hauer, pointed out, on the supply side, the decline in the number of college students entering teacher training programs around the state. On the demand side, they noted how the labor market for teachers has changed.

Teacher market changes

There can be little doubt that the labor market for teachers is much freer than it was in the pre-Act 10 era. This was an important conclusion from the reporting by the *Journal Sentinel* and was reinforced by educators with whom we visited. Teachers operate more like free agents, moving from district to district, seeking higher pay and even bonuses. Signing bonuses often are offered to teachers who are certified in areas with high demand and limited supply, such as advanced mathematics, science and special education.

This more fluid labor market has been unleashed due to the diminished value placed upon seniority as teachers unions have lost power. These changes have challenged rural and less affluent districts, which are finding it difficult to retain their best teachers in this more competitive environment.

The use of the old step and lane salary schedule has diminished. Most districts have eliminated seniority as the primary driver when reducing staff. School districts have much more freedom to implement merit pay and performance-based compensation systems.

But much of the old system remains

It would be hard to imagine that all of Wisconsin's 424 school districts would make identical changes in how teachers are compensated in the wake of Act 10. We reviewed employee handbooks prepared by Wisconsin's top 20 school districts by enrollment after the changes that Act 10 brought to the market. Several have retained what appears to us as traditional salary schedules.

Racine Unified School District, for example, is the fifth-largest district in Wisconsin. Its 2016-'17 Teacher Salary Schedule has 12 steps and eight lanes. The lanes are based on earning university or college credits beyond the bachelor's degree. Lane VIIA includes a raise for teachers who earn a National Board Teacher Certification (NBTC). Otherwise, it looks like a standard teacher salary schedule.

There have been changes in the way teachers are compensated after Act 10, according to our review. Some districts now offer bonuses based on performance (Milwaukee Public Schools, for example) or to recruit teachers in high-demand certification areas (Racine Unified, for example). Others make it clear that newly hired teachers may be placed within the salary schedule at a

compensation level that exceeds what their years of service would have specified (Beloit, for example).

None of these market-oriented strategies occurred before Act 10, when unions played a much stronger role. Nonetheless, it is interesting to note that nearly every district from which we could obtain an employee handbook still uses something that looks like the well-known salary schedule to compensate their teachers.

The economic destruction caused by traditional teacher salary schedules

For decades, K-12 teaching has most often been regarded as one labor market — a market for a generic teacher. In fact, the teacher labor market, if allowed to fully flourish, would involve school districts competing in a dozen or more labor markets. A person trained as a physics teacher, for example, has more job options in the private or nonprofit sectors than a person trained as an elementary school teacher.

Similarly, teachers of Spanish, physics, mathematics and chemistry are often in short supply as are technology teachers, science teachers and speech pathology teachers. Teachers of English, social studies, elementary education and early childhood education, however, are much more abundant.

The traditional teacher salary produces *simultaneous* shortages and surpluses of teachers — a remarkable feat. The salary schedule sets one salary for a generic teacher — as if all teachers had the same marketable skills and therefore the same foregone opportunities. A salary schedule is essentially a set of too-high or too-low price controls guaranteed to be insensitive to actual market conditions.

Here is an example: For early childhood teachers, the specified salary acts as a price floor. In other words, the salary specified in the schedule for early childhood teachers is actually set above what the market price would be for a person offering these skills. At this level, the specified salary serves as an incentive to attract more people into the field than there are positions available. The result, of course, is a surplus of early childhood teachers.

The specified salary for teachers is, simultaneously, a cause of the teacher shortages.

Here is an example: For technology teachers, the specified salary acts as a price ceiling. In other words, the salary for technology teachers is actually set below the market price for a person with these skills. This specified salary serves as a disincentive to technology teachers. It discourages people from entering the field — or for those in the field to seek alternative employment opportunities outside of K-12 education — because they have better options in other labor markets. The result, of course, is a shortage of technology teachers.

The most recent report the DPI published on supply and demand was in 2008, before Act 10. Teacher surpluses were reported in such areas as early childhood/kindergarten, elementary, social studies and physical education. But, apparently no one wants to talk about the damage that surpluses do to the teacher labor markets and to prospective teachers who are misled by

misinformation provided by a malfunctioning market and wind up wasting time and money seeking jobs where few exist. And then there are the wasted higher education resources devoted to training teachers in surplus fields who will never be able to find a teaching job.

Wisconsin's failing licensure process

Now, let's shift gears and turn to the supply side of the teacher labor market. To become a teacher in Wisconsin, one has to comply with the provisions of a set of DPI licensure rules called PI 34.

Seventeen years after its implementation, PI 34 has yet to earn national respect. According to the National Council on Teacher Quality (NCTQ), Wisconsin is going backwards. In its 2015 *State Teacher Policy Yearbook*, Wisconsin received an overall grade of D:

- C-minus in turning out well-prepared teachers
- D-minus in expanding the teacher pool
- D-minus in identifying effective teachers
- D-plus in retaining effective teachers
- D-minus in exiting ineffective teachers

Wisconsin earned a D-plus in 2013 and a D in 2011 and 2009.

However, there was some good news in the 2016 report. The NCTQ noted that Wisconsin has four top-ranked elementary education teacher preparation programs. These programs clocked in above the 90th percentile in a national ranking of 2,500 programs. They are:

Carroll University, UW-Eau Claire, UW-Madison, UW-Platteville

How does Wisconsin license teachers? In one way or another, anyone who wishes to become a licensed teacher in Wisconsin has to take steps to comply with PI 34. At the top of its webpage on teacher licensure, the DPI proudly proclaims:

Pursuant to Wis. Stat. 118.19, "any person seeking to teach in a public school, including a charter school, or in a school or institution operated by a county or the state shall first procure a license or permit" from the Wisconsin Department of Public Instruction.

That means surviving a system that includes 26 pages of rules and 13 subchapters with a total of 884 separate code points and sub-points. When PI 34 was approved in 2000, the education establishment buzz was that this grand new scheme would elevate Wisconsin's teaching profession. We seriously doubt that anyone in the industry believes that today.

In 2011, we wrote an extensive report on PI 34 for the Wisconsin Policy Research Institute, "Teacher Licensure in Wisconsin: Who is Protected? Parents or the Education Establishment?" Our criticisms at the time included the following:

- PI 34 imposes an overwhelming regulatory system — dwarfing, for example, the regulatory system governing licensure for medical doctors.
- PI 34 sets up high barriers (a single, proprietary avenue) for entrance into teaching. It makes licensure conditional on completion of approved training programs requiring, normally, at least two years of full-time enrollment in education coursework. Many smart college students and highly trained professionals contemplating career changes are deterred by these requirements.
- PI 34 has no built-in measures for linking teacher licensure to teacher competence. Wisconsin has no evidence that any incompetent teacher has ever been denied licensure renewal.

While PI 34 itself has changed little, there have been changes in the teacher licensure process. The testing process has been expanded and made more rigorous, including the addition of the Wisconsin Foundation of Reading Test for elementary, reading and special education teachers. Also, there are nearly 10 alternative licensure programs in the state, including three that involve programs done in cooperation with CESA 1, 6 and 7. But remember, all such programs must find a way to comply with PI 34.

Some school districts are complaining about the difficulty of attracting good teachers. A report by the Public Policy Forum shows the state lost 2.4 percent of its teachers between 2010 and 2014. The same report found that while more teachers were leaving the profession, the state's teacher training programs produced 7 percent fewer graduates in 2014 compared to 2010. The report also found a nearly 28 percent drop in students entering those programs over the same period.

But it is wise to be cautious when reporting on teacher shortages. As already pointed out, Wisconsin for years has had a bipolar market for teachers, where schools of education routinely produced too many teachers in some fields, such as elementary education, and not nearly enough in others, such as mathematics and science.

In response to concerns about teacher shortages, the DPI established the Leadership Group on School Staffing Challenges. The group is recommending modifications of PI 34 including the following:

- Consolidating the licensure grade spans from the current five to two: PK-9 and PK-12.
- Adding a Permit Holder level of certification for individuals without education training who have a temporary, limited permit — say, as a substitute teacher — without having to enroll in a state licensure program.
- Adding a License with Stipulations level that would be intended for interns, residents, emergency license holders, Teach For America candidates and others who are eligible to serve as teachers of record in a school on a temporary basis.
- Allowing for new or enhanced residency and internship experiences and residents for students who are not yet fully licensed.
- Granting automatic license reciprocity for candidates prepared out of state who successfully pass the edTPA and considering license reciprocity of military spouses. (The

edTPA is a test developed by Stanford University faculty and staff at the Stanford Center for Assessment, Learning and Equity.)

Altogether, several of the recommendations of the Leadership Group, especially those involving expanding internships, adding permit holder and license with stipulation level, and expanding reciprocity may provide marginal improvement with the supply problem.

Gov. Walker also has weighed in. He has recommended providing lifetime licenses as a way to address teacher shortages. This strikes us as an insufficient incentive. Providing a subsidy for teacher aides to become teachers is a not strong idea, either. We need a system that will attract the best and the brightest to teaching. At best, these are Band-Aid solutions. While the governor may be thinking boldly these days in addressing issues such as welfare reform, he is far less engaged in new ideas to reform the labor market for teachers.

What would a free teacher labor market look like?

Higher education faces many challenges. However, nearly all of Wisconsin's four-year colleges and universities compete in a free market for instructors. The market for history professors specifies lower compensation than the market for professors who train medical doctors or engineers. The opportunity cost (the next best choice) of a history professor might be working as a researcher or a manager of a collection in a history museum. The opportunity cost of a professor of medicine is a lucrative private medical practice, while an engineering professor has many employment opportunities outside of the academy. Clearly, if these two markets were treated the same, as they would be with a traditional salary schedule, we would have a surplus of history professors and a severe shortage of professors of medicine and engineering.

We suggest that the market for K-12 teachers is little different. At the middle and high school levels, for example, there should be separate salary scales for teachers of art, business, English, English as a second language, foreign language, mathematics, music, physical education, science, special education, social studies and technology. In fact, at the high school level, even this is too broad. The market for a chemistry teacher is different than the market for a biology teacher. The market for a history teacher is different than the market for an economics teacher.

A similar picture emerges at the lower grades. At the elementary level, there should be separate salary schedules to distinguish between preschool, primary grade and intermediate grade teachers. There also should be different pay for specialists, such as foreign language, music and art teachers. School districts need to pay market rates for teachers in each or some combination of these categories.

We acknowledge that it will take some time for Wisconsin's teacher labor market to adjust to a more fully flexible system. It is difficult — and perhaps unfair — to quickly adjust some long-term teachers' salaries down, in accordance with the marketability of their skills. Further, school district budgets cannot support higher pay for high-demand areas before these salary decreases come into effect.

Will more competition destroy teacher morale? Not once many of the teachers accustomed to the pre-Act 10 environment have retired or left the profession. Teachers who successfully compete in this market will know their success is due to their own efforts and skill. Overall, as competition increases, local communities will return to respecting the teaching corps, knowing each individual has earned his or her success. Moreover, why is teacher morale a primary public policy concern? The job of a school district is to find the best and the brightest to teach Wisconsin's young people.

Will there be an "arms race" to find the best teachers? Some we spoke with believe there already is. Economic theory and experience suggest that competition brings out the best in people. If this means that districts will need to be more competitive to recruit good talent, then let the arms race begin.

However, we do live in the real world. On the one hand, for districts with tight budgets and declining enrollments, competition for the best teachers comes at high costs. On the other hand, fine-tuning and adding multiple salary scales to better match the market may lead to some savings. For example, in 2015, Milwaukee Public Schools was paying a generic beginning teacher \$41,200. Now, let's imagine that a nearby suburb is offering a generic beginning teacher \$51,000. Almost certainly, the suburban district is overpaying some of its beginning teachers and underpaying others.

Recommendations

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► The Legislature should allow teachers who have been certified in other states to be granted an appropriate Wisconsin teaching license with a minimum of hassle.

► The Legislature should take action to allow districts to develop their own teacher licensure programs. When it comes to preparing teachers, districts and CESAs could act in the same way that charter schools act in K-12 education. The DPI has 10 Teacher Standards. These include things such as teachers should know the subjects they are teaching and should know how to manage a classroom. Districts and CESAs could demonstrate to the DPI how they meet these broad standards. The DPI, in turn, would absolve the authorized districts and CESAs from following all of the specified PI 34 rules. For example, PI 34 specifies who can be a supervisor

(cooperating teacher) of student teachers and the minimum times a student teacher should be observed. Maybe the local districts and CESAs could be trusted to figure such things out on their own.

► The Legislature should authorize existing charter schools to make hiring decisions based solely on judgments about candidates' background and present ability to teach effectively. Charter school educators then could consider licensure as one indication of candidates' qualifications, if they chose to do so, but they would not be required to hire only licensed teachers. After all, this approach seems to work just fine for many of Wisconsin's best private schools.

About the authors

Scott Niederjohn, PhD, is the dean of the School of Business and Entrepreneurship and the Charlotte and Walter Kohler Charitable Trust Professor of Business Administration at Lakeland University in Sheboygan. He also is director of Lakeland's Center for Economic Education. Mark Schug, PhD, is an emeritus professor at the University of Wisconsin-Milwaukee. He is president of Mark Schug Consulting Services.