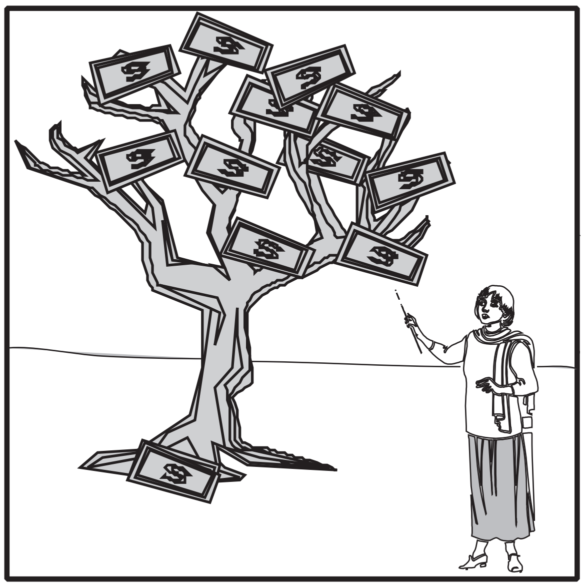
WISCONSIN TEACHER COMPENSATION

A BUM DEAL OR A PLUM DEAL?

THOMAS HRUZ



Few things are as omnipresent in policy discussions concerning public education than the belief that public school teachers are woefully underpaid. The teachers unions, through their propaganda and proclamations, ensure that this perception will always remain. Yet it is also a sentiment that exists in the general public's mindset, for a majority of people likely feel that teachers are underpaid, to some extent at least.

Yet the operative word in this statement is feel; people sense that those who teach today's youth and tomorrow's leaders are not being adequately compensated for their efforts. Yet do we know that Wisconsin's teachers are underpaid? The following analysis helps to better explain the actual situation teachers face in terms of compensation, providing Wisconsin citizens with a fuller, more accurate picture of where public school teachers in the state stand and why they earn what they do.

Refuting the Union Spin Doctors

If someone casually believed the proclamations coming out of the Wisconsin Education Association Council, that person could only conclude that the compensation received by teachers in the state is nothing short of a crime. In WEAC's eyes, public school teacher live the classic worker's dictum: they are overworked and underpaid.

Earlier this year, WEAC produced a radio advertisement to "inform" the public of the alleged breaches of social justice that were occurring with regard to teacher pay. The advertisement involved the voice of a recent graduate of the University of Wisconsin-Oshkosh School of Education who bemoaned her imminent plight as a poorly paid, beginning teacher. The primary weapon in her arsenal of complaints was the fact that she would be earning significantly less than her peers who also recently graduated but now work in other professions. Along these lines, she remarked that her starting salary of about $26,000 would be approximately $10,000 less than her more fortunately situated peers.

The obvious purpose of this advertisement was to invoke sympathy for the apparent low-level of compensation realized by Wisconsin

Thomas Hruz *is a Resident Fellow of the Wisconsin Policy Research Institute.*

teachers, and beginning teachers in particular. The fact that the ad's appearance coincided with the escalation of major legislative discussions over Wisconsin's most-recent biennial budget should not be construed as a coincidence. The hope was to compel state legislators to adjust school funding so as to allow greater increases in state teachers' salaries.

In particular was a desire to alter the state's policy on school funding, most notably the Qualified Economic Offer provision (QEO). As part of a state budget deal made in 1993, the state agreed to finance two-thirds of all local public school spending in return for the establishment of spending caps for districts. These caps, in effect, limited the teachers union to demanding no more than a 3.8% annual increase in salaries and benefits for teachers — the QEO. The intent of the QEO and two-thirds funding provisions was two-fold: (1) to keep local property taxes down (a priority of Republicans), and (2) to achieve a more equalized spending between districts as to education dollars (a Democratic priority). It takes little inspection, however, to notice that WEAC abhors the QEO, especially its effect on limiting salary increases for teachers. The union's disdain has been abundantly evident, and any retorts that the system sufficiently compensates teachers at or above the rate of inflation, and that it holds down local property taxes, fall on deaf ears.

Traveling over to WEAC's website, we find even more artful instances of obfuscation and lobbying. In their collective bargaining section, WEAC offers some different methods for "proving" that the state's teachers are being underpaid. While each exposition appears to show that teachers are getting a raw deal, a deconstruction and unspinning of the figures used show how the situation is far less dire than the union would want the public to believe.

First, the union decries how annual increases in Wisconsin teacher salaries over recent years were outpaced by increases in the median income for four-person families in Wisconsin. Using 1986 as a baseline, the union claims that by 1998 the median income rose 71.6% while starting teacher pay increased only 51.1% and average teacher salary 46.2%, with the gap occurring after 1993 and the enactment of the QEO. WEAC also notes how between 1986 and 1999 per capita income in the state increased 88.5% in Wisconsin while starting and average teacher salaries increased only 55% and 50% respectively.

Yet the figures upon which these comparisons are made are more a function of the booming economy of the state driving up the income of Wisconsin workers in the private sector. These larger earnings are a good thing for Wisconsin, evidencing the ability of workers in the state to benefit from the strong national economy of the past decade. But these types of gains are generally distinctive to workers in the private sector. Bureaucratic entities, such as the public schools, are not affected by fluctuations in the market, up or down. In other words, while teachers do not tend to financially benefit from such economic booms, and the corresponding success of risk-laden investments in the private sector, they also do not suffer from economic downturns, like privately employed workers. For example, workers in many industries may be laid-off and become unemployed during recessions, which is a threat never faced by public school teachers.

Furthermore, WEAC fails to highlight that both the average starting and average overall teacher salaries over this period were *greater than* the average per capita income in the state, with the latter figure being considerably higher. So while the average worker in this state may have been making larger strides compared to teachers, they have a long way to go to catch up with the compensation levels that teachers enjoy.

WEAC attempts its most deft contortion of teacher salary figures with its discussion of the relation of teacher salaries to the rate of inflation. This is the criticism that relates most directly to the QEO. Using the urban Consumer Price Index as the measure of inflation, WEAC explains that between 1992 and

1999 inflation increased 18.6% in the state while starting and average state teacher salaries rose only 16.8% and 16.1%, respectively. This leads the union to conclude, "Since the imposition of caps on teacher salaries, the standard of living for Wisconsin teachers has declined when measured by either starting or average pay, even though inflation reached an historic low in 1998. . . ."

This conclusion, along with the data supporting it, is a bit of an illusion, or at best is imprecise. First, average salaries are affected by factors besides yearly, across-the-board increases in the salary scale. For example, shifting demographics, such as the increasing number of retirements of older teachers, who are on the higher rungs of the salary schedule, will invariably cause decreases in the average salary. This occurs because a larger percentage of teachers are now positioned on the lower rungs of the salary scale. This can happen, and has happened, even as the actual annual increases in individual teacher salaries is greater than the rate of inflation.

Wisconsin teachers' …compensation levels and standard of living have improved, even after adjusting for inflation.

Therefore, a better measure of how teachers have been financially treated is to look precisely at the average increases in per-teacher compensation in the state, as achieved though collective bargaining settlements in local school districts. The Wisconsin Association of School Boards has compiled these numbers and they are replicated in Table 1.

These figures reveal a couple of interesting facts. First, before the salary caps began in 1993, teachers in the state were obtaining annual increases in salaries and benefits well above the rate of inflation. This should not be surprising, as it was this fact that largely inspired the QEO law. Unfortunately, WEAC ignores the fact that the apparent recent decreases in teacher salaries, relative to inflation, is simply allowing taxpayers to recoup some of the compensation premiums awarded to teachers before the existence of the cap. Second, since the 1985-86 school year, the average annual rate of inflation was 3.2%, while the average annual salary increase was 5.3% and the average annual increase in total compensation was 5.7%. Moreover, we notice that at no time did inflationary increases eclipse the average increases in either teacher salaries or total compensation, although the gap has become smaller in recent years. In other words, Wisconsin teachers have not been left behind. Rather their compensation levels and standard of living have improved, even after adjusting for inflation.

The preceding analysis reveals but a few examples of how the teachers' unions spend a considerable amount of time and resources propagating the notion that public school teachers are underpaid. Yet, assuming that the teachers who form the ranks of WEAC's membership have done a good job teaching mathematics, anyone with a high school level of education in this state should be able to dissect the manipulation of statistics attempted by the union and see the inability of these figures to tell the whole story. So while the public may have to listen to the union's perpetual rants, that does not mean that taxpayers must buy into, literally, its arguments.

A More Complete Look at the Earnings of Public School Teachers in Wisconsin

Salaries

Here's another take on the level of teacher compensation in Wisconsin. First, while WEAC commonly focuses on starting salary to suggest inadequacies, we find that the average teacher salary in the state is fairly comfortable.

TABLE 1 AVERAGE ANNUAL INCREASES IN TEACHER SALARIES AND TOTAL COMPENSATION COMPARED TO INFLATION

Academic Year	Annual Rate of Inflation	Annual Percentage Salary Increase Per Teacher	Difference	Annual Percentage Total Compensation Package Increase Per Teacher	Difference
1985-86	3.40%	8.3%	4.90	8.4%	5.00
1986-87	1.96	7.7	5.74	7.7	5.74
1987-88	4.38	6.9	2.52	7.4	3.02
1988-89	4.90	6.5	1.60	7.1	2.20
1989-90	4.75	6.4	1.65	7.3	2.55
1990-91	5.25	6.5	1.25	7.4	2.15
1991-92	2.95	6.5	3.55	6.9	3.95
1992-93	3.09	6.3	3.21	6.9	3.81
1993-94	2.42	3.4	0.98	4.9	2.48
1994-95	2.92	3.4	0.48	3.7	0.78
1995-96	2.64	3.4	0.76	3.8	1.16
1996-97	2.83	3.6	0.77	3.7	0.87
1997-98	1.60	3.9	2.30	3.9	2.30
1998-99	1.64	3.9	2.26	3.9	2.26
1999-2000	2.98	4.0	1.02	4.0	1.02
2000-01	3.42	3.5	0.08	4.0	0.58
Average	***3.2***	***5.26***	***2.07***	***5.69***	***2.49***

Source *Wisconsin Association of School Boards, Wisconsin School District Settlement Trends http://www.wasb.org/employee/collectiveteach.html.*

**Percentage increases are based on prior year average salary. Rate of inflation is measured by the Consumer Price Index (U.S. City Average) from July-June.*

According to the American Legislative Exchange Council, the average teacher salary in Wisconsin during the 1998-99 school year, *before* the value of employment benefits are included, was $43,507.[1] By way of relative comparison, this average teacher salary was fifty-two percent greater than the average Wisconsin worker's salary.[2] Moreover, this disparity between the average worker's salary in the state and the average teacher salary was the fourth largest in the United States.

These figures spark a couple of conclusions that are contrary to the pessimistic sentiment of the teachers' union. First, they show that teachers earn considerably more than most workers in the state, and do so for a job that only involves, at most, ten months of full-time employment. This last point about actual days worked must be considered. One estimate found that the average teacher works 21% fewer days than most other employees (with most of those vacation days coming over the summer), while still earning their annual salary and also, of course, receiving their employee benefits year-round.[3]

[T]eachers earn considerably more than most workers in the state, and do so for a job that only involves, at most, ten months of full-time employment.

Second, the absolute value of the salary for an individual teacher in this state is, on average, very comfortable with respect to the standard of living found in the state.

Finally, we observe that when it comes to comparisons between teacher salaries and the salaries of other workers in the state, Wisconsin teachers do better than ninety-four percent of the states in the nation.

As to the last fact, WEAC attempts to spin perception by exhibiting that Wisconsin teacher salaries have recently fallen below the national average for teacher salaries. The union cites a National Education Association report showing that the average Wisconsin teachers' salary in 1999-2000 was $571 (or 1.4%) below the national average, while in previous years Wisconsin's average had been slightly above the national average. This is making a press release over nothing — the difference mentioned can only be described as a hiccup. Undeterred by this triviality, WEAC Executive Director Michael Butera stated, "Teachers are left behind. Wisconsin teachers are among the best in the nation, and their salaries should be well above average, not below average."

This statement may be accurate if different regions of the country all had the same cost of living values. Instead, we know that average salaries and costs of living are much higher in many of the other, more populated regions of the country, whereby teachers must be paid more to afford that region's standard of living. In fact, seven of the top ten states in terms of average teacher salaries are in the eastern part of the United States,[4] with the other three states being Michigan, California, and Alaska. All of these states, save Michigan, are not Midwestern and are notorious for their high cost of living, relative to Wisconsin. Therefore it is only reasonable that teachers in those states would achieve higher salaries than in Wisconsin.

Yet once cost of living adjustments are made, we find that Wisconsin is very competitive. According to a recent American Federation of Teachers report, when average teacher salaries are adjusted by the cost of living in the state, Wisconsin teacher salaries rank 14th — perhaps not exceptional, but well above the national average.[5]

Finally, if Butera wishes to claim that levels of teacher pay should be based on relative levels of performance, as his statement suggests, then perhaps WEAC should apply that same logic for determining the pay of individual teachers.

The fact that the average starting teacher's salary is as low as it is, while the average salary for all teachers is the amount it is, necessarily means that a fair number of Wisconsin teachers are earning well above the average. In other words, assuming a normal distribution, the top teacher salaries in the state would be around $59,000, which is a very handsome income — by any standard. In actuality, the distribution of teachers is likely skewed towards the beginning end of the salary scale, in that more teachers tend to be in their first few years of the salary scale rather than at the highest levels. If this is true, it means, mathematically, that a greater number of teachers are at or above the salary average than are below, since it is the high number of beginning teachers who are weighing down the average. Whatever the actual distribution of teachers is, these preceding insights show that the low starting salary for teachers simply counterbalances the much higher salaries that a large number of teachers experience, particularly those with the most seniority.

Yet there is even more to the story. The disparity between the salaries of beginning teachers and other teachers, particularly those at the top end of the scale, exists precisely because public school systems are tied to a bureaucratic, single salary schedule for determining salaries. Currently, a public school teacher's pay is determined by *only* two factors: (1) the number of years he or she has been a teacher, and (2) the number of degree credits he or he has accumulated. Looking only to the first factor — the more significant factor — we find that teachers will increase their pay mostly by staying in the system longer.

This mentality of a fixed scale for teacher pay combines with the union's perceived need to have all teachers with more seniority achieve proportionally higher salaries. The result is that it becomes necessary to keep paying those teachers on the lower end far less, or else the system would become bankrupt without massive tax increases.

This point shows just how the devil is truly in the details of WEAC's argument. For if it were agreed that starting teachers should make a higher salary, say for example the $36,000 figure WEAC seems to desire, it goes without saying that the union would expect all teachers to have their position and pay on the salary scale increase by the same constant ($10,000) or, worse yet, proportionally to the increase that is experienced by the starting teachers, which is approximately a 28% increase. Both options, especially the latter approach, would have an enormous, exponential effect on the cost of teacher salaries.

Fringe Benefits

Additionally, it is only to *salaries* that proponents of higher teacher compensation draw attention, while they remain silent on the value of the *benefits* that public school teachers are afforded. This focus is deceptive but necessary if the teachers' union is to be able to convince anyone of the claim that its teachers are not remunerated well.

One of the basic truisms of labor economics is that employers generally consider the total cost of any particular employee in determining their compensation levels. In other words, the cost to an employer of hiring or retaining an employee is the summation of that employee's salary or wages *and* their benefits, including employer contributions to health care, pension, and social security, plus allowances for vacation and personal days. Often the actuarial value of these benefits will be considerable, being as much as one-third to one-half the value of the yearly income an employee derives. Failing to include the value of these benefits would be similar to failing to include the cost of paying a tip when eating out at a restaurant — the total price of the meal is not simply that which appears on the menu, just as the total cost of a teacher is not simply the salary he earns.

It is within the realm of employee benefit compensation that public school teachers, like most public employees, own the privilege of being some of the highest compensated. Put simply, the financial benefits that flow to public school teachers are very nice both in absolute terms and — to play the teachers' unions game — in relative terms. Public school teachers in Wisconsin receive some of the best health care coverage experienced by workers in the state, and are they are also welcomed into the generous pension payments of the Wisconsin Retirement System for government employees. According to the Wisconsin Association of School Boards, the average value of fringe benefits per teacher in Wisconsin during the 2000-01 school year was $17,135. When this figure is added to the average salary for the year, the average teacher's total compensation package in the state was valued at approximately $59,000.

We must remember that this figure is an *average*, which means that roughly half of the state's public school teachers are at *or above* this figure. To illustrate this point, we can look at the range of total compensation packages among Wisconsin's local school districts. We find that in the 2000-01 school year, the district with the lowest average compensation package came in with an average of $41,379, while the district with the highest *average* showed $78,634. These are not weak levels of annual compensation by any stretch of the imagination.

[P]ublic schools are immune to the pressures of most market forces, which generally aid in determining the efficient allocation of resources.

Moreover, there are some ancillary employment benefits that have come to accrue to public school teachers. Earlier I discussed how teachers work far fewer days than the average worker, which is a benefit that far outstrips the number of paid vacation days most workers receive. Likewise, once teachers satisfy a short probationary period, it becomes exceedingly difficult to terminate their employment due to subsequent poor performance or shifting school district needs. Furthermore, public school teachers do not face the prospect of losing their job if their school or district fail to provide a quality product. By contrast, workers in the private sector face a constant need to be productive, unless they are resigned to become uncompetitive in their market and possibly go out of business. Given the lack of school choice pressures in public K-12 education, no one will seriously contend that public schools are under the threat of closure for poor performance. Therefore, at both the individual and the group level, public school teachers enjoy a degree of job security that is largely unseen in the private sector. And this job security itself has a high value.

The Intractable Problem of Public Education's Avoidance of Market Forces

Another common, yet unfortunate omission from debates over the adequacy of teacher compensation is a realistic discussion of whether we can possibly ascertain the correct level of compensation to award teachers — correct in an economic, not an emotive, sense. In many ways, the existence of this entire debate over the adequacy of teacher compensation is attributable to a single, stark reality of public education and its labor market. Unlike the labor markets for private industries — of which WEAC incessantly compares its members' earnings to — public schools are immune to the pressures of most market forces, which generally aid in determining the efficient allocation of resources. What this means is that the compensation of public school teachers is not determined by the manifestation of the public's direct willingness to pay for their services.

Stripped away of the economic jargon, the preceding statements tell us that due to the unique nature of public education — including compulsory attendance, government financing, and its near monopolization of K-12 education — teachers face a entirely different (and less effective) system for determining their pay. It is beyond the scope of this article to detail all of the effects of such a publicly financed and publicly operated system. Suffice it to say, while the collective bargaining that occurs between the unions and local school boards tempers some of the union's demands, there is very little built in to the process of determining salaries to counter union demands — that was until the QEO. To be sure, this characteristic of price-uncertainty is inherent in any publicly provided service, and must be accepted if citizens wish to continue free and universal public education. Nonetheless, this underlying deficiency should be called to mind when discussions over the relative level of teacher compensation are undertaken.

Not only does realizing this fact inform us of the actual nature of the system within which teacher pay is determined (namely, by bureaucrats and union agents who are either uninformed of or uninterested in market wage signals), but it also offers a most unusual, yet more accurate, answer to the question of whether teachers are paid enough. That answer is not "yes" or "no," but "perhaps." The main point is that, given the fact that teachers are hired and paid within the context of a non-competitive market, we simply do not and can not know how much the public actually values the work of teachers and, therefore, how much teachers should be paid.

Mix in the fact that teacher salaries increase only according to their seniority and level of education degree credits, regardless of performance, and we realize that the teacher compensation system is even more inefficient. It does not allow districts or schools discretion over how much to pay individual teachers based upon their individual abilities and degree of success at teaching students to learn — what economists would call their marginal productivity of labor. This author has already expounded upon the need for merit-based pay for teachers, and why the unions avoid such a system.[6] The point is raised here only to caution that discussions over the adequacy of teacher compensation must recognize the structural difficulties built into the present system for determining teacher pay. For example, in the absence of a merit pay system, it appears that the only "fair" method of accomplishing the solution of improving low starting salaries is to increase all teacher salaries. Again, one soon gets to see the ruse in the union's arguments.

This discussion also relates to a growing trend among the teachers' unions to attempt to compare the relative status and growth of teachers salaries to that of other workers. This approach was explicit in the WEAC radio advertisement mentioned earlier and has also been utilized in recent studies published by the largest teachers' unions in the country — the AFT and NEA. These comparisons frequently take the form of comparing the salaries of workers who have various levels of educational degrees and years of experience with that of teachers with the same background (e.g., bachelors degree and being four years out of college).

These comparisons are misplaced, and the meaning to ascribe to them is uncertain. This is because the process by which wages are determined in other fields, what is demanded of those workers (both in terms of educational accomplishment, hours worked, and a myriad of other things), and the markets in which these fields operate all suggest legitimate reasons for any existing discrepancies between teacher and non-teacher earnings. Nevertheless, it should be noted that, in Wisconsin, the gap between teachers and non-teachers ranked 12th and 8th smallest in the nation for bachelors and masters degrees, respectively. Therefore, even if such a gap exists and is of concern, Wisconsin suffers from this alleged malady to a lesser extent than roughly eighty percent of the states.

Because we are unable to ascertain how much the work of teachers is valued based on accurate wage signals, we invariably play off of the emotive notion of how much we feel their work should be valued. This is a dangerous game, especially if the emotions are overplayed by one of the principal parties in the bargaining process — namely the teachers' union. Moreover, comparisons to workers in other fields are inappropriate and misplaced, since these other fields operate under greatly different conditions and labor pressures.

Being Candid with the Public and Taxpayers

This article's discussion of teacher compensation and its relative value allows the citizens of the state to better form their own judgments on the adequacy of teacher compensation. To be sure, it is possible that a majority of the taxpaying public in Wisconsin truly desires for all teachers to be compensated at much higher levels than they currently are. If the public so demands it, and is willing to incur the costs through increased taxation, then so be it, and government agents should act accordingly. To reach that conclusion, however, it is irresponsible and hazardous to not fully inform the public of the true nature of teacher compensation, its actual value, and how the system in which teacher pay is now determined is not conducive to allowing accurate determinations of the true value of teachers' work, both individually and collectively. In other words, this effort requires going beyond the merely perceived inadequacies of teacher compensation propagated by the teachers' union.

Notes

1. LeFevre, Andrew, and Rea Hederman, Jr. (2001). *Report Card on American Education: A State-by-State Analysis, 1976-2000*. Washington, DC: American Legislative Exchange Council.

2. *Ibid.*

3. This estimate is from, John C. Bowman, *Teacher Compensation in Texas: Emerging Trends for Texas*, July 11, 2000, p. 14, cited in, Andrew LeFevre, *The Great Underpaid Teacher Myth*, American Legislative Exchange Council, March 2001.

The inevitable reply to this charge is that teachers log long hours of work during the school year, which more than compensate for the months that they have off. It is doubtful that the hours worked by the average teacher truly meet or exceed that of a year-long, full-time workload, especially given that workload-hour limits are frequently part of teachers' collective bargaining agreements. Yet even assuming the truth of this claim one must return to the game played by WEAC — making relative comparisons. In the WEAC radio advertisement, the spokesperson talks of how she will be earning considerably less than her peers earning degrees in other professions. Lest it be lost in the shell-game shuffle, it should be noted that many young professionals in the business, medical, legal, skilled-labor, and other fields frequently work in excess of a forty-hour work week, and do so *all year round*. This fact is brought to light not to discount the difficulty of the work that teachers perform or the amount of time they may have to put in. It is only to rebut the contention that somehow teachers are unique in their employment difficulties. It is a bit presumptuous to merely assume that teachers actually work harder and longer than the employees in fields they wish to compare themselves to.

4. These states are Connecticut, New York, New Jersey, Pennsylvania, the District of Columbia, Rhode Island, and Massachusetts.

5. American Federation of Teachers, *Survey and Analysis of Teacher Salary Trends 2000*, Table I-7.

6. *See* Thomas Hruz. "Quality Control: Merit Pay and Why the Teachers' Unions Stand in the Way," *WI: Wisconsin Interest*, Vol. 9, No. 3 (Fall 2000), pp. 19-25.