ARE WISCONSIN PUBLIC SCHOOL TEACHERS REALLY UNDERPAID?

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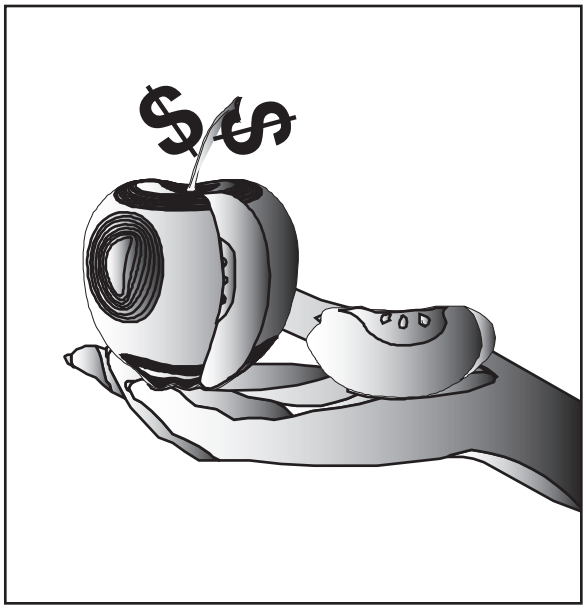

Most people would agree that Wisconsin's schoolteachers perform some of the most important work done in the state. Most also would probably agree that Wisconsin's public school teachers are markedly underpaid. That view is widespread. But are they in fact underpaid? The question has received surprisingly little attention, and several facts relevant to it have been obscured by the marketing and propaganda of Wisconsin's largest teacher's union, the Wisconsin Educational Association Council (WEAC).[1]

Getting at the Question

The following report addresses the question of teacher pay by reference to publicly available data from the U.S. Department of Census[2] for a statistically significant sample of 15,202 Wisconsin employees (from 1994 to 2002[3]). Of these employees, 775 were schoolteachers. The data include information about age, weekly wage, union status, education, weeks worked, occupation, industry, and employment sector (public or private).

This analysis compares wages earned by Wisconsin public school teachers to the wages of private school teachers and to wages earned by other workers with similar educational levels. It also examines experience, union status, and sector of employment as these factors relate to wages. These analyses control for differences in weeks worked, as well as fringe benefits, for teachers and other employees. It concludes with a discussion of labor unions and their effects on teacher salaries.

Whether certain employees are underpaid or not will always remain a question of judgment, with answers depending in part on beliefs about underlying values. One can argue that, because of the importance of their jobs, teachers or fire fighters or police officers or rescue workers — and many others — deserve to be paid more. In the absence of an agreed-upon scale of importance to be used for ranking the occupations in question, there is no way to respond rationally to such arguments. In the real world, nonetheless, employers must decide how much employees are worth, and these decisions become matters of public importance when taxpayer dollars are

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involved. Ordinarily, the labor market shapes these decisions through the interaction of the supply and demand for workers. The market mechanism may be distorted, however, by various outside influences. This paper will show that distortions in the labor market for teachers are partially responsible for the perception that teachers are underpaid.

Underpaid Compared to What?

To ascertain whether public school teachers are really underpaid, consider first a comparison between the salaries earned by teachers in public and private schools. In providing instruction, private and public school teachers do similar work, but of course private school salaries are funded by churches or school tuition payments. Table 1 shows average Wisconsin public and private school teacher salaries for teachers with 4-year college degrees as well as master's degrees. These data clearly show that public school teachers are compensated more handsomely than their private school peers. In fact, the average public school teacher with a bachelor's degree makes about 23 percent more than his or her private school counterpart. For those with master's degrees, the public school salary premium is about 20 percent. Clearly public school teachers are not underpaid in comparison to private school teachers. WEAC does not comment on this point; however, it is commonly known that private school teachers make less than their public school colleagues — in part because of tight parochial school budgets and because many private school teachers are willing to accept a lesser salary in order to work for a cause (and children) they deeply care for. Other factors may also be relevant, including perhaps differences in years of service for the average teachers in each group.

It may also be important, therefore, to compare public school teacher salaries to salaries earned by other public sector employees. Table 1 also includes average salaries of Wisconsin (Non-Teacher) public employees. These data show that public school teachers with 4-year degrees earn salaries almost identical to the salaries of other public employees with 4-year degrees. When a teacher earns a master's degree, he or she outpaces equivalent public sector employees by about 5 percent.

Lastly, it is interesting to compare public school teacher salaries with salaries earned by Wisconsin private sector employees. In claiming that they are underpaid, teachers refer frequently to private sector salaries. Here the data show that teachers have a point. Private sector employees with 4-year college degrees earn, on average, about 16 percent more than public school teachers. For those with master's degrees, the difference favoring private sector employees is about 13 percent. Does this comparison end the debate? Does this make WEAC's point? It would if the comparison involved apples and apples; however, it clearly does not. The salary differences in question are related to two other important differences between private sector employees and public school teachers; the first of these has to do with the length of the work year for each group.

TABLE 1 AVERAGE WEEKLY (AND YEARLY) SALARIES OF SELECTED WISCONSIN EMPLOYEES

	Public School Teachers	Private School Teachers	Public Employees (Non-Teachers)	Private Employees (Non-Teachers)
4-Year College Degree	$788 ($40,976)	$642 ($33,384)	$780 ($40,560)	$912 ($47,424)
Master's Degree	$1004 ($52,208)	$838 ($43,576)	$958 ($49,816)	$1130 ($58,760)

Controlling for Days Worked

The work year for teachers is short compared to that of most other workers. While the actual number of days worked varies somewhat from district to district, teachers generally have the summer off, and their contracts provide also for generous holiday breaks. Table 2 recalculates the teacher salary data taking the shorter work year into consideration. This calculation is done in two different ways. The number on the left is calculated assuming that teachers work 21 percent fewer days than the typical full-time worker. This is a commonly accepted estimate. The number on the right uses actual teacher responses from the census survey. When asked, "How many weeks do you work in your main job?" the average response by public school teachers was 47 weeks. While this number is contrary to common sense, as well as actual teacher contracts,[4] I include it here for completeness.

When asked the usual number of hours worked per week, public school teachers responded with 41.5 hours on average.

The estimates in Table 2 show that once the number of weeks worked is accounted for, the salary profile for public school teachers changes dramatically. The average teacher with a 4-year degree earns $953 per week, which translates to a per annum salary of $49,556. For teachers with a master's degree, these numbers rise to $1,215 and $63,180 respectively. Not only do these adjusted salaries continue to outpace those earned by private school teachers; they also show that public school teachers earn, on average, 22 percent more than other public sector employees and 4.5 percent more than non-teaching private sector employees. Controlling for actual time worked, in other words, shows that Wisconsin's public school teachers are among the best-compensated workers in the state.

Some have argued that this technique for adjusting salaries is not fair because teachers work so many hours during the school year that it "makes up" for the time off during summers. Responses from the survey discredit this argument. When asked the usual number of hours worked per week, public school teachers responded with 41.5 hours on average. The average for other public sector employees was 40 hours, and private sector employees reported approximately 41.2 hours worker. These numbers do not differ from one another statistically.

TABLE 2 AVERAGE WEEKLY (AND YEARLY) SALARIES OF SELECTED WISCONSIN EMPLOYEES, CONTROLLING FOR DAYS WORKED

	Public School Teachers	Private School Teachers	Public Employees (Non-Teachers)	Private Employees (Non-Teachers)
4-Year College Degree	$953/$859[5] ($49,556/$44,668)[5]	$777/$700[5] ($40,404/$36,400)[5]	$780 ($40,560)	$912 ($47,424)
Master's Degree	$1215/$1094[5] ($63,180/$56,888)[5]	$1013/$913[5] ($52,676/$47,476)[5]	$958 ($49,816)	$1130 ($58,760)

Adding Health Insurance Benefits to the Analysis

To fairly compare the value of compensation packages between different groups of workers, one must consider the value of fringe benefits as well as salaries. This includes the value of health insurance policies, pension packages, other retirement programs, and any other asset of worth offered upon employment. While it is very complicated to put a value on all of the various benefits associated with full-time employment, health insurance packages can easily be compared to ascertain differences in value.[6]

For such comparisons (based on the average cost of health care, per month, for Wisconsin public school teachers) the relevant data are available from the Wisconsin Association of School Boards.[7] These data, which are shown in Table 3, show that the average monthly cost of health insurance for a single public school teacher is $374 (and $843 for a public school teacher's family). They also show that, on average, the school board picks up 97 percent of the single teachers' cost and 95 percent of the family costs. In other words, Wisconsin taxpayers pay $363 per month in health insurance costs for single teachers and $801 per month for teachers with families.

The best data available on private sector insurance costs are from a 1995 survey by the Bureau of Labor Statistics.[8] (As it is common knowledge that health care costs have soared in recent years, the 1995 data will likely underestimate the cost of health insurance to private sector employees). These data show that the average single private sector employee paid $34 per month for health insurance while the average cost for family coverage was $118 per month. Any comparison based on these figures assumes that public school teachers and private sector workers are offered equivalent health insurance packages. This assumption is most likely not valid, since public school teachers typically have much more generous insurance packages than the average worker.[9] Given these biases, the average single public school teacher receives, per month, $23 more in health insurance benefits than single private sector employees, while teachers choosing family coverage enjoy a $76 per month premium. If we assume that single and family insurance choices are evenly distributed among teachers and private sector employees, the average public school teacher has a $50 per month ($600 per year) compensation advantage over the average private sector employee because of health insurance benefits.

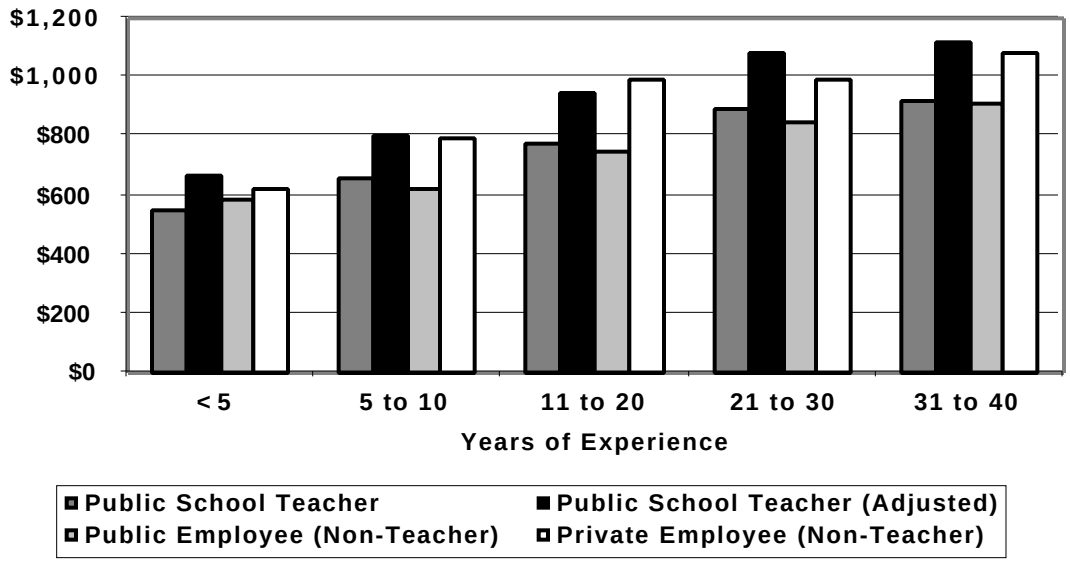
Experience

Another common complaint about teachers' salaries refers to the low starting salaries that teachers are said to make. It is true that, before controlling for the short work year, starting public school teachers make lower salaries in their first five years of employment

TABLE 3 WISCONSIN PUBLIC SCHOOL TEACHER HEALTH INSURANCE BENEFITS

Monthly Insurance Cost for Single	$374
Monthly Insurance Cost for Family	$843
Percentage School Board Pays for Single	97%
Percentage School Board Pays for Family	95%
Monthly Board Cost for Single	$363
Monthly Board Cost for Family	$801
Monthly Teacher Cost for Single	$11
Monthly Teacher Cost for Family	$42

CHART 1 WEEKLY AVERAGE SALARIES BY YEARS OF EXPERIENCE



than comparable private or public sector employees. The average yearly salary for public school teachers in their first five years of employment is $28,600. However, once this salary figure is annualized, it jumps to $34,606. As a point of reference for interpreting this figure, Chart 1 shows the average weekly salary, by years of experience, for selected occupations. The data show that public school teacher salaries, adjusted for days worked, place teachers among the best-compensated employees at nearly every range of experience.

Unionized Trades: A Better Comparison?

Public school teaching is clearly a professional occupation. It requires a 4-year degree from an accredited college. It attracts some highly professional workers, devoted to their students and to scholarship. Among many citizens it commands great respect and admiration. This being said, the salary bargaining practices of Wisconsin public school teachers closely resemble the bargaining practices of union tradespeople. Unlike the pay of other professional employees, teacher pay is based solely on education and time on the job. Job performance is not part of the equation.

With this in mind, it would be remiss not to compare Wisconsin public school teacher salaries to those of other unionized employees. Table 4 shows data from this analysis. The average unionized schoolteacher in Wisconsin makes $881 per week. Even without calculating for weeks worked, this salary is significantly higher than that earned by non-unionized teachers (25 percent), all non-teacher unionized employees (21 percent) and all 4-year,

TABLE 4 AVERAGE WEEKLY SALARIES OF SELECTED WISCONSIN EMPLOYEES, CONTROLLING FOR UNION STATUS

Unionized School Teachers	All Non-Teacher Wisconsin Unionized Employees	All Non-Teacher Wisconsin Unionized Employees with 4-Year Degree	Non-Union School Teachers
$881	$728	$762	$705

degreed, non-teaching, unionized employees (16 percent).

Labor Markets, the Teacher's Union, and the QEO

Conventional labor economic theory states that workers are paid their marginal products (or their value). In real labor markets, theory never matches reality perfectly, given various labor market distortions or wage rigidities. There are always some workers who make too much, some who make too little, and some who make just the right salary. In a competitive labor market, the majority of workers fall into the "just right" category. To illustrate this point, consider any industry where many firms compete to make some product. Any employee who makes too much will eventually be eliminated, as firms are trying to maximize their profits and cannot afford to pay someone more than the value he or she adds. Any employee who makes too little will eventually leave the company and find a job at a competitor who will pay more. Given enough time, the market settles near some point of equilibrium where most people make what they are worth.

In the case of public school teachers this model does not apply. Most public school teachers are organized in labor unions, and this mode of organization distorts the labor market for teachers. Unionized teachers are not paid their marginal product (or value); they are paid the collective value of everyone in the group. Accordingly, many good teachers are paid too little, many poor teachers are paid too much, and most teachers are not paid what is just right. This is the type of equilibrium that results when a person's salary is not based on the value he or she adds.

If quality teachers in Wisconsin really wanted to raise their salaries (to what they are worth), they would concentrate on breaking their union, as opposed to spending time worrying about Wisconsin's Qualified Economic Offer (QEO).[10] As my analysis has shown, the problem for teachers is not one of *average* teacher salaries; it is an *allocation problem — one of allocating* the total pot of money available for raises. Consider an example using a 3.8 percent (as mandated by the QEO) across-the-board raise. I'm sure a good teacher would be thrilled to receive a raise of 7.6 percent. However, a poorly performing teacher would then have to receive no raise. This is how it is done in the private sector. Merit based pay is the real answer to the reasonable complaints of good teachers about their salaries.[11] Too many good teachers are effectively "passing" their potentially higher salaries on to weak performers through the contract provisions negotiated in collective bargaining.

Some Teachers Are Underpaid

Only one argument about underpaid teachers actually holds water. That is an argument on behalf of the best teachers. Because of labor union contracts, teachers' salaries are basically homogenous. The difference between the highest and lowest is much closer than it is in most occupations. As mentioned earlier, the salary premiums are essentially taken from the best teachers and given to the worst teachers, since compensation is not a function of performance or quality. This point is illustrated in Table 5. The difference between the highest and lowest salaries for Wisconsin public school teachers is much smaller than this difference in other occupations. In fact, when compared to the private sector, the difference is more than 63 percent smaller.

TABLE 5 DIFFERENCE BETWEEN MINIMUM AND MAXIMUM WEEKLY SALARIES FOR SELECTED WISCONSIN EMPLOYEES

Public School Teachers	Public Employees (Non-Teaching)	Private Sector Employees
$1,680	$2,581	$2,739

The big differences here are generated on the high-end, as the low-end salaries are nearly identical in all of the occupation groups. The data show that in the public school teaching profession, the best-of-the-best make less than comparable employees in other fields.

Conclusions

Are Wisconsin's public school teachers in fact underpaid, or is the underpayment argument a product of teacher union propaganda? An analysis of a U.S. census survey data on wages finds no evidence that Wisconsin's public school teachers are underpaid in comparison to their peer groups. In fact, quite the contrary. When public school teacher salaries are adjusted for the number of weeks teachers work each year, it becomes clear that teachers are among some of the most highly compensated employees in the state.

Public school teacher salaries dwarf those of private school teachers. Before adjusting for time worked, moreover, public school teacher salaries are very close to the salaries of other public sector employees. Once the time-worked adjustment is added, teacher salaries are revealed as significantly higher than the salaries of other public employees and even private sector employees. Unionized public school teachers also make significantly more than other unionized state employees. An analysis of public school teacher health insurance benefits reveals another compensation advantage over other Wisconsin employees.

If there is any inequity revealed in this analysis of teacher salaries, it is one related to the effects of collective bargaining. Because collectively bargained teacher salaries are not based on merit, the best teachers make significantly less than the top employees of other labor market sectors, even though the *average* public school teacher salary remains very high.

Notes

1. *See* Thomas Hruz, "Wisconsin Teacher Compensation: A Bum Deal or a Plum Deal?" *WI Wisconsin Interest*, Vol. 10, No. 3 (Fall 2001), for a discussion of WEAC positions and propaganda.

2. Current Population Survey data available from the U.S. Bureau of Labor Statistics at <http://ferret.bls.census.gov>

3. Because a small percentage of those surveyed include salary data, this analysis had to use many years of data. The salary data are adjusted for inflation using the Consumer Price Index.

4. Wisconsin's largest school district contract calls for 191 workdays (this includes three days of vacation, so actual days worked total 188). See "Contract between Milwaukee Board of School Directors and the Milwaukee Teacher Education Association", July 1, 1999-June 30, 2001, page 56. Available from Milwaukee Teachers Education Association (MTEA) <www.mtea.org.> Information in this articles was obtained from the labor relations department at the Milwaukee Public Schools.

5. The figure on the left is generated assuming schoolteachers work 21% fewer days that other employees. This estimate was made in *The Great Underpaid Teacher Myth*, American Legislative Exchange Council, March 2001. The figure on the right assumes that schoolteachers work 9% fewer days than other employees. This estimate is from the actual CPS data where employees were asked to record the number of weeks they work per year. The average teacher responded with 47 weeks.

6. *See* Thomas Hruz, "Wisconsin Teacher Compensation: A Bum Deal or a Plum Deal?" *WI: Wisconsin Interest*, Vol. 10, No. 3 (Fall 2001), for more discussion of the other benefits afforded public school teachers.

7. "2001-2002 Health Insurance Cost Comparisons – Statewide," available at www.wasb.org. Interestingly, this report shows that many school districts, including Milwaukee Public Schools, pay 100% of teacher health insurance premiums.

8. "Employee Medical Contributions are on the Rise," U.S. Department of Labor, Bureau of Labor Statistics. Data are from a 1995 Employee Benefits Survey of medium and large private establishments.

9. *See* Mark Browne and Linda Leetch. *Health Insurance for Public School Teachers in Wisconsin: A Good Value for Taxpayers or a Case of Market Abuse?* Wisconsin Policy Research Institute Report. Vol. 13, No. 8 (December 2000).

10. The QEO was mandated by the 1993 Wisconsin State Budget and allows school districts to restrict teachers' annual salary and benefit increases to 3.8% without going to binding arbitration.

11. For a discussion of merit based pay *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.