

spotlight

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LEARNING ABOUT TEACHER PAY

N.C. teachers are favorably compensated; what they need is merit-based pay

SUMMARY: Adjusted for cost of living, pension contribution, and teacher experience, the state's average teacher salary is \$993 higher than the U.S. adjusted median salary and \$2,733 higher than the U.S. adjusted average salary. There is little evidence that a higher average salary or better benefits will, in any significant way, improve recruitment and increase retention of teachers. A system of merit-based pay would provide an incentive for highly qualified individuals to enter and stay in the teaching profession.

every year, North Carolina makes a major investment in its public school workforce, but facts about salary and benefits are often poorly understood and rarely publicized. Fortunately, the Department of Public Instruction offers a wealth of data related to compensation for public school personnel. Some highlights include:

- For the 2005-06 school year, the state spent over \$10 billion in state, local, and federal funds on public education. Close to \$8.5 billion (82 percent) of those funds paid for public school personnel salary and benefits.¹
- Over the past five years, there has been a 23 percent increase in expenditures for salary and benefits, fueled by the state's 19.7 percent increase in teacher pay over that period.²
- Since the 1991-92 school year, North Carolina's teacher pay increases have outpaced the Consumer Price Index (CPI). Over the past 15 years, teacher pay has increased by 85.9 percent, while the CPI increased by 47.5 percent. State employee pay increased by 35.2 percent during the same period.³
- For the 2005-06 school year, the minimum salary for a first-year classroom teacher was \$26,626, and the maximum was \$38,067. The minimum salary for a teacher in his or her 30th year was \$48,687, and the maximum was \$74,215. The minimum salary includes base pay, new teacher orientation (if applicable), and longevity pay (if applicable). The maximum salary includes supplements for additional credentials, local supplements, mentor pay, and ABC bonus pay.⁴

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- According to the 2006-07 state salary schedule, starting salary for a certified teacher with a bachelor's degree and no experience is \$28,510. Because of local supplements, starting salaries in most school systems are higher than the state-mandated amount. For example, the starting salary for a certified teacher with a bachelor's degree and no experience in Wake County is \$32,287.60 and in Charlotte-Mecklenburg is \$32,216.30. Last year, the average local supplement to the state salary schedule was \$2,967.⁵

The Myth of the “National Average”

In 2005, Governor Easley announced a plan that would raise teacher salaries to the national average within four years, estimated to be \$52,266 by the 2008-09 school year.⁶ Two years ago, the state legislature awarded teachers an average four-percent increase in salary, and last year they gave teachers an eight-percent increase. Following Easley's lead, the legislature will likely include pay increases of between three to five percent in each of the next two years.

The National Education Association (NEA) recently released its annual study of teacher salaries, and it estimated that North Carolina's average teacher salary was \$43,922 for the 2005-06 school year, considerably less than the \$49,109 U.S. average.⁷ Of course, that estimate did not take into account the eight-percent increase passed by the legislature last summer, because the raise does not take effect until the 2006-07 school year. More importantly, this estimate was not adjusted to take into account important differences in cost of living, teacher experience, or benefits across states.

Adjusting for Cost of Living

The NEA is quick to admit that its rankings of nominal or unadjusted salaries will not produce apples-to-apples comparisons of teacher pay across states. The authors of the report caution, “The national average salary, although useful as a benchmark statistic, hides vast differences among states, with statewide averages likewise clouding significant local variations.”⁸ Without a doubt, cost of living is one of the most important differences between states. Such states as Connecticut, New Jersey, and California have a high average salary and a high cost of living to match. The high cost of living in these and other states significantly weaken the value of a teacher's salary.

The Governor's office acknowledged that, when adjusted for cost of living, teacher salaries here would be above the national average by this school year and \$4,000 above the national average by 2009.⁹ Such admissions do not deter the governor, prominent state legislators, and the media from using unadjusted figures to justify the pay increases. At a recent education forum, Rep. Dan Blue, former House speaker, insisted that it is disingenuous to use adjusted teacher pay as the standard by which teacher salaries are compared and discussed.¹⁰ Media reports simply failed to acknowledge that the NEA ranking failed to reflect cost of living differences across states.¹¹

Adjusting for Pension Contribution

In addition, the NEA's 2005-06 teacher salary study does not take into account factors such as pension contributions and teacher experience that more accurately represent how much teachers make in North Carolina and across the country. The source and conditions of employer pension contributions vary according to the regulations of each state. For example, states may mandate that a school district, the state, or both a district and state contribute to a pension program. In some states, teachers have the option of enrolling in a state retirement system or one reserved exclusively for public school employees. Teacher pension programs often give public school employees more flexibility and have a higher employer contribution rate than retirement programs for other state employees.

Adjusting for Teacher Experience

Moreover, teacher experience is a necessary factor to include in any comparison of teacher salaries. Teachers are paid on a scale that increases their salary for each additional year worked. States with a more experienced teacher workforce will have a higher average salary, which will skew the comparison with states that have less-experienced teachers. By adjusting for this factor, the experience or inexperience of the workforce will not distort comparisons of average teacher salaries for each state, leading to a much more accurate salary comparison at a given level of seniority.

Table 1. Adjusted Teacher Compensation, by State (Including D.C.)

<i>Original</i>		<i>Average Salary</i>	<i>Pension</i>	<i>Years of</i>	<i>Cost of Living</i>	<i>Adjusted</i>	<i>New</i>
<i>Rank</i>	<i>State</i>	<i>(NEA)¹²</i>	<i>Match¹³</i>	<i>Experience¹⁴</i>	<i>Index¹⁵</i>	<i>Compensation</i>	<i>Rank</i>
5	Illinois	\$57,819	13.10%	15.7	0.956	\$64,046	1
18	Georgia	\$48,300	9.24%	13.5	0.921	\$62,381	2
4	Michigan	\$58,482	9.40%	15.5	1.013	\$59,898	3
13	Alaska	\$53,553	16.00%	12.4	1.237	\$59,534	4
11	Delaware	\$54,264	4.90%	14.2	1.003	\$58,751	5
15	Ohio	\$50,314	13.00%	15.3	0.954	\$57,259	6
36	Texas	\$41,744	5.91%	13.3	0.889	\$54,966	7
43	Utah	\$40,316	13.38%	12.9	0.961	\$54,202	8
35	Kentucky	\$41,903	13.11%	13.7	0.942	\$53,985	9
34	Arkansas	\$42,093	14.00%	14.9	0.886	\$53,433	10
45	Missouri	\$39,922	11.00%	13.6	0.900	\$53,220	11
17	Minnesota	\$48,489	8.46%	15.1	0.971	\$52,727	12
26	Nevada	\$44,426	10.31%	12.8	1.074	\$52,403	13
47	Oklahoma	\$38,772	13.00%	13.9	0.885	\$52,355	14
33	Tennessee	\$42,537	6.13%	14.0	0.908	\$52,205	15
16	Oregon	\$48,981	11.11%	14.5	1.058	\$52,149	16
44	Louisiana	\$40,253	15.50%	13.9	0.946	\$51,975	17
3	California	\$59,345	8.25%	13.5	1.347	\$51,931	18
27	North Carolina	\$43,922	2.34%	13.6	0.940	\$51,687	19
37	New Mexico	\$41,637	8.56%	12.5	1.031	\$51,558	20
32	South Carolina	\$43,242	7.55%	14.2	0.942	\$51,109	T-21
42	Alabama	\$40,347	6.56%	13.5	0.916	\$51,109	T-21
29	Idaho	\$43,390	10.39%	14.6	0.945	\$51,033	23
25	Arizona	\$44,672	5.70%	13.1	1.044	\$50,752	24
19	Indiana	\$47,255	13.22%	16.7	0.929	\$50,694	25
	<i>U.S. Median</i>	<i>\$43,922</i>	<i>8.46%</i>	<i>14.7</i>	<i>0.971</i>	<i>\$50,694</i>	
21	Wisconsin	\$46,390	8.10%	15.5	0.942	\$50,488	26
38	Kansas	\$41,369	5.47%	14.3	0.906	\$49,506	27
12	Pennsylvania	\$54,027	4.23%	16.6	1.009	\$49,422	28
23	Colorado	\$45,616	9.30%	14.7	1.015	\$49,121	29
	<i>U.S. Average</i>	<i>\$46,417</i>	<i>9.01%</i>	<i>14.8</i>	<i>1.000</i>	<i>\$48,954</i>	
10	Maryland	\$54,486	11.17%	14.6	1.265	\$48,211	30
9	Rhode Island	\$54,730	13.72%	15.4	1.244	\$47,757	31
28	Virginia	\$43,823	6.62%	14.3	1.035	\$46,407	32
2	Connecticut	\$59,499	9.20%	16.2	1.273	\$46,313	33
39	Nebraska	\$41,026	8.02%	15.8	0.902	\$45,711	34
49	Mississippi	\$37,924	9.75%	15.1	0.894	\$45,323	35
30	Florida	\$43,302	6.28%	14.5	1.036	\$45,035	36
22	Washington	\$46,326	1.37%	15.0	1.044	\$44,082	37
7	New York	\$57,354	5.63%	15.6	1.304	\$43,779	38
31	Wyoming	\$43,255	5.68%	15.9	1.009	\$41,885	39
46	Montana	\$39,832	7.58%	15.4	0.993	\$41,192	40
40	Iowa	\$40,877	5.75%	17.0	0.931	\$40,149	41
51	South Dakota	\$34,709	6.00%	14.8	0.911	\$40,113	42
6	New Jersey	\$57,707	0.00%	16.2	1.317	\$39,760	43
50	North Dakota	\$37,773	7.75%	16.2	0.938	\$39,373	44
14	Hawaii	\$51,599	13.75%	13.7	1.613	\$39,044	45
20	Vermont	\$46,622	4.81%	15.3	1.223	\$38,388	46
41	Maine	\$40,737	17.23%	16.9	1.086	\$38,250	47
48	West Virginia	\$38,284	24.13%	19.4	0.953	\$37,785	48
1	D.C.	\$61,195	0.00%	17.6	1.409	\$36,275	49

Note: Massachusetts and New Hampshire are not included, because of insufficient data.

North Carolina Is Above the National Average

When adjusted for cost of living, pension contribution, and experience, North Carolina teacher pay exceeds both the national average and the national median for teacher pay (see Table 1). North Carolina's adjusted teacher compensation is \$993 higher than the U.S. adjusted median compensation and \$2,733 higher than the U.S. adjusted average compensation. In the 2005 John Locke Foundation study of teacher pay, North Carolina's adjusted average compensation was \$5,221 higher than the U.S. median compensation and \$1,588 higher than the U.S. average compensation.¹⁶

North Carolina's adjusted teacher pay is also one of the highest in the South. Only Georgia, Kentucky, and Louisiana have a higher adjusted teacher pay, primarily because they are states that have a higher pension contribution rate and lower costs of living than North Carolina.

In addition, states in the region that compete with North Carolina for teachers rank significantly lower in adjusted average compensation. South Carolina is tied for 21st with Alabama, Maryland ranks 30th, Virginia ranks 33rd, and Florida ranks 36th in the final ranking. The adjusted average compensation for North Carolina teachers is nearly \$600 more than South Carolina and Alabama, almost \$3,500 more than Maryland, over \$5,200 more than Virginia, and over \$6,600 more than Florida. Thus, North Carolina has one of the most attractive teacher compensation rates of any state in the region.

Pay Increases Are Not Likely To Improve Teacher Recruitment and Retention

According to former House speaker Jim Black, "Increasing teachers' salaries is one of the best ways to recruit and keep highly qualified teachers in our classrooms."¹⁷ Among elected officials and public-school advocacy groups, there is a widespread belief that higher pay will reduce North Carolina's 12.3 percent turnover rate even lower.¹⁸ Given the state's below-average turnover rate — the national average for teacher turnover is 15.7 percent, and the average turnover for businesses with 1,000 or more employees is 17 percent — one cannot claim that there is a statewide teacher turnover crisis.

In addition, over half of the annual turnover is beyond the control of the state. The 2005-06 teacher turnover report shows that, of the 12,507 teachers that left their position, 2,010 teacher resigned to teach in another public school in North Carolina, 1,979 teachers retired, 1,833 teachers resigned due to family relocation, and 1,627 teachers left because of a variety of circumstances beyond the control of the school system.¹⁹ It is not clear whether the 7,449 teachers in these categories would have found higher pay to be a compelling reason to remain in their teaching position, but, in general, teachers who leave for these reasons will not or cannot return. On the other hand, 1,108 teachers resigned to change careers or because they were dissatisfied with teaching. Theoretically, higher pay and better benefits may be able to reduce this number.

Another report, the Teacher Working Conditions survey, provides specific reasons why teachers in North Carolina choose to change careers or leave the profession. Using this data, I estimate that 406 teachers who left teaching during the 2005-06 school year may have stayed in their position if offered higher pay and better benefits.²⁰ If spread evenly across all 115 school systems, each school system in the state may have been able to retain between three and four potential leavers if it offered them higher pay and better benefits. Furthermore, the turnover rate may have been reduced from 12.3 percent to 11.9 percent. In other words, higher pay and better benefits would do little to retain large numbers of teachers who choose to leave the profession for better opportunities elsewhere.

As far as recruiting, compensation may be one factor that lures teachers from other states to North Carolina's public schools, but a number of other factors likely play a role. For example, employment opportunities for spouses, cost of living, and even climate may be factors that recruiters use to fill teacher vacancies in the state. Because data on teacher recruitment are not available, it is premature to claim, as Rep. Black does, that increasing pay or enhancing benefits would better fill teaching vacancies.

Getting Our Money's Worth

Across-the-board raises unrelated to performance serve to reward both good teachers and mediocre ones, thus doing little to help students learn. In a state that must hire thousands of teachers every year, North Carolina would

be well served by expanding its pool of applicants beyond graduates of teacher-education programs and out-of-state applicants that meet state certification requirements. A system of merit-based pay, along with streamlined certification requirements, would provide generous incentives for highly qualified individuals to enter and stay in the teaching profession.²¹

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Notes

1. Division of School Business, DPI Financial and Business Services, "2005-06 Selected Financial Data," November 2006, www.ncpublicschools.org/fbs/resources/data.
2. Department of Public Instruction, "Statistical Profile," 2001 through 2006.
3. Division of School Business, DPI Financial and Business Services, "Highlights of the North Carolina Public School Budget," February 2006.
4. Alexis Schauss, "Public School Employee Salary Structure," presentation for the Joint Legislative Education Oversight Committee, January 10, 2006.
5. DPI Financial and Business Services, "2006-2007 Salary Schedules," www.dpi.state.nc.us/fbs/finance/salary. DPI Financial and Business Services, "2005-2006 Salary Supplements," www.dpi.state.nc.us/fbs/finance/salary.
6. Office of the Governor, "Gov. Easley Announces Plan To Raise Teacher Salaries," October 25, 2005, www.governor.state.nc.us/News_FullStory.asp?id=2538.
7. National Education Association, "Rankings and Estimates," www.nea.org/newsreleases/2006/nr061114.html, November 2006, p. 67. I am skeptical of the estimated salary for North Carolina. The 2005-06 estimate represents a 1.3 percent increase over the 2004-05 average salary of \$43,348. Yet the legislature granted teachers an average 4.2 percent raise for the 2005-06 school year. This increase would bring North Carolina's 2005-06 average salary to \$45,169. Although the NEA used a regression analysis to determine average salary for some states, North Carolina's estimate was based on NEA's survey results. Thus, the estimate cited comes directly from the N.C. Department of Public Instruction.
8. *Op. cit.* at note 7, p. xi.
9. *Op. cit.* at note 6.
10. N.C. Spin Education Forum, December 7, 2006.
11. "Despite hikes, N.C. teacher pay still below average," *Triangle Business Journal*, triangle.bizjournals.com/triangle/stories/2006/11/13/daily14.html, November 14, 2006.
12. *Op. cit.* at note 7.
13. National Association of State Retirement Administrators/National Council on Teacher Retirement, "Public Fund Survey, FY 2005," www.publicfundsurvey.org. Contribution rate was not available for Massachusetts teachers. Therefore, Massachusetts was not included in the ranking.
14. American Federation of Teachers, *Survey and Analysis of Teacher Salary Trends*, 2002, 2003, p. 15. AFT did not include state-by-state teacher experience figures in its 2004 teacher salary study. The 1999-2000 Schools and Staffing Survey (SASS), conducted by the National Center for Education Statistics, is still the standard source for information on teacher experience. The 2002 AFT teacher salary study supplemented SASS data using its annual survey of state departments of education.
15. Missouri Economic Research and Information Center, "Cost of Living: 2nd Quarter 2006," www.ded.mo.gov/researchandplanning/indicators/cost_of_living/index.stm. The composite index number is used here, which is a composite of grocery, health care, housing, transportation, utilities, and miscellaneous cost indexes by state. A composite index number was not available for New Hampshire. Therefore, New Hampshire was not included in the ranking.
16. Terry Stoops, "Learning About Teacher Pay," johnlocke.org/spotlights/display_story.html?id=116, October 28, 2005.
17. *Op. cit.* at note 6.
18. Department of Public Instruction, Division of Human Resource Management, "2005 – 2006 System Level Teacher Turnover Report," October 2006, p. 5. The annual turnover percentage does not include Visiting International Faculty (VIF). This reduces the turnover rate by 0.26 percent and eliminates 223 teachers from the final count of leavers (pp. 1-2).
19. These circumstances include: a reduction in force (7), re-employed retired teacher resigned (377), resigned – family responsibility/child care (879), resigned – because of health/disability (295), and deceased (69).
20. Office of the Governor, Teacher Working Conditions Initiative, "Combined Report [PowerPoint]," www.northcarolinatwc.org, February 2006. Although higher pay may encourage some career changers to stay, the rigors of a teacher's daily routine and unhappiness with the school administration are also key sources of teacher dissatisfaction. In the North Carolina Teacher Working Conditions survey, 36.6 percent of those leaving the profession said that salary and benefits was the most important consideration in deciding whether to stay in their current position, while 27.9 percent of those leaving found teaching load and inadequate planning time to be their foremost consideration. Finally, 16.9 percent of leavers were primarily dissatisfied with school leadership. Thus, a higher percentage of those leaving the teaching profession (44.8 percent) were dissatisfied with their daily routine and school leadership than discouraged about their salary and benefits (36.6 percent).
21. See Charles Clotfelter, Elizabeth Glennie, Helen Ladd, and Jacob Vigdor, "Would Higher Salaries Keep Teachers in High-Poverty Schools? Evidence From a Policy Intervention in North Carolina," National Bureau of Economic Research *Working Paper* No. 12285, June 2006. The authors concluded, "The fact that the [merit pay] program appears to have reduced departure rates of teachers from the schools serving disadvantaged and low-performing students means that the program could potentially have raised student achievement had it remained in operation for a longer period of time" (p. 20).