

## **Can't We Pay Our Best Teachers More?**

*Eric Hanushek files his final blog post with Deborah Meier today.*

Dear Deborah,

Since we have already entered into a number of sensitive areas, we might as well go all the way and discuss salaries. I am always struck by two competing arguments—frequently made by the same people—that teachers are not motivated by money and that a major problem with American schools is that the salaries are too low to attract top people in teaching. On the surface, these arguments seem to be inconsistent, and perhaps we can try to sort through them.

To frame the discussion, let me state clearly at the outset that I personally believe that our best teachers are woefully underpaid—that we are taking advantage of the personal motivations by this group of highly effective teachers to do a crucially important job. The simple economic story is that our best teachers generate economic value that is far above their current salaries. Moreover, the nation may not be so lucky in the future.

Economists look at salaries as an important element of leading people into their best job. When looking at the U.S. economy as a whole, economists confirm that salaries tend to reflect the skills, productivity, and occupational choices of individuals. But, when one looks at education, the linkages are less clear. With the single salary schedule, salaries are determined largely by experience levels and by degree levels of teachers, which on average are unrelated to performance in the classroom. As a result, salaries are essentially unrelated to effectiveness—making education very different from other parts of the economy.

Indeed, there are reasons to believe that this disjuncture is a component of the fact that productivity gains throughout the U.S. economy have been much larger than any seen in education. And it leads to a suggestion that the educational system might be better off by rewarding the skill and effectiveness of teachers.

Invariably, however, this suggestion is met with a simple declaration that teachers do not respond to such extrinsic incentives. They are teachers because of their sense of mission, because of their love of children, and for a variety of intrinsic incentives. Moreover, paying teachers differently based on

effectiveness or skills would be harmful, because we would lose their ability to work together in the school and we would not recognize that all are working for the same purpose.

To an economist, while recognizing that all individuals have different motivations and interests that enter into career choices, it is difficult to believe that education is entirely different from the rest of the economy.

And, at this point the real disconnect generally comes into the discussion. It is frequently argued that one of the most significant problems of education is the low wages that discourage many from entering teaching or from remaining in teaching. Indeed, some argue that the only way to be internationally competitive in our schools is to raise salaries to the top third of all occupations, or at least to the level of some comparison professions such as law, medicine, and accounting.

These latter arguments suggest that teachers are indeed motivated by money.

It actually seems possible to reconcile these two arguments. First, I think that almost all current teachers are indeed working to do the best that they can. Offering a bonus for better performance to existing teachers has very little influence on what they do. This is exactly what the Vanderbilt study found. It is also what has been shown by multiple studies of merit pay that focus on the impact of relatively small bonuses for current teachers on their performance in the classroom.

At the same time, this is not a demonstration that salaries have no effect. Both the level of salaries and the pattern of salaries across teachers affect who enters and who stays in teaching. Higher salaries and a greater relationship to performance would attract a different group of people into teaching. Indeed, the impact of salaries on selection into teaching is the key issue for those who think that performance pay is important.

And there is another element of the failure to differentiate pay according to the effectiveness and impact of teachers. Almost certainly overall salaries of teachers are held down by the failure to recognize that some teachers are more effective than others. The other half of the observation that there are effective teachers who are woefully underpaid is that some ineffective teachers are being woefully overpaid. It is simply politically difficult to pay appropriately large salaries to ensure that

there are effective teachers or teachers in shortage areas such as math and science if the same higher pay has to go to ineffective teachers or teachers in surplus areas such as elementary school teaching.

One might say, just as is said in other occupations, if teachers are willing to work for the salary that is offered, they are not really being underpaid. But, the problem as I see it is that the low pay relative to their value to society too often fails to keep the effective teachers in the classroom and importantly fails to attract others who would also fall into this highly effective group.

What am I missing?

Rick