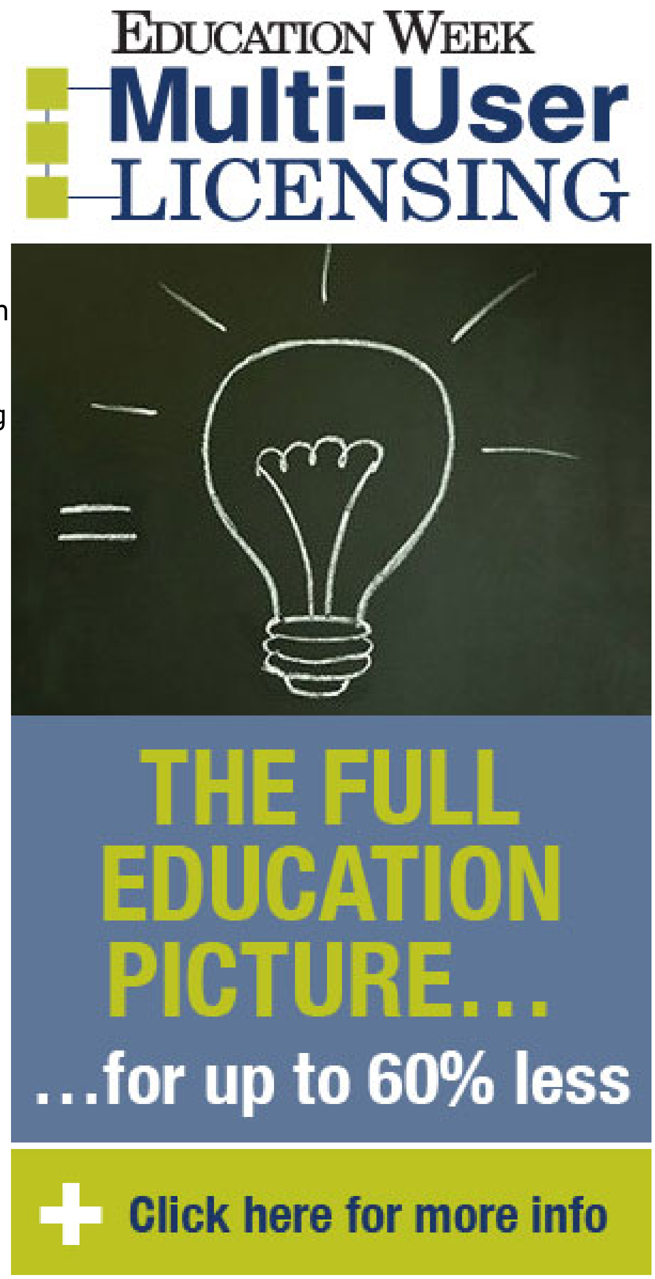
EDUCATION WEEK
Published Online: February 5, 2013
Published in Print: February 6, 2013, as **Why Educators' Wages Must Be Revamped**

COMMENTARY

Why Educators' Wages Must Be Revamped Now

By Eric A. Hanushek

Back to Story



It is no secret that some school districts spend their money better than others. One can easily find groups of districts with the same student demographics and with the same expenditure levels producing very different levels of student achievement. Put another way, some (many?) districts are spending more than they need to spend, based on what other districts show is possible. Economists would summarize this as indicating the existence of considerable inefficiency in the operation of schools. But does this excess spending imply that we can simply cut back on spending without harming students?

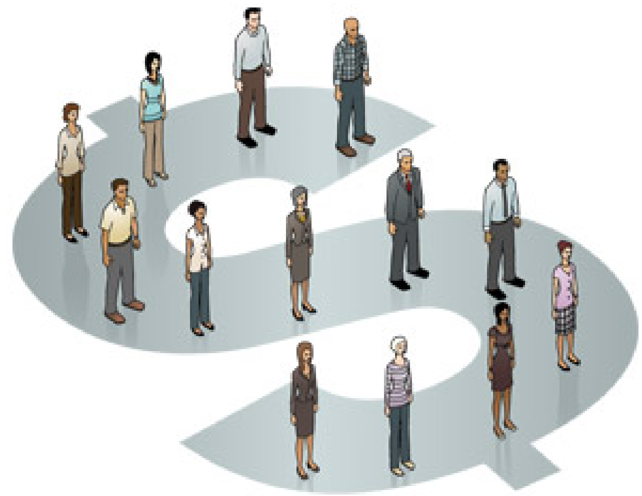
This surely is a key question that will come up this spring in statehouses across the nation as they face another tough budget year. District officials, if they are wise, will not just rely on the same old belt-tightening maneuvers. Indeed, perhaps the only viable option is seriously addressing policies toward educator salaries.

To put the issue in perspective, let's start with some basic history about the budgetary picture for schools. The recession of 2008 was a rude shock to state and local governments, and especially to schools. Coming off a century of continuous growth in spending per pupil, districts were slow to adjust to the possibility that the revenue collapse might actually put them on a more perilous spending path.

Initially, they were saved from tough decisions. The federal government, faced with a weakened overall economy, charged in to make up for fiscal shortfalls of school districts through a stimulus package designed to get the macroeconomy moving again. This package provided a bridge that kept spending in most states from falling at the pace of lost revenues.

In the 2009-10 school year (the latest with available data), when the stimulus was in full swing, the overall story was still not rosy. State and local revenues per pupil fell in real terms in 39 states. When federal stimulus dollars were added, overall real **spending per pupil still declined in 23 states**.

Moreover, the stimulus package was explicitly a temporary fix that was designed to end quickly—and it did. To the extent that they thought about it, most states and districts implicitly presumed that, as the stimulus funds were phased out, their own funds would return, and that they could then resume on their prior path. For that reason, in many states, the initial response after the stimulus money stopped flowing was largely to try to do what had been done before the recession and to wait out the storm.



—iStockphoto.com/Michael Mathis

The shock came after the stimulus went away. Even as state revenues began to recover, school spending generally did not return to its previous trajectory.

In reality, state and local revenues continue to be slow to recover, and states have found themselves facing deficits (many of which are illegal, according to state constitutions). Given overall state demands, a number of states are dealing with deficits by allowing school spending to fall. Moreover, most projections suggest that general fiscal pressures on schools are likely to last for some time.

A first response has been to resist any spending decreases, generally arguing that schools should be exempt from fiscal shocks. For some, this resistance has included going to court (e.g., in New Jersey and Kansas) to argue that reduced funding violates established state constitutional requirements for providing students with an adequate education. Nonetheless, a majority of the states have simply fought out their funding battles in their legislatures—with few states returning to the spending growth of the past.

This leads back to the simple question: Isn't it possible that forced spending reductions will make the education system more efficient? Since there is spending in many districts that is not contributing much to student learning, can't we simply squeeze out this inefficiency by cutting the funding to schools?

Although we do not have a definitive answer to that question, my response is most likely no.

If school districts had a line item in their budgets for "waste, fraud, and abuse," we could just reduce that to deal with the budget pressures. Unfortunately, we do not find such itemized inefficiency.

It is possible, as the Council of the Great City Schools has convincingly done, to document wide differences in costs of various management functions, ranging from finance operations and procurement, to safety and security, to transportation. Many of these differences are large enough to explore further, but acting on them is unlikely to solve long-term fiscal problems, since each is a relatively small budget item.

"The only way that efficiency will be significantly improved is by strengthening the relationship between salaries and performance."

The big money still resides in instructional personnel, meaning mainly administrators and teachers. Salary and benefits funding for instructional employees represents the largest spending area in the typical district, bringing to mind the old Willie Sutton adage about robbing banks "because that's where the money is." The case for inspecting this spending, however, runs much deeper.

First, as is widely recognized, teachers and principals have the largest impact on student performance, implying leverage on the achievement side of the efficiency equation. Second, numerous studies have shown that teacher pay based on degrees and experience is unrelated to teacher effectiveness, implying leverage on the cost side of the efficiency equation. Addressing issues of inefficiency almost certainly demands addressing the fact that salaries, and by implication, total compensation paid by schools, are unrelated to student outcomes.

Dealing with either side of this efficiency equation has no historic precedent, and districts are unlikely to focus on these issues just because funding is cut. Partly because of existing state labor and education laws, these issues are often simply not on the table even in times of fiscal stress. Yet, that is not the full story, because even when these constraints are not binding, we see little systematic movement toward rationalizing instructional spending and performance.

A number of states have moved forward by at least eliminating pure LIFO—last in, first out—rules for reductions in the teaching force, which are designed to protect more-experienced teachers during layoffs. Wisconsin got the bulk of the publicity for its work on this front, but Colorado, Florida, Indiana, Oklahoma, and others have also opened the way for decisions more closely related to teacher performance. These states have taken the first necessary steps of reducing teacher-tenure guarantees and calling for better evaluations of teachers and administrators.

These actions, however, will probably be insufficient. There is considerable inertia in local districts. There are contracts that restrict action. There is resistance from teachers' unions. There is little experience or political will to change.

And there is the final defense of the status quo: "Surely reform would cost money, and we do not have it." But, yes, districts do have it. They are currently spending money in ways unrelated to achievement, and rform means ending that, not just adding on to what was done before.

The only way that efficiency will be significantly improved is by strengthening the relationship between salaries and performance. Currently, **we dramatically underpay our best teachers** while dramatically overpaying our worst. Efficient policies imply paying significantly more to the best teachers—not just giving small, temporary bonuses for student achievement—to keep them in the classroom longer. Additionally, it probably also means having them teach more students, because dealing with tighter budgets and paying significantly higher salaries will most likely require slightly larger class sizes. At the other end of the performance spectrum, we cannot reduce the pay of the worst teachers enough, and we simply must move them out of the classroom. The impact of the small numbers of unacceptably ineffective teachers is disproportionately large and represents a huge drain on both achievement and finances.

These are not things that happen easily or automatically. As we embark on a new budget season, we should not delude ourselves that just cutting school budgets will lead districts to a new, more efficient place. Left to their own devices, districts are much more likely to do what they have always done, but on a somewhat restricted scale. This path will lead neither to more efficiency nor to better results—and in fact could significantly harm students.

Improving outcomes—either with fewer or more resources—requires significant change. It will be virtually impossible to get such change without active state policies that push for the alignment of salary budgets with classroom performance.

Eric A. Hanushek is the Paul and Jean Hanna senior fellow at the Hoover Institution at Stanford University. His writings can be found at ***hanushek.stanford.edu****.*

Vol. 32, Issue 20, Pages 28-29, 31