What Happens to Teacher Salaries During a Recession?

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The news is filled with stories of school district cuts, including layoffs, class size hikes, elimination of programs, foregone textbook purchases, and so on. Less clear has been the effect of the recession on teacher pay. Technically, school boards are responsible for decisions about teacher pay. That doesn't mean, however, that they approve—or even track—teacher salaries each year. Rather, salaries get woven into a host of other policies and practices that allow them to drift upward on their own, often without any annual action by the board or superintendent.

Given the "built-in" nature of salary raises, a key question is how those raises play out year to year, particularly in a more strained economic climate. In many districts where budgets are tight and forcing cuts in services, are teacher incomes also falling behind? Is teaching becoming a less remunerative occupation relative to other local opportunities such that over time it may become less attractive? Or, do the automatic salary triggers shift wages up despite revenue constraints?

This study uses a complex urban district, namely Seattle Public Schools, to explore actual salary changes amidst rapid changes in economic context. Typical of other urban districts, Seattle faced budget gaps throughout the recession as state revenues tightened. The study shows that wage trends shifted up in unexpected ways at the outset of the recession, then leveled off as the economic strain continued in subsequent years. Analysis of the salary components sheds light on the nature of the salary drivers and why they are at times out of pace with economic context.

Comparing continuing teachers' earnings over time captures full effect of all salary drivers

District leaders often report the average salary for each school year. Yet there is a lot the average fails to tell us. Differences in each year's average salary can be heavily influenced by layoffs, which could cause a jump in the average by eliminating the most junior, and thus lowest-paid, teachers. Similarly, a bump in retirements could make the average drop, even though there was no reduction in any teacher's pay. Some district leaders reference the cost-of-living allocation (COLA) as an indication of the incremental pay awarded to teachers, but the COLA doesn't capture any step-and-column increments (for longevity or degree attainment), bonuses for certification (such as National Board Certification), or other incentives (such as merit pay, or extra pay for teaching in a high-poverty school).

Looking instead at the annual change in the salaries of teachers who stay in the district from one year to the next—what we call "continuing teachers"—provides the full picture of how different salary drivers work together to affect earnings. Furthermore, year-to-year change in total salaries enables comparisons of teacher salary trends with regional economic conditions, such as the consumer price index (CPI) or salary changes for workers in other industries. Also, the analysis can identify how the different cost escalators (steps, columns, COLAs, etc.) contribute to salary changes.

We use this practice to examine changes in pay for continuing teachers in Seattle Public Schools. Drawing on Washington State's Office of Superintendent of Public Instruction S-275 personnel database, the analysis examined all earnings of the 1,252 full-time teachers who taught consecutively in the Seattle Public Schools from 2005-06 to 2010-11. From these figures we computed the percent pay increase for each teacher and the average salary for all teachers each year. To put the pay increases into economic context, we then compared wage growth to the Bureau of Labor Statistics figures for both the Seattle metro regional CPI and wage growth of all Seattle metro workers for the same time period.

Seattle teachers received a double-digit pay increase at the peak of the recession

As Figure 1 shows, Seattle's continuing teachers saw their pay jump on average from $54,436 in 2005-06 to $75,383 five years later (an increase of 38 percent). The largest single-year pay hike—14 percent, or $9,104 per teacher—took effect in fall of 2008, midway through the 18-month Great Recession that began in December 2007.[1] Meanwhile, because of budget gaps, beginning in 2008-09, the district has had to dip into reserve funds, cut staffing at schools and headquarters, and re-route school buses, even while receiving federal stimulus money.

Figure 1. Continuing Seattle teacher salaries increased 38% in five years

The wage increases that followed were much smaller (although still positive), averaging 2 percent for 2009-10 and 1 percent for 2010-11.

1. National Bureau of Economic Research, http://www.nber.org/.

At the recession's outset, Seattle teacher wage increases were out of step with regional economic conditions

To put the salary growth in perspective, we used two useful calibration points: the regional rate of inflation as determined by the CPI, and the salaries of regional workers in other industries.

From 2008-2011, the CPI was essentially flat. As Figure 2 demonstrates, the growth in teacher salaries outpaced CPI growth by 25 percentage points over the five-year period from 2005-2011, even in the years of more modest salary increases. This means that teacher pay raises yielded a substantial boost in relative purchasing power during this time. We expect that continuing teachers' salaries would realize growth over the CPI due to their increased professional experience (which amounts to five years for this set), but not at a growth rate nearly three times that of the CPI.

Figure 2. From 2005-06 to 2010-11, continuing teacher salaries outpaced inflation by about 25 percentage points

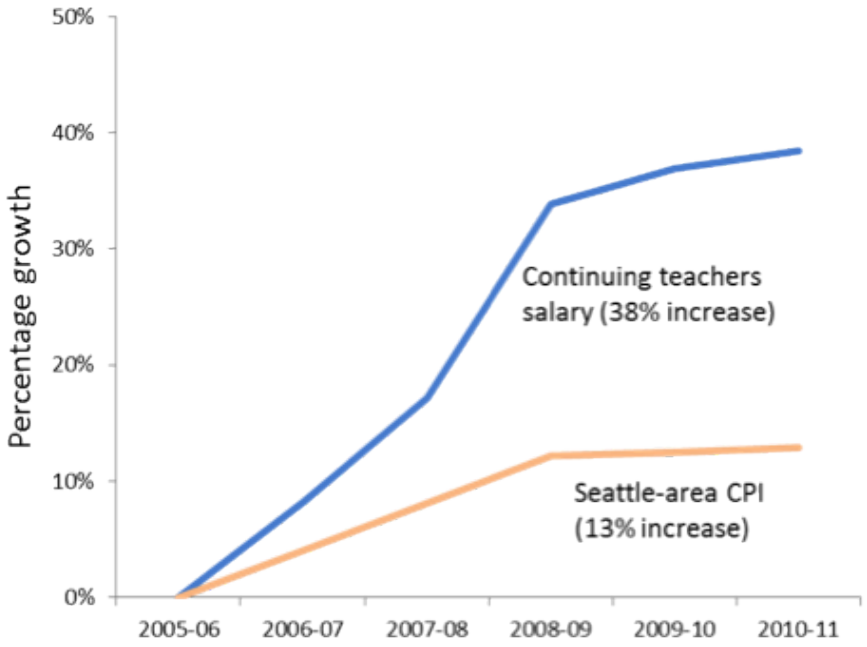
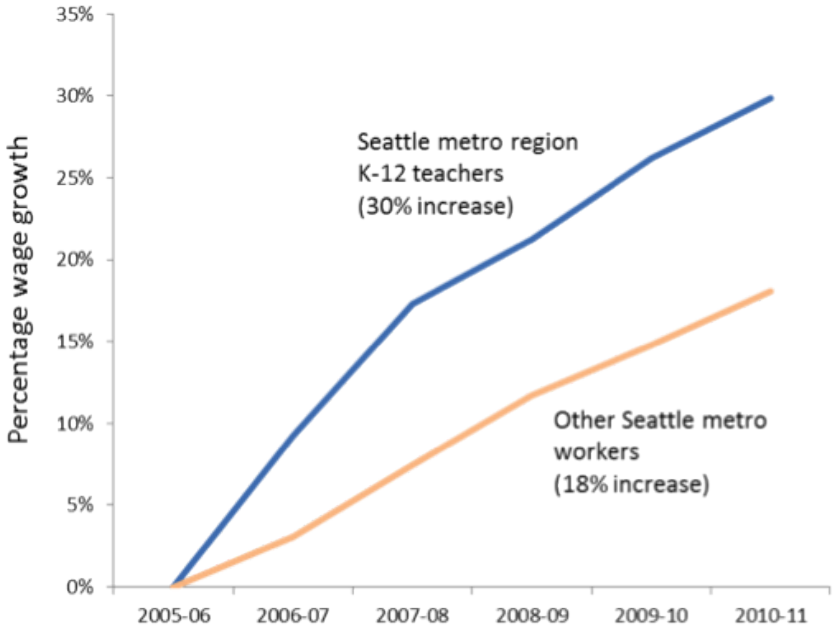


Figure 3 compares salary growth for all K-12 teachers, not just continuing teachers, to salary growth for all other workers (public and private) in the Seattle metropolitan region. While these figures from the Bureau of Labor Statistics[2] cover a broader geographic area and are not directly comparable to the figures from Washington State's S-275 database, they show clearly that teacher salaries grew much faster than salaries in other fields: 30 percent for teachers, compared to 18 percent for other workers in the Seattle metropolitan area over the same five-year period.

2. From Bureau of Labor Statistics, "Occupational Employment Statistics" survey; query of all job categories in Seattle-Bellevue-Everett metropolitan region, May 2005 through May 2010, http://www.bls.gov/oes/oes_dl.htm.

Figure 3. Wages grew faster for teachers than for other Seattle-area workers



Salary policies are disassociated with revenue trends

In 2008, given that unemployment was soaring, retirement investments were plummeting, and public revenues were sinking with each updated forecast, how could school district leaders approve of the 14 percent average pay increment that took effect that fall? The truth is, they didn't—at least not explicitly. No one in the district seemed to know the extent of the pay increases (and, according to a recent conversation with one school board member, some officials still don't).

In Seattle, as in most districts, wage increases are determined by a host of disconnected policies that work independently to affect earnings—some in ways that drive up pay during a recession. Consider the range of different drivers for teacher salaries:

- Longevity awards: Pay scales, where an extra year of service guarantees an annual step increase, are nearly ubiquitous in public education.[3] Step increases alone can yield a pay increase, even in a year when there is no COLA or when pay scales have been cut (as was the case in 2009-10 and 2010-11, when the state legislature cut base salaries).[4] Further, when teacher turnover drops—as is often the case in a recession, when people try to hold on to the jobs they have—more teachers realize their longevity bonus. The result is that a recession can actually drive up average teacher pay.

3. Depending on the pay scale, some years may be excluded.

4. During this time, the Washington State Legislature eliminated a portion of the base teacher salary allocations. In both years, total salaries for Seattle's teachers still rose, albeit at a much lower rate.

- Entitlement-like promises for pay dependent on teacher actions: Some portion of teachers' wages depends on if and when they choose to accumulate graduate degree credits (despite research that suggests very little connection between advanced degrees and student outcomes).[5] Using the 2010-11 Seattle salary scale,[6] a new Seattle teacher with only a bachelor's degree will earn a total salary of $862,784 over 20 years, but a teacher with a PhD will earn $1,418,126 over that time—a 64 percent difference. Depending on the state and district, these pay increments might be as large as $8,000 or more per year. Here again, the pay award is structured in such a way that districts don't control it on a year-to-year basis. Salaries jump in a year when many teachers seek graduate degrees, regardless of whether the district or state has funds to support that increase.

- Bonus structures with no limits on how many teachers qualify: Similarly, some states award additional compensation when teachers seek and are granted National Board Certification or other qualifying evaluation criteria. Washington State's teachers with National Board Certification are eligible for an extra $5,000 each year, and an additional $5,000 for each year that they teach in a high-poverty school. Here again, teachers are promised the bonus regardless of whether revenues have grown proportionately to cover the unlimited or escalating nature of the qualifications. The number of board-certified teachers in Washington quadrupled in the past five years.

- COLAs promised in legislation or contracts signed years ago: To complicate matters, state legislation and local multiyear contracts may be conceived under one set of economic conditions, but may then play out under another set of conditions. Generally speaking, none of the elements of teacher pay are linked to the local economy. In fact, Seattle teacher salaries have risen during a period of economic weakness and decreased funding capacity. The 2008-09 pay increase of 14 percent was caused in part by promises made five years earlier by district leaders who had long since left their posts.

While somewhat difficult to parse perfectly, the 2008 salary jump of 14 percent can be attributed as follows:

- COLA (state allocated): 2.6%
- Growth in degrees and longevity pay: 2.4%
- Growth in bonuses, supplements, local raises: 7.9%
- Other (e.g., stipends): 1.4%

Each of the policies that govern these salary drivers is disconnected from the regional economic context. Salary costs can escalate regardless of what's happening to revenues, and similarly when local labor market conditions don't warrant hikes. The reverse is also true; some of these same policies could serve to inhibit pay increases during more rosy economic climates, leaving teachers to seek more lucrative jobs in a competitive labor market.

5. Dan D. Goldhaber, Dominic J. Brewer, and Deborah J. Anderson, "A Three-Way Error Components Analysis of Educational Productivity," *Education Economics* 7 (3) (1999); Thomas J. Kane, Jonah E. Rockoff, and Douglas O. Staiger, "What Does Certification Tell Us About Teacher Effectiveness? Evidence from New York City" (Cambridge: National Bureau of Economic Research, 2006).

6. "Collective Bargaining Agreement between Seattle Public Schools and Seattle Education Association Certificated Non-supervisory Employees," http://www.seattleschools.org/modules/groups/homepagefiles/cms/1583136/File/Departmental%20Content/labor%20relations/cert10-13.pdf?sessionid=5360f4081095c72c5fad01e7710e9580.

Inflexibility in salary decisions can inhibit district response to economic shifts

While school boards technically "own" salary decisions, most have effectively surrendered some portion of those decisions, through policies that make raises automatic or base them on advanced degrees and National Board Certification. In one sense, the findings here can be taken as good news for Seattle: teaching has not lost ground relative to other fields during the recession, and in fact, salary raises have worked to elevate the teaching occupation.

That said, the growth has not been without a downside. Salaries and benefits make up a huge share of both state and local education budgets—83 percent, in the case of Seattle Public Schools. So if teacher salary costs escalate during a recession, something else has to give. Seattle, like many other districts, has had to make tough cuts in the last few years. Among other things, the district has cut more than 140 jobs, including those for teachers; reduced transportation; eliminated some afterschool services for high-poverty students; increased class sizes; and required non-union staff to take unpaid furlough days.

Some might argue that the current arrangement means that teachers are protected from the capricious decisions of publicly elected boards, thereby offering more stability and predictability in wages than might be the case if school boards made salary decisions each year. This may be true, but as is illustrated here, doing so inhibits the ability of district leaders to adjust spending amidst highly constrained revenues. Likely, some balance makes the most sense.

But school district leaders can't achieve this balance when they abdicate control of salary decisions for years at a time and don't track the information needed to make smart decisions about tradeoffs when then can. By giving up control over salary decisions, school district leaders surrender one of the biggest cost determinants for which they are ultimately responsible. A system that allows some costs to increase while revenues are constrained by economic context is a system designed to require painful cuts during a downturn.

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