

spotlight

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ANNUAL REPORT ON TEACHER PAY

N.C. teacher compensation is more than \$5,000 higher than the national average

KEY FACTS: • **When adjusted for pension contributions, teacher experience, and cost of living, North Carolina's adjusted teacher compensation is \$55,731, which is \$5,401 higher than the U.S. adjusted average compensation and \$4,811 higher than the U.S. adjusted median.**

• **In a comparison of Southern Regional Education Board (SREB) states, North Carolina's adjusted teacher compensation is \$3,683 higher than the SREB average and \$4,679 higher than the SREB median compensation.**

• **Despite Governor Easley's effort to increase teacher pay to the nominal national average, there is no evidence that reaching a predetermined salary level will produce a significant increase in teacher recruitment and retention or student performance.**

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education researchers Jay Greene and Marcus Winters said it best, “Few clichés permeate our culture more thoroughly than that of the underpaid schoolteacher.”¹ And nobody perpetuates that cliché better than the National Education Association (NEA), the nation’s largest teachers union.

In December, the NEA released its annual estimates of teacher salaries for the 2006-07 school year. Over the past ten years, the education establishment has been using teacher salary reports from the NEA and the American Federation of Teachers (AFT) to support a campaign that portrays teachers as victims of miserly, unappreciative, and ignorant taxpayers.² National polls conducted over the last twenty years indicate that the campaign is working. At the start of the 1980s, polls showed that a plurality of Americans agreed that teacher pay was appropriate for the profession. In 1981, 41 percent of respondents said that teacher pay was “about right” and 29 percent said that it was too low. By 1999, only 26 percent of respondents said that teacher pay was “about right” and 61 percent said that it was too low. Polls conducted since 2000 revealed nearly identical results.³

Such rhetoric compelled elected officials in a number of states to promise teachers multi-year pay increases to reach the national or regional average. In

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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.⁴ Two years ago, the state legislature awarded teachers an average 4.2 percent increase in salary, and last year they gave teachers an eight percent increase. This year, teachers in North Carolina received an average raise of five percent. Following Easley's precedent, the legislature will likely include pay increases of between two to four percent in each of the next two years.

Alongside Governor Easley's effort to increase teacher pay to the national average, Govs. Brad Henry of Oklahoma, Timothy Kaine of Virginia, and Chet Culver of Iowa each promised to raise his state's average teacher salary to the regional or national average. While the teachers unions and their affiliates praise these efforts, raising salaries to an arbitrary goal like a regional or national average is conciliatory public relations, not sensible public policy.⁵ There is no evidence that reaching an "average" salary level will produce a significant increase in teacher recruitment and retention or student performance.⁶

Taken at face value, the NEA's teacher salary report showed that teacher's salaries in North Carolina were falling far behind the nation and the region. The NEA ranked North Carolina 25th in the nation in average teacher pay. They estimated that the state's average teacher salary was \$46,410 last year, \$4,400 less than the unadjusted U.S. average.⁷ The unadjusted salary figures, however, are misleading because they ignore important differences between states.

Adjusting for Cost of Living, Pension Contribution, and Experience

The NEA admits 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,

Further, any discussion of average salary figures in the absence of other data about the specific state or district provides limited insights into the actual "value" of those salaries. For example, variations in the cost of living may go a long way toward explaining (and, in practice, offsetting) differences in salary levels from one area of the country to another.⁸

Without a doubt, cost of living is one of the most important differences between states. States such 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 will weaken the value of a teacher's compensation. On the other hand, states like North Carolina have a low cost of living, strengthening the value of a teacher's compensation.

In addition, the NEA's 2006-07 teacher salary study does not take into account factors such as pension contributions and teacher experience that more accurately represent teacher compensation in North Carolina and across the country. Pension contributions add, sometimes significantly, to the overall value of the teacher's yearly compensation.⁹

Finally, teacher experience is a critical factor to include in any comparison of teacher salaries. Teachers are paid on a scale that increases their salary for each additional year of employment. States with a more experienced teacher workforce will post higher average salaries, 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. On average, North Carolina's teachers are less experienced than the national average, so the NEA's salary figure artificially deflates the state's average teacher compensation when compared with other states.

North Carolina Is Above the National and Regional Average

North Carolina adjusted teacher compensation surpasses both the average and the median compensation for the nation (see Table 1). North Carolina's adjusted teacher compensation is \$55,731, which is \$5,401 higher than the U.S.

Table 1. Adjusted Teacher Compensation by State and D.C.¹⁰

Salary adjusted for pension contribution, average years of experience, and cost of living.

<i>Initial Rank</i>	<i>State</i>	<i>Average Salary (NEA)</i>	<i>Pension Contribution Rates</i>	<i>Average Years of Experience</i>	<i>COL Index</i>	<i>Adjusted Compensation</i>	<i>Final Rank</i>
18	Georgia	\$49,905	9.24%	12.3	0.924	\$64,756	1
7	Illinois	\$58,246	7.64%	13.7	0.969	\$63,757	2
12	Delaware	\$54,680	6.10%	12.8	1.016	\$60,225	3
13	Alaska	\$54,658	21.00%	11.6	1.279	\$60,179	4
14	Ohio	\$51,937	14.00%	14.2	0.939	\$59,946	5
11	Michigan	\$54,895	7.60%	13.5	0.988	\$59,784	6
30	Texas	\$44,897	6.58%	12.1	0.900	\$59,320	7
26	Arizona	\$45,941	7.40%	11.2	1.060	\$56,107	8
9	Rhode Island	\$55,956	14.84%	13.1	1.183	\$55,978	9
25	North Carolina	\$46,410	2.66%	12.2	0.946	\$55,731	10
36	Alabama	\$43,389	8.17%	12.3	0.929	\$55,450	11
32	Arkansas	\$44,245	14.00%	13.4	0.920	\$55,234	12
35	Kentucky	\$43,646	13.11%	12.9	0.939	\$55,018	13
27	Colorado	\$45,833	10.65%	12.1	1.033	\$54,774	14
1	California	\$63,640	8.25%	12.6	1.359	\$54,313	15
6	New York	\$58,537	7.97%	12.2	1.290	\$54,215	16
16	Oregon	\$50,911	16.97%	12.9	1.163	\$53,586	17
44	Missouri	\$41,839	11.50%	13.0	0.911	\$53,178	18
21	Wisconsin	\$47,901	4.70%	13.5	0.962	\$52,133	19
10	Pennsylvania	\$54,970	4.69%	14.7	1.014	\$52,121	20
5	Massachusetts	\$58,624	6.00%	13.4	1.206	\$51,911	21
47	Utah	\$40,566	13.38%	12.6	0.953	\$51,709	22
2	Connecticut	\$60,822	15.28%	14.5	1.268	\$51,483	23
42	Oklahoma	\$42,379	13.43%	14.1	0.900	\$51,139	24
8	Maryland	\$56,927	11.17%	13.4	1.251	\$50,966	25
40	Idaho	\$42,798	10.39%	13.6	0.921	\$50,920	26
—	<i>U.S. Median</i>	<i>\$45,941</i>	<i>8.17%</i>	<i>13.5</i>	<i>1.00</i>	<i>\$50,920</i>	—
41	New Mexico	\$42,780	10.15%	12.3	1.016	\$50,905	27
28	Nevada	\$45,342	10.31%	12.1	1.097	\$50,869	28
23	Indiana	\$47,831	13.22%	15.6	0.929	\$50,446	29
—	<i>U.S. Average</i>	<i>\$50,816</i>	<i>9.37%</i>	<i>13.7</i>	<i>1.00</i>	<i>\$50,330</i>	—
19	Minnesota	\$49,634	8.46%	14.1	1.034	\$49,847	30
39	Louisiana	\$42,816	15.90%	14.5	0.951	\$48,582	31
34	Tennessee	\$43,816	6.13%	14.7	0.881	\$48,474	32
31	Virginia	\$44,727	6.62%	13.3	1.007	\$48,069	33
49	Mississippi	\$40,182	10.75%	13.7	0.916	\$47,873	34
22	Washington	\$47,882	1.37%	13.2	1.038	\$47,824	35
43	Nebraska	\$42,044	8.76%	14.2	0.917	\$47,408	36
33	South Carolina	\$44,133	7.55%	14.5	0.933	\$47,365	37
29	Florida	\$45,308	6.28%	13.2	1.043	\$47,217	38
37	Kansas	\$43,334	6.07%	14.4	0.916	\$47,043	39
17	Wyoming	\$50,692	5.57%	15.3	1.015	\$46,522	40
3	New Jersey	\$59,920	1.00%	14.0	1.256	\$46,463	41
24	New Hampshire	\$46,527	5.81%	13.7	1.129	\$42,969	42
4	DC	\$59,000	0.00%	13.7	1.370	\$42,437	43
20	Vermont	\$48,370	4.81%	14.2	1.161	\$41,514	44
15	Hawaii	\$51,922	13.75%	11.8	1.644	\$41,101	45
38	Iowa	\$43,130	5.75%	16.3	0.939	\$40,229	46
45	Maine	\$41,596	17.23%	15.6	1.067	\$39,549	47
51	South Dakota	\$35,378	6.00%	15.0	0.881	\$38,309	48
46	Montana	\$41,225	7.58%	15.2	1.041	\$37,838	49
48	West Virginia	\$40,531	24.13%	19.0	0.957	\$37,354	50
50	North Dakota	\$38,822	7.75%	16.1	0.956	\$36,690	51

Table 2. Adjusted Teacher Compensation for Southern Regional Education Board States¹¹

Salary adjusted for pension contribution, average years of experience, and cost of living.

<i>Initial Rank</i>	<i>State</i>	<i>Average Salary (NEA)</i>	<i>Pension Contribution Rates</i>	<i>Average Years of Experience</i>	<i>COL Index</i>	<i>Adjusted Compensation</i>	<i>Final Rank</i>
3	Georgia	\$49,905	9.24%	12.3	0.924	\$64,756	1
6	Texas	\$44,897	6.58%	12.1	0.900	\$60,225	2
2	Delaware	\$54,680	6.10%	12.8	1.016	\$56,268	3
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12	Alabama	\$43,389	8.17%	12.3	0.929	\$55,450	5
8	Arkansas	\$44,245	14.00%	13.4	0.920	\$55,234	6
11	Kentucky	\$43,646	13.11%	12.9	0.939	\$55,018	7
—	<i>SREB Average</i>	<i>\$45,499</i>	<i>10.11%</i>	<i>13.7</i>	<i>0.963</i>	<i>\$52,048</i>	—
14	Oklahoma	\$42,379	13.43%	14.1	0.900	\$51,139	8
—	<i>SREB Median</i>	<i>\$44,189</i>	<i>8.71%</i>	<i>13.4</i>	<i>0.936</i>	<i>\$51,052</i>	—
1	Maryland	\$56,927	11.17%	13.4	1.251	\$50,966	9
13	Louisiana	\$42,816	15.90%	14.5	0.951	\$48,582	10
10	Tennessee	\$43,816	6.13%	14.7	0.881	\$48,474	11
7	Virginia	\$44,727	6.62%	13.3	1.007	\$48,069	12
16	Mississippi	\$40,182	10.75%	13.7	0.916	\$47,873	13
9	South Carolina	\$44,133	7.55%	14.5	0.933	\$47,365	14
5	Florida	\$45,308	6.28%	13.2	1.043	\$47,217	15
15	West Virginia	\$40,531	24.13%	19.0	0.957	\$37,354	16

adjusted average compensation and \$4,811 higher than the U.S. adjusted median. North Carolina's low cost of living and lower-than-average teacher experience raised the state's ranking from 25th on the NEA ranking to 10th in the nation when adjusted for pension contribution, average years of experience, and cost of living.¹²

Compared with that of our peers, teacher compensation in North Carolina is superb. In a ranking of Southern Regional Education Board (SREB) states, North Carolina ranks fourth in both the initial and adjusted ranking. The state's adjusted teacher compensation is \$3,683 higher than the SREB average and \$4,679 higher than the SREB median compensation (see Table 2). In the Southeast, only Georgia and Alabama rival North Carolina's adjusted teacher compensation.

The Future of Teacher Pay

Will Rogers said, "Lord, the money we do spend on Government and it's not one bit better than the government we got for one-third the money twenty years ago." This is especially true for money that we spend on public education. Despite multimillion-dollar increases in teacher pay, it has become clear that across-the-board raises unrelated to performance serve to reward both good teachers and mediocre ones, thus doing little to help students learn.

A January 2007 study by researchers at the University of Arkansas found that teachers who participated in a merit pay pilot project produced larger gains in student performance and enjoyed a better working environment than those not in the program.¹³ The authors of the study acknowledge that the scope, duration, and design of merit pay programs make rigorous evaluations of their impact difficult.¹⁴ Nevertheless, merit pay for teachers is one educational reform that shows great promise. Policymakers and elected officials in North Carolina should work toward discontinuing across-the-board pay increases and begin to implement a comprehensive teacher pay program that attracts and rewards excellence.

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End Notes

1. Jay P. Greene and Marcus Winters, "The Teacher-Pay Myth," *The New York Post*, September 22, 2005, www.manhattan-institute.org/html/_nypost_teacher_pay_myth.htm.
2. In the words of Reg Weaver, President of the NEA, "Underpaying America's public school teachers is a classic case of being penny-wise and

pound-foolish.” National Education Association, “Teachers Take ‘Pay Cut’ as Inflation Outpaces Salaries,” [Press Release], November 14, 2006.

3. Roper Center for Public Opinion Research, “Gallup Organization Polls,” LexisNexis Database, accessed December 10, 2005.
4. 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.
5. The National Education Association is attempting to gain greater power over the school reform agenda in the states. See Bess Keller, “NEA Wants Role in School Improvement Agenda,” *Education Week*, January 24, 2007, p. 1. “With a closer-knit organization and a deeper policy operation thanks to the overhaul, Mr. Wilson envisions that the power of the state affiliates, often the most influential groups in state capitals, will translate into NEA clout.”
6. Based on state survey and turnover data, I estimated that 406 teachers who left teaching in North Carolina during the 2005-06 school year may have stayed in their position if offered higher pay and better benefits. If spread evenly across all 115 school systems, each school system in North Carolina *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. See Terry Stoops, “Learning About Teacher Pay,” *Spotlight* No. 307, John Locke Foundation, February 14, 2007, johnlocke.org/spotlights/display_story.html?id=154.
7. National Education Association, “Rankings and Estimates,” December, 2007, p. 67, www.nea.org/newsreleases/2007/nr071210.html.
8. *Ibid.*, p. 76.
9. Teachers in a number of states have the option of enrolling in a state retirement system or one reserved exclusively for public school employees. Although employer pension contributions vary according to the regulations of each state, pension programs reserved for public school employees often give teachers more flexibility and have a higher employer contribution rate than retirement programs for other state employees. The differences are not reflected in this study, but it provides individuals an added incentive to enter and remain in the teaching profession.
10. National Education Association, “Rankings and Estimates,” December, 2007, p. 67, www.nea.org/newsreleases/2006/nr061114.html. Missouri Economic Research and Information Center, “Cost of Living: 3rd Quarter 2007,” 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. National Association of State Retirement Administrators/National Council on Teacher Retirement, “Public Fund Survey, FY 2006,” www.publicfundsurvey.org. For Massachusetts, the following was used: Retired Educators Association of Massachusetts (REAM), “A look at Pensions, Taxes and Re-employment: Section E, Table 3,” www.ream1951.org/retirementplan.htm#introduction. National Center for Education Statistics, “Years teaching full-time public schools (by FIPS state code),” Data Analysis System (DAS), nces.ed.gov/surveys/sass/das.asp. Experience data is from the 2003-2004 Schools and Staffing Survey.
11. The SREB website describes the organization: “America’s first interstate compact for education, the Southern Regional Education Board is a nonprofit, nonpartisan organization that helps government and education leaders in its 16 member states work together to advance education and improve the social and economic life of the region. Member states include: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.” For more information on the Southern Regional Education Board, go to www.sreb.org.
12. The salary adjustments are made using a method identical to past salary studies by the John Locke Foundation. The value of the pension contribution rates are added to the average salary of each state. Years of experience and cost of living variables are simply normalized on a 1.0 base and adjusted accordingly.
13. Joshua H. Barnett, Gary W. Ritter, Marcus A. Winters, and Jay P. Greene, “Evaluation of Year One of the Achievement Challenge Pilot Project in the Little Rock Public School District,” Department of Education Reform, University of Arkansas, January 16, 2007.
14. For an example of the limitations of research on merit pay, 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* 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, emphasis mine).