



Teachers' unions and compensation: The impact of collective bargaining on salary schedules and performance pay schemes

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ABSTRACT

This study examines the impact that collective bargaining has on multiple dimensions of teacher compensation, including average and starting salaries, early and late returns to experience, returns to graduate degrees, and the incidence of different pay for performance schemes. Using data from the School and Staffing Survey (SASS) and a more recent data set, the Teacher Rules, Roles and Rights (TR3), we find that collective bargaining has a significant impact on all aspects of current, qualification-specific salary schedules. Further, we find some evidence that bargaining impacts the design of performance pay plans. Specifically, unions tend to encourage teacher bonuses that are based on additional qualifications or duties, but discourage bonuses that directly reward improved student test scores.

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1. Introduction

The No Child Left Behind Act has intensified the nation's focus on schooling outcomes and, as a result, teachers and teachers' unions are subject to ever increasing public scrutiny. Politicians and interest groups who call for accountability often point to unions as a barrier to change. For instance, the Center for Education Reform's website states: "Unions claim to promote teacher professionalism, yet crusade against salary and merit rewards for teachers." The president of the American Federation of Teachers (AFT), the nation's second largest teachers' union, however, has publically stated her willingness to consider merit pay and other reforms (New York Times, Nov 18, 2008).

There is no doubt that teachers' unions are an important stake holder in education and their support or opposition can be the deciding factor for any proposed education policy. An improved understanding of how collective bargaining impacts economically relevant aspects of teacher compensation will enhance policy makers' ability to enact successful education reform. In particular, further research into the impact of unions and collective bargaining on the structure of teacher compensation is necessary if we are to separate political rhetoric from fact.

There is mounting evidence that teacher quality plays a critical role in student achievement (e.g. Rivkin, Hanushek & Kain, 2005). The structure of teacher compensation likely plays a central role in school districts' ability to attract and retain quality teachers. Currently, teacher compensation is dominated by the single salary schedule which rewards only formal education and experience, both of which have been shown to be poor proxies for quality. Hanushek (1986, 2003) finds that experience does not improve teacher quality at a significant rate beyond the first few years of

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teaching, leading some to propose decreasing returns to experience late in a teacher's career in exchange for larger annual increases early on (e.g. Vigdor, 2008). Formal education, in particular master's in education, also has little to no effect on teacher quality. Goldhaber and Brewer (1997, 1998) show that the only instance when a master's degree makes a significant difference in student performance is when the degree is in the teacher's subject area. The typical single salary schedule, however, rewards all master's degrees uniformly.

While there is agreement that traditional compensation schemes reward poor predictors of teacher quality, there is no consensus on what should replace the current system. Popular proposals include: increasing starting salaries, steepening the salary schedule (a steeper schedule would reduce returns to experience late in a teacher's career in exchange for larger salary increases in the early years (e.g. Ballou & Podgursky, 2002; Vigdor, 2008)), and detaching compensation from education and experience altogether in favor of alternative measures of teacher quality. The latter option encompasses a range of proposals that are often lumped together under labels such as "performance pay" or "merit pay." These policies, however, can be very different in terms of how they operate, who they benefit, how they alter teacher behavior, and the reaction that they attract from teacher unions. Despite the importance of variations in policy and the importance of unions in K-12 education, we are aware of no empirical research that examines the impact of collective bargaining on the adoption of different types of performance pay schemes. Importantly, we expect that the reaction of teachers' unions depends on whether the policy links the performance reward to a schooling input or an output directly related to student achievement, such as test scores.

Plans that reward inputs, such as professional development, are theoretically very similar to rewarding master's degrees and, in fact, this study shows that the presence of collective bargaining increases the return teachers earn for a master's degree and favors returns to "merit pay" plans that reward teacher inputs. Plans that directly reward outputs, namely student test scores, provide a different set of incentives and this study presents evidence suggesting that such plans garner union opposition. Elected union officials may oppose output based pay because they represent risk-averse teachers. Linking bonuses to inputs provides more certainty for teachers than output based pay which depends, at least in part, on student factors beyond the teacher's control. Further, teachers may value cooperation and collegiality and believe that output based incentives will introduce undesirable competition for favorable teaching assignments. Teachers may also resist linking pay to outputs because they feel that the standardized tests that are currently used are a poor measure of student learning. If teachers' preferences reflect any or all of these concerns, then union officials will seek to negotiate a contract that does not include output based incentives. Unions may also be opposed to output based pay for strategic reasons related to the union's effectiveness as an institution. With input based pay, the union can maintain a degree of control over the pay scheme by negotiating the details of, or even providing for, professional development opportunities. For

example, in Minneapolis the performance pay contract stipulates rewards for completing "Pro-pay" classes that are designed and delivered in cooperation with the union. Lastly, performance pay schemes that are output based award teachers different wages depending on their individual productivity. Collective bargaining, however, is more effective with a single wage that evokes member solidarity. If workers are paid according to their individual productivity, there is little room for collective negotiations. Indeed, union opposition to output based pay is not unique to the education sector; unions tend to disfavor piece rates in general (Brown, 1989; Freeman, 1982).

Empirical evaluation of the effects of collective bargaining on performance pay design is hindered by the fact that current experiments in performance pay are often a mix of input and output based rewards. Anecdotal evidence suggests that this mix may be the result of district negotiations with local unions. For example, the performance pay plan in Minneapolis includes some rewards for student achievement but also rewards teacher responsibilities like serving as a department chair or even for serving as the building's union representative. To deal with this problem we use a recent data set that provides information on whether performance pay is based on student performance, other measures of teacher performance, or a mix of the two. This detail allows us to examine the effect that unions have on different teacher incentive schemes.

In summary, the relevant aspects of teacher compensation examined in this study include: (1) starting salary, (2) early returns to experience; (3) late returns to experience; (4) returns to master's degrees; (5) input based performance pay; and (6) test score based performance pay. Previous work has primarily focused on the impact of unions on average salaries (e.g. Freeman, 1986; Hoxby, 1996). The only exception we are aware of is Ballou and Podgursky (2002) who examine the determinants of several aspects of pay such as the steepness of the pay schedule, but do not consider performance pay plans. Few studies (e.g. Ballou, 2001; Goldhaber, DeArmod, Player, & Choi, 2008) have examined the determinants of performance pay, but none has distinguished between teacher input versus student test score based pay. Average salaries and the incidence of performance pay are incomplete descriptions of teacher compensation packages, both from a theoretical stand point and for policy relevance. This study attempts a more detailed look at how unions and collective bargaining² impact teacher compensation.

2. Data and empirical methodology

2.1. The data

This study uses two datasets, one is a small but recent dataset compiled by the National Council for Teacher Quality called Teacher Rules, Roles and Rights (TR3). It pro-

² Throughout the paper we use the terms unions and collective bargaining interchangeably. To be more specific, in this paper we test the impact of the presence of a union that collectively bargains with the district on various aspects of teacher compensation. In some districts teachers may belong to a union that does not bargain with the district.

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