Summary

For the better part of the last two decades, school systems across the nation have been contending with a chronic and pervasive public teacher shortage. Alabama is no exception. In 2018, Alabama State Superintendent Dr. Eric Mackey formed the Alabama Teacher Shortage Task Force to examine the growing shortfall in the state’s public educator workforce. According to the group’s September 2019 Report, 89% of Alabama’s 138 districts struggled to fill their teacher vacancies with qualified candidates. Every year, approximately 8% of Alabama teachers leave the profession, and perhaps most disturbingly, the future workforce pool appears to be rapidly contracting. In a 2018 PDK/Gallup poll, 55% of current teachers and, for the first time in the poll’s 50-year history, a majority of parents (54%) indicated that they would not want their children to enter the profession. Becoming a public school teacher simply wasn’t, in their estimation, ‘worth it.’

Making a career as an American public school teacher ‘worth it’ stands as one of the great policy challenges of the 21st century. While salary is certainly not the only factor, teacher compensation nonetheless plays a critical role in the strength and stability of the teacher labor supply. Current teacher compensation practices (salary levels, pay structures, fringe plans, and other employee incentives) are not sustaining the skilled workforce necessary to properly staff the nation’s schools. Both in Alabama and nationally, the status quo of teacher pay is unable to reliably recruit and retain the skilled workforce needed to staff the country’s classrooms. In the 21st-century labor market place, Alabama’s K-12 public schools are losing their ability to effectively compete. More than minor policy tweaks, teacher compensation demands a fundamental reconceptualization. Faced with the current teacher workforce crisis, Alabama is well-positioned to be a leader for change. By thoughtfully reexamining and, ultimately, redesigning teacher compensation practices, the state can reinvigorate the appeal of the profession for a new generation.
Background

What do we mean by teacher compensation?

Teachers’ compensation represents a combination of salary and fringe benefits. For Alabama teachers, benefits include health care, life insurance, payroll taxes, and a teacher pension plan.\(^7\)

What characteristics distinguish Alabama public teacher compensation?

- Alabama is a ‘right to work’ state and one of seven states that explicitly prohibits collective bargaining.\(^8\)
- Each year, the Alabama Legislature determines the minimum teacher salary schedule. Alabama is one of seventeen states that maintains a statewide minimum salary schedule.\(^9\)
- Public educators tend to earn a higher share of their compensation from benefits.\(^10\) Unlike most private employees, 89% of public school teachers participate in some form of a teacher pension/defined benefit retirement program; in 38 states, it is the only available option.\(^11\)
- Teachers’ pay is typically based on “step and lane” salary schedules specific to the district where they are employed.\(^12\) “Steps” are the salary levels that districts tie directly to time in the system (i.e., teachers’ years of service); “lanes” are the differentiated salary pay rates offered for various levels of advanced education (master’s degrees, PhDs, etc.).
- In Alabama, public educators are required to contribute either 7.5% (Tier I) or 6% of their salaries (Tier II) annually to the Teachers Retirement System (TRS).\(^13\) Run by the Retirement Systems of Alabama (RSA), TRS pension benefits are calculated as follows:

![Diagram of pension benefit calculation]

- In order to be ‘vested’ (i.e., claim the pension benefit), Alabama teachers must work a minimum of 10 years in the TRS system.\(^14\)
Alabama has a significant and deepening teacher shortage crisis.

According to the September 2019 Alabama Teacher Shortage Task Force Report:

- **Thirty percent** of all state classrooms were led by educators teaching ‘out of field.’

- **1700** Alabama secondary education teachers were “**not certified to teach** the English, math, social studies, science or special education classes they were assigned.”

- Since 2010, the percentage of Alabama students **completing teacher education programs had dropped 40%**.

While the reasons underlying the teacher shortage are complex and multi-faceted, teacher compensation remains central to the crisis. What and how teachers are paid in Alabama is directly and intimately connected to the state’s inability to fill and maintain its public educator ranks. The connection between the state’s teacher shortage crisis and teacher compensation practices can be summarized in three simple statements:

1. Current Alabama public school teacher salaries are too low to attract sufficient applicants into the educator pipeline.

2. Current Alabama teacher compensation structures do not provide the incentives necessary to sustain a stable and robust educator workforce.

3. Current Alabama teacher compensation practices make inefficient use of the financial resources already available to pay teachers.
Teacher Compensation in Context

In 2018-19, the average public school teacher salary for an Alabama teacher was $50,810 -- nearly 18% below the national median and 37th highest in the nation.\textsuperscript{16} The current adequacy of Alabama public school teacher salary levels can be gauged in several ways, each offering a different insight into the sufficiency of state teacher pay.

**Real wages** represent an individual’s ‘purchasing power’ or inflation-adjusted income over time. For teachers, the past decade has been marked by eroding purchasing power.

- Over the last decade, the average starting salary for all US teachers decreased 2.91%, while the average salary of all teachers fell 4.5%.\textsuperscript{17} Alabama teacher salaries dropped 8.5% between 2008 and 2018.\textsuperscript{18}
- Alabama spending on teacher compensation is on an upward trajectory. The state legislature approved teacher pay raises in four of the last six years. After the FY2020 4% salary increase, Alabama teachers with a bachelor’s degree will receive a starting salary over $40,000/yr for the first time in state history.\textsuperscript{19} Yet even with these meaningful increases, recent improvements in teacher salary levels can best be understood as making up for lost ground.\textsuperscript{20} Public educator salaries remain well below where they need to be to effectively compete for qualified talent.

**Relative Wages** measure how Alabama teacher compensation compares to that of peers in other states and other professions.

**Compared to Other States**
- Alabama’s teacher salaries are below average for the region.\textsuperscript{21}
- Based on 2018-19 figures, Alabama ranks 5th of 7 nearby southeastern states in average teacher salary levels (behind Georgia, Tennessee, Arkansas and Louisiana).\textsuperscript{22} Notably, Alabama’s teacher salary averages are significantly behind two of its closest neighbors, Tennessee and Georgia.\textsuperscript{23}
- In Florida, Governor Ron DeSantis’ FY2021 budget proposal includes a $10,000 boost to public teachers’ starting salaries in the state.\textsuperscript{24} If passed, Florida teachers would begin at $47,500 annually, almost 20% above what Alabama first-year teachers currently earn.\textsuperscript{25}

**Compared to Other Professions**
- While there is no perfect ‘apple-to-apples’ equivalent to public school teachers, juxtaposing the early income statistics of a Birmingham City Schools high school teacher with a Greater-Birmingham area RN can provide real-world insight into why young people are failing to enter the classroom.\textsuperscript{26}
- According to the most recent available Bureau of Labor Statistics (BLS) report, the average
annual RN salary (2018) in Alabama was $59,470 -- more than 16% higher than the average state salary for teachers. In the Birmingham metro region, RNs earn, on average, 15% more than secondary education teachers. Over the course of a career, those differences add up.

**What other considerations are critical to understanding teacher compensation?**
Teacher compensation extends beyond how much teachers are compensated to the matter of what they are compensated for.

- For most public educators, differentiation in compensation has little to do with on-the-job performance. Instead, higher levels of compensation stem predominantly from possession of an advanced degree and years of service in a given district.
- Research repeatedly demonstrates that, for most levels and fields, simply holding an advanced degree has no statistically significant effect on student achievement.

**What are the challenges?**

1. *Teaching is becoming a less desirable and less economically viable career option for college graduates -- particularly in chronic shortage areas.* With low starting salaries, slow wage growth, and benefits policies that punish employee mobility, teaching has lost the tremendous ‘market share’ it once held. In 1970, 50% of all college-educated women entered the profession; today, that figure is below 10%. Since 2010, total enrollment in Alabama colleges of education has dropped by 40 percent.

   A fundamental mismatch currently exists between the content knowledge and skills demanded of teachers in chronic shortage areas and the compensation that those skills can command in other sectors. For college graduates in most shortage fields, choosing a career in K-12 teaching means accepting starting salaries 25-40% below the initial salaries offered to similarly-trained peers. Though some Alabama districts offer signing bonuses for teachers in certain hard-to-fill fields, the state offers no long-term strategic compensation for teachers in persistently hard-to-fill shortage subject areas. Without substantially higher starting salaries and more cost-effective certification mechanisms, the choice to become a public teacher often comes at too high a personal financial cost.

2. *How we compensate teachers is often out of alignment with their actual value in the classroom, but finding fair, successful, and sustainable differentiation strategies has proven complicated and controversial.* US school districts spend an estimated $9.5 billion annually to teachers simply for holding a master’s degree -- a credential that research tells us has little impact student outcomes. In a recent review of the nation’s 124 largest districts, 92% of districts provided additional compensation to teachers holding advanced degrees. Alabama’s current salary schedule (2019-2020) grants new teachers with master’s degrees an additional $6,192 annually for simply earning that degree from an accredited Alabama provider; the annual differential increases to over $7,000 for a teacher in his or her 6th year of service. Over a lifetime, that salary boost awards a 25-year teacher approximately...
$185,000 in additional wage compensation for a qualification that, in many instances, has no definitive impact on student learning.  

3. Teacher benefits -- particularly the rising cost of funding teacher pensions -- plays a significant and often poorly understood role in the rising cost of education. How can overall education costs be steadily escalating while teachers simultaneously suffer from wage stagnation? The answer lies with pension benefits. The teacher pension system crisis represents a hidden but significant threat both to the financial health of teachers’ individual retirement security and to the bottom line of school and state coffers. Between 2005 and 2014, overall national spending on education rose 1.6%, while national spending on education staff benefits jumped by 22%. As a result, $7 billion fewer dollars made it into the classroom. In 2004, US school districts paid an average of $530 per pupil to teacher retirement costs; by 2019, that figure had reached $1445. School finance researchers now estimate that, nationwide, more than 10% of all per pupil spending in public schools goes to fund pensions and new benefits.

Despite rising contributions, the vast majority of state teacher pension funds are not fiscally secure. Nationally, teacher pension debt has reached approximately $500 billion, and that accumulated debt comes at a cost. In the US, two thirds of every dollar contributed by employers to teacher pension funds goes to servicing the pension debt, and more than half of all beginning teachers will never vest in their state pension plans. Alabama’s unfunded liability currently stands at just over $10.62 billion. Analysts estimate that, due to vesting requirements, only 39% of current Alabama teachers will ever qualify for pension benefits, with only 29% “breaking even” (i.e., seeing a return that exceeds more than the value of their own contribution plus interest).

What are the alternatives?

Transformative progress will require transformative change. If teacher compensation is to be strengthened, steadied, and, ultimately, reimagined, these foundational shifts must include:

Alternative #1: Revising the Teacher Pay Scale

The current teacher pay scale does not provide the compensation incentives or salary growth rates necessary to attract and retain a new generation of teachers. Specific systemic changes to the pay scale might include:

- Moving new teachers to their peak salary earlier.
- Developing a separate pay scale for chronically hard-to-fill subject areas.
- Building in annual incremental increases in teacher pay to prevent wage stagnation and more realistically account for inflation.
- Restructuring the bonus paid to teachers simply for holding advanced degrees.
Alternative #2: Teacher Pension Review and Overhaul

To avoid a continued syphoning off of dollars from the classroom and a possible future collapse to the system, the teacher pension system must be re-examined, realistically assessed, and, ultimately overhauled. Overhaul work might include:

- Educating teachers about the financial viability of the current teacher pension system.
- Mandating that the Retirement Systems of Alabama (RSA) develop a realistic timeline for returning the TRS to fiscal stability within a reasonable timeframe.
- Investigating and designing additional or alternative retirement options for teachers, including defined contribution plans, hybrid plans and cash balance plans.

Benefits

- Changes would better meet the compensation needs of new teachers and incentivize those with a background in critical shortage subject areas to consider pursuing a teaching career.
- Revamping the pay scale would elevate interest among accomplished career-changers and talented college graduates alike.
- By limiting compensation for a credential with limited impact in the classroom, a revised pay scale would make more efficient and effective use of taxpayer dollars.

Considerations

- Since many current teachers pursued advanced degrees with the understanding that their salaries would increase accordingly, these commitments must be grandfathered in. Modifications should be research-based and thoroughly vetted.
- Additional resources must be added to the system. If Alabama is committed to building a healthy public educator workforce, state taxation practice must better reflect that priority.
- States need to ensure that changes to the salary scale are sizable but, ultimately, sustainable.

Benefits

- If pension spending is modified to more manageable levels, a greater share of education dollars can return to funding teachers’ salaries, classroom resources, and school programs.
- Shoring up teacher pension commitments will ensure that Alabama public school teachers will not have the long-term security of their retirement savings threatened.
- Stakeholders will develop a deeper, more accurate understanding of the issue and be better prepared to identify and support workable alternatives.

Considerations

- Teacher pension reform must come at the grassroots level.
- Time is of the essence. Delaying action only increases the ultimate severity of the problem.
Policy Recommendations

1. **Design a state teacher salary model that incorporates annual cost-of-living raises and enables teachers’ salaries to adequately keep pace with the annual cost of inflation.** Teachers salaries need regular, basic protections against inflationary pressures. For information regarding where and how additional state resources for such a policy effort might be raised, please refer to our School Funding Policy Report.

2. **Redesign Alabama’s salary schedule to: (1) scale back the differentials in ‘pay lanes’ provided solely for advanced degrees, and (2) enable teachers to advance more quickly through the pay scale and reach their peak earnings earlier.** Designers should consider using the A+ Education Partnership’s model for professional career pathways as a mechanism for boosting teacher compensation.

3. **Commission PARCA to conduct a report studying the state’s teacher pension program.** The sustainability challenges inherent in Alabama’s teacher pension plan cannot be tackled until stakeholders have a realistic assessment of the financial factors at play. A comprehensive, balanced, non-partisan analysis would be an invaluable resource around which to begin a discussion on teacher pension reform. A shared set of facts would allow the discussion to be grounded in policy solutions rather than political posturing.

4. **Begin substantive discussions with relevant stakeholders about future Alabama teacher pension redesign.** Alabama legislators should investigate how hybrid plans, defined contribution plans, and cash-value options for public educators have been working in other states and begin transparent conversations about the possibility of incorporating these options here in Alabama. Statewide education advocacy organizations could play a role by educating teachers about state pension research and actively engaging current educators in substantive discussions about pension redesign. Ultimately, state lawmakers should work to develop teacher compensation practices that better meet the needs of the 21st century teacher workforce.
Sources


6. PDK, “Teaching: Respect but Dwindling Appeal,” 9. The ‘worth it’ phrase characterizes the varied and lengthy list that parent respondents gave to the open-ended question of ‘Why not go into teaching?’ as part of the poll.

7. See the “Fringe Benefits” section for what is included in Alabama teacher compensation. https://www.alsde.edu/dept/data/Foundation%20Reports%20Tabbed/FY%202019%20State%20Allocation.pdf.


15. ALSDE, “Alabama Teacher Shortage Task Force Report,” 3. All four bulleted statistics are included in the Task Force report.


30. Aaron S. Horn and Sung Tae Jang, “The Impact of Graduate Education on Teacher Effectiveness: Does a Master’s Degree Matter?” Midwestern Higher Education Compact, March 2017, 1, https://www.mhec.org/sites/default/files/resources/teacherprep1_20170301_2.pdf. According to this survey of research over the past two decades, the authors found that “Among early childhood primary, middle and junior high school teachers, those with a master’s degree do not have a larger effect on student reading achievement, relative to students with only a bachelor’s degree,” The survey lists eight separate studies over 10 years that finds no correlation between teachers’ advanced degrees and student reading achievement.

38. ALSDE, “FY2020 Foundation Program: State Minimum Salary Schedule.” Calculation based on 25 years of salary for a teacher with a BS vs. the same for a teacher with an MS.