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What's it Worth to You?

Calculating and assessing the value of compensation systems, traditional and alternative

Assessing the value of a compensation system has long been important to employees and employers. For employees, the reasons are obvious. For employers, the value of a compensation system often plays a significant role in an organization's ability to attract and retain quality staff. This appears to be particularly true with teachers.

Ever since more than one school district employer existed in a given geographical region, the level of teacher salaries has been competitive. Districts compete with one another over teacher applicants for similar positions. This is particularly true in the many states now experiencing teacher shortages.

In some cases, the disparity between the amount one district can pay compared to another is significant, often thousands of dollars. The consequences of such disparity are manifested in a district's ability to attract and retain quality teachers. Higher paying districts often enjoy a much larger pool of candidates for vacant positions than lower paying ones. The former finds it much easier to attract quality staff. Additionally, lower paying districts often lose good teachers to higher paying neighboring districts after only a few years, negatively impacting the ability to retain these teachers.

Over the years, I've witnessed this *major league-minor league* phenomenon. Lower paying districts often serve as a training ground for high quality teachers, only to lose them to a higher paying neighbor after four or five years. Obviously, this is disconcerting to the lower paying employer and a benefit to the higher paying ones.

Because of the dynamics of the market place, it's important to reliably determine comparable levels of pay. Historically, districts and unions have identified starting pay as one significant indicator. Certainly, starting teacher pay plays a significant role in a district's ability to attract new teachers out of college. Retaining those teachers becomes a more complex issue.

Career Earnings

While several methods have been used to identify the comparable value of a compensation system, I assert that a career earnings model is the most reliable and illustrative. The model I prefer to use applies an identical set of assumptions to traditional salary schedules in determining the earning power over a twenty-five year career. A different set of assumptions must be used when assessing an alternative schedule. Two examples follow.

First, I will apply the career earnings model to two traditional salary schedules and then assess the impact of the schedules' structures and values. Second, I will apply the model to a traditional schedule and its negotiated alternative.

Example 1

In assessing and comparing the career earnings of two traditional salary schedules, I typically apply the following assumptions:

- ✧ Twenty-five year teaching career within the district
- ✧ Teachers begin at the entry level salary
- ✧ Six credits per year are earned until a Masters degree is achieved
- ✧ Three credits per year are earned subsequent to a Masters degree
- ✧ Cost of living adjustments are ignored, assuming both schedules would experience identical adjustments

The two salary schedules that follow are typical in many states. Both reward years of experience and the acquisition of additional college credits. (It should be noted that district provided credit reimbursements are not included in this model.)

Salary Schedule One						
	BA	BA+12	BA+24	MA	MA+12	MA+24
1	31,000	33,500	36,000	38,500	41,000	43,500
2	32,500	35,000	37,500	40,000	42,500	45,000
3	34,000	36,500	39,000	41,500	44,000	46,500
4	35,500	38,000	40,500	43,000	45,500	48,000
5	37,000	39,500	42,000	44,500	47,000	49,500
6	38,500	41,000	43,500	46,000	48,500	51,000
7	40,000	42,500	45,000	47,500	50,000	52,500
8	41,500	44,000	46,500	49,000	51,500	54,000
9	43,000	45,500	48,000	50,500	53,000	55,500
10	44,500	47,000	49,500	52,000	54,500	57,000

The yellow boxes in the spreadsheet above indicate the movement through the schedule by our model employee. It should be noted that this employee spends four years at Step 10 in the MA+12 cell while earning twelve additional credits and fifteen years at Step 10 in the MA+24 cell completing a career.

The career earnings of Salary Schedule One are **\$1,267,500**.

Salary Schedule Two											
	BA	BA+6	BA+12	BA+18	BA+24	BA+30	MA	MA+6	MA+12	MA+18	MA+24
1	33,000	34,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000
2	33,800	34,800	35,800	36,800	37,800	38,800	39,800	40,800	41,800	42,800	43,800
3	34,600	35,600	36,600	37,600	38,600	39,600	40,600	41,600	42,600	43,600	44,600
4	35,400	36,400	37,400	38,400	39,400	40,400	41,400	42,400	43,400	44,400	45,400
5	36,200	37,200	38,200	39,200	40,200	41,200	42,200	43,200	44,200	45,200	46,200
6	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000	46,000	47,000
7	37,800	38,800	39,800	40,800	41,800	42,800	43,800	44,800	45,800	46,800	47,800
8	38,600	39,600	40,600	41,600	42,600	43,600	44,600	45,600	46,600	47,600	48,600
9	39,400	40,400	41,400	42,400	43,400	44,400	45,400	46,400	47,400	48,400	49,400
10	40,200	41,200	42,200	43,200	44,200	45,200	46,200	47,200	48,200	49,200	50,200
11	41,000	42,000	43,000	44,000	45,000	46,000	47,000	48,000	49,000	50,000	51,000
12	41,800	42,800	43,800	44,800	45,800	46,800	47,800	48,800	49,800	50,800	51,800
13	42,600	43,600	44,600	45,600	46,600	47,600	48,600	49,600	50,600	51,600	52,600
14	43,400	44,400	45,400	46,400	47,400	48,400	49,400	50,400	51,400	52,400	53,400
15	44,200	45,200	46,200	47,200	48,200	49,200	50,200	51,200	52,200	53,200	54,200
16	45,000	46,000	47,000	48,000	49,000	50,000	51,000	52,000	53,000	54,000	55,000
17	45,800	46,800	47,800	48,800	49,800	50,800	51,800	52,800	53,800	54,800	55,800
18	46,600	47,600	48,600	49,600	50,600	51,600	52,600	53,600	54,600	55,600	56,600
19	47,400	48,400	49,400	50,400	51,400	52,400	53,400	54,400	55,400	56,400	57,400
20	48,200	49,200	50,200	51,200	52,200	53,200	54,200	55,200	56,200	57,200	58,200

Again, the yellow boxes indicate the movement through the salary schedule with our model employee spending five years completing a career at Step 20 in the MA+24 lane.

The career earnings of Salary Schedule Two are **\$1,238,000**.

While not necessarily significant, the career earnings in Schedule One are 2.38% greater than those in Schedule Two. This phenomenon exists despite the higher entry level and maximum salaries in Schedule Two.

Because the structure of a traditional salary schedule plays a significant role in its career earnings potential, this phenomenon should come as no surprise. Employees in Schedule Two enjoy a starting salary that is \$2,000 more than their colleagues in Schedule One and a maximum salary \$1,200 more. Despite this apparent advantage, Schedule Two employees have lower career earnings, because it takes them fifteen more years than their colleagues in One to achieve the maximum salary.

Example Two

In 2002, the Plymouth, Wisconsin School District and its teacher union negotiated a departure from the traditional salary schedule. While the new schedule continued to reward years of experience (though fewer) and college credits, the new approach rewarded the completion of action research. The action research has greater economic value than years of experience and college credits. A complete explanation of this alternative approach can be found at www.edcomp.org - click on "Examples," then "Wisconsin," then "Plymouth."

Prior to the change, Plymouth utilized a traditional salary schedule that rewarded 22 years of experience and college credits up to a Masters degree plus 18 credits. As done above, the yellow cells indicate the movement through the schedule with the same assumptions as applied in example one.

PLYMOUTH SALARY SCHEDULE									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
0	27,853	28,005	28,118	28,268	28,492	29,359	29,510	29,620	29,775
1	29,005	29,165	29,277	29,434	29,675	30,579	30,737	30,848	31,006
2	30,149	30,314	30,441	30,602	30,848	31,799	31,956	32,083	32,248
3	31,302	31,477	31,601	31,776	32,031	33,010	33,185	33,309	33,484
4	32,461	32,642	32,776	32,959	33,220	34,350	34,530	34,665	34,838
5	33,627	33,807	33,950	34,129	34,409	35,688	35,878	36,011	36,201
6	34,786	34,980	35,123	35,312	35,605	37,029	37,224	37,367	37,563
7	35,961	36,162	36,314	36,509	36,812	38,270	38,475	38,624	38,820
8	37,136	37,347	37,498	37,706	38,015	39,522	39,725	39,880	40,082
9	38,308	38,526	38,685	38,895	39,219	40,762	40,972	41,138	41,349
10	39,515	39,732	39,896	40,112	40,444	42,032	42,251	42,418	42,643
11	40,710	40,935	41,107	41,335	41,671	43,304	43,533	43,705	43,929
12	42,055	42,289	42,463	42,697	43,048	44,835	45,071	45,243	45,487
14	43,754	43,986	44,161	44,396	44,749	47,356	47,604	47,787	48,028
17	44,055	44,289	44,463	44,697	45,052	48,041	48,291	48,473	48,715
21	46,344	46,587	46,768	47,012	47,384	50,665	50,927	51,117	51,367

Before the change, the career earnings in Plymouth were **\$1,064,369**.

This traditional schedule was replaced by a three-dimensional schedule consisting of five levels. Teachers continue to move through a given level as before with years of experience and college credits. They move a level, however, after completing the action research. For example, after completing the first action research project, a teacher would move from level one to level two.

Because of this change, career earnings can only be assessed and calculated by changing the assumptions.

- ✧ Twenty-five year teaching career within the district
- ✧ Teachers begin at the entry level salary on Level 1
- ✧ Six credits per year are earned until a Masters degree is achieved
- ✧ Three credits per year are earned subsequent to a Masters degree
- ✧ **Every five years, no credits are earned but an action research project is completed**
- ✧ Cost of living adjustments are ignored, assuming both schedules would experience identical adjustments

The assumptions here are predicated on the expected behavior of a moderately high achieving teacher. Less active employees would earn less and more active would earn more.

Follow the yellow boxes as our model employee moves from level to level, ultimately spending five years at each level. You'll notice our employee:

- ✧ Spends two years at Level 3, Step 13, MA+12 earning credits
- ✧ Spends two years at Level 3, Step 13, MA+18 earning credits
- ✧ Spends five years at Level 4, Step 13, MA+18 earning credits
- ✧ Spends five years at Level 5, Step 13, MA+18 earning credits

PLYMOUTH SALARY SCHEDULE									
Level 1									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
1	31,000	31,620	32,252	32,897	33,555	34,562	35,253	35,958	36,678
2	32,116	32,758	33,413	34,082	34,763	35,806	36,522	37,253	37,998
3	33,272	33,938	34,616	35,309	36,015	37,095	37,837	38,594	39,366
4	34,470	35,159	35,863	36,580	37,311	38,431	39,199	39,983	40,783
5	35,711	36,425	37,154	37,897	38,655	39,814	40,611	41,423	42,251
6	36,996	37,736	38,491	39,261	40,046	41,248	42,073	42,914	43,772
7	38,328	39,095	39,877	40,674	41,488	42,732	43,587	44,459	45,348
8	39,708	40,502	41,312	42,139	42,981	44,271	45,156	46,059	46,981
9	41,138	41,960	42,800	43,656	44,529	45,865	46,782	47,718	48,672
10	42,619	43,471	44,340	45,227	46,132	47,516	48,466	49,435	50,424
11	44,153	45,036	45,937	46,855	47,793	49,226	50,211	51,215	52,239
12	45,742	46,657	47,590	48,542	49,513	50,998	52,018	53,059	54,120
13	47,389	48,337	49,304	50,290	51,296	52,834	53,891	54,969	56,068

PLYMOUTH SALARY SCHEDULE									
Level 2									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
1	32,395	33,043	33,704	34,378	35,065	36,117	36,840	37,576	38,328
2	33,561	34,232	34,917	35,615	36,328	37,418	38,166	38,929	39,708
3	34,769	35,465	36,174	36,898	37,636	38,765	39,540	40,331	41,137
4	36,021	36,742	37,476	38,226	38,990	40,160	40,963	41,783	42,618
5	37,318	38,064	38,826	39,602	40,394	41,606	42,438	43,287	44,153
6	38,661	39,435	40,223	41,028	41,848	43,104	43,966	44,845	45,742
7	40,053	40,854	41,671	42,505	43,355	44,655	45,549	46,460	47,389
8	41,495	42,325	43,171	44,035	44,916	46,263	47,188	48,132	49,095
9	42,989	43,849	44,726	45,620	46,533	47,929	48,887	49,865	50,862
10	44,536	45,427	46,336	47,262	48,208	49,654	50,647	51,660	52,693
11	46,140	47,063	48,004	48,964	49,943	51,441	52,470	53,520	54,590
12	47,801	48,757	49,732	50,727	51,741	53,293	54,359	55,446	56,555
13	49,522	50,512	51,522	52,553	53,604	55,212	56,316	57,442	58,591

PLYMOUTH SALARY SCHEDULE									
Level 3									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
1	33,853	34,530	35,220	35,925	36,643	37,743	38,497	39,267	40,053
2	35,071	35,773	36,488	37,218	37,962	39,101	39,883	40,681	41,495
3	36,334	37,061	37,802	38,558	39,329	40,509	41,319	42,146	42,988
4	37,642	38,395	39,163	39,946	40,745	41,967	42,807	43,663	44,536
5	38,997	39,777	40,573	41,384	42,212	43,478	44,348	45,235	46,139
6	40,401	41,209	42,033	42,874	43,731	45,043	45,944	46,863	47,800
7	41,856	42,693	43,546	44,417	45,306	46,665	47,598	48,550	49,521
8	43,362	44,230	45,114	46,016	46,937	48,345	49,312	50,298	51,304
9	44,923	45,822	46,738	47,673	48,626	50,085	51,087	52,109	53,151
10	46,541	47,471	48,421	49,389	50,377	51,888	52,926	53,985	55,064
11	48,216	49,180	50,164	51,167	52,191	53,756	54,831	55,928	57,047
12	49,952	50,951	51,970	53,009	54,069	55,692	56,805	57,942	59,100
13	51,750	52,785	53,841	54,918	56,016	57,696	58,850	60,027	61,228

PLYMOUTH SALARY SCHEDULE									
Level 4									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
1	35,376	36,084	36,805	37,541	38,292	39,441	40,230	41,034	41,855
2	36,650	37,383	38,130	38,893	39,671	40,861	41,678	42,512	43,362
3	37,969	38,728	39,503	40,293	41,099	42,332	43,179	44,042	44,923
4	39,336	40,123	40,925	41,744	42,579	43,856	44,733	45,628	46,540
5	40,752	41,567	42,398	43,246	44,111	45,435	46,343	47,270	48,216
6	42,219	43,064	43,925	44,803	45,699	47,070	48,012	48,972	49,951
7	43,739	44,614	45,506	46,416	47,345	48,765	49,740	50,735	51,750
8	45,314	46,220	47,144	48,087	49,049	50,520	51,531	52,561	53,613
9	46,945	47,884	48,841	49,818	50,815	52,339	53,386	54,454	55,543
10	48,635	49,608	50,600	51,612	52,644	54,223	55,308	56,414	57,542
11	50,386	51,394	52,421	53,470	54,539	56,175	57,299	58,445	59,614
12	52,200	53,244	54,309	55,395	56,503	58,198	59,362	60,549	61,760
13	54,079	55,160	56,264	57,389	58,537	60,293	61,499	62,729	63,983

PLYMOUTH SALARY SCHEDULE									
Level 5									
	BA	B2	B3	B4	B5	MA	A2	A3	A4
1	36,968	37,707	38,462	39,231	40,015	41,216	42,040	42,881	43,739
2	38,299	39,065	39,846	40,643	41,456	42,700	43,554	44,425	45,313
3	39,678	40,471	41,281	42,106	42,948	44,237	45,122	46,024	46,945
4	41,106	41,928	42,767	43,622	44,495	45,829	46,746	47,681	48,635
5	42,586	43,438	44,306	45,193	46,096	47,479	48,429	49,397	50,385
6	44,119	45,001	45,901	46,819	47,756	49,188	50,172	51,176	52,199
7	45,707	46,621	47,554	48,505	49,475	50,959	51,978	53,018	54,078
8	47,353	48,300	49,266	50,251	51,256	52,794	53,850	54,927	56,025
9	49,057	50,039	51,039	52,060	53,101	54,694	55,788	56,904	58,042
10	50,824	51,840	52,877	53,934	55,013	56,663	57,797	58,953	60,132
11	52,653	53,706	54,780	55,876	56,993	58,703	59,877	61,075	62,296
12	54,549	55,640	56,752	57,887	59,045	60,817	62,033	63,274	64,539
13	56,512	57,643	58,796	59,971	61,171	63,006	64,266	65,551	66,862

Since the cell values, even at Level 1, are greater than those on the old schedule, one would expect greater career earnings. Indeed the earnings are greater, but the levels prove to have a powerful impact.

The career earnings of our model employee on the alternative schedule are **\$1,353,058** or 27.12% more than had the employee stayed with the old schedule.

One additional assessment is valuable with the alternative schedule in Plymouth. This second assessment compares two employees on the new schedule, one that advances like the example above and a second who chooses not to conduct action research. With the second employee, we shall apply the same assumptions as were applied to the traditional salary schedule.

- ✧ Twenty-five year teaching career within the district
- ✧ Teachers begin at the entry level salary
- ✧ Six credits per year are earned until a Masters degree is achieved
- ✧ Three credits per year are earned subsequent to a Masters degree
- ✧ Cost of living adjustments are ignored

The employee would spend thirteen years at Step 13, MA+18.

PLYMOUTH SALARY SCHEDULE									
Level 1									
	BA	BA+6	BA+12	BA+18	BA+24	MA	MA+6	MA+12	MA+18
1	31,000	31,620	32,252	32,897	33,555	34,562	35,253	35,958	36,678
2	32,116	32,758	33,413	34,082	34,763	35,806	36,522	37,253	37,998
3	33,272	33,938	34,616	35,309	36,015	37,095	37,837	38,594	39,366
4	34,470	35,159	35,863	36,580	37,311	38,431	39,199	39,983	40,783
5	35,711	36,425	37,154	37,897	38,655	39,814	40,611	41,423	42,251
6	36,996	37,736	38,491	39,261	40,046	41,248	42,073	42,914	43,772
7	38,328	39,095	39,877	40,674	41,488	42,732	43,587	44,459	45,348
8	39,708	40,502	41,312	42,139	42,981	44,271	45,156	46,059	46,981
9	41,138	41,960	42,800	43,656	44,529	45,865	46,782	47,718	48,672
10	42,619	43,471	44,340	45,227	46,132	47,516	48,466	49,435	50,424
11	44,153	45,036	45,937	46,855	47,793	49,226	50,211	51,215	52,239
12	45,742	46,657	47,590	48,542	49,513	50,998	52,018	53,059	54,120
13	47,389	48,337	49,304	50,290	51,296	52,834	53,891	54,969	56,068

The career earnings of an employee choosing not to conduct action research in Plymouth would be **\$1,233,185** or almost 10% less than the more active colleague.

When crafting this alternative approach, the parties in Plymouth placed great professional development and teaching profession advancement value on this action research approach. The career earnings model validates the systems intent. The district would be rewarding those the system was designed to reward.

Summary

While beginning teacher salaries continue to be important to both employees and employers, a career earnings model better exposes the value of a compensation system. I have used this model for a number of years, and it has been utilized and appreciated by administrators and unions.

The career earnings model is particularly useful when attempting to make a change from a traditional compensation approach to an alternative one. The Plymouth example above was successfully utilized while explaining the change to the teachers who would ultimately be impacted by the change.

Footnote

For an additional example go to denverprocomp.org. Here you will find an explanation of Denver’s ProComp system. Simply click on “calculators” and follow the instructions.

Respectfully submitted,

Jim Carlson
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