

# The Effects of Pay Decentralisation on Teachers' Pay and Teacher Retention

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## Highlights

- The opportunity to flex teacher pay in England resulted in a 1-2% pay decline relative to counterfactual.
- More than half of the schools let their pay drift downwards.
- A larger downward drift was followed by decreases in the size and quality of the teacher workforce.

## The 2013/14 Teacher Pay Reform in England

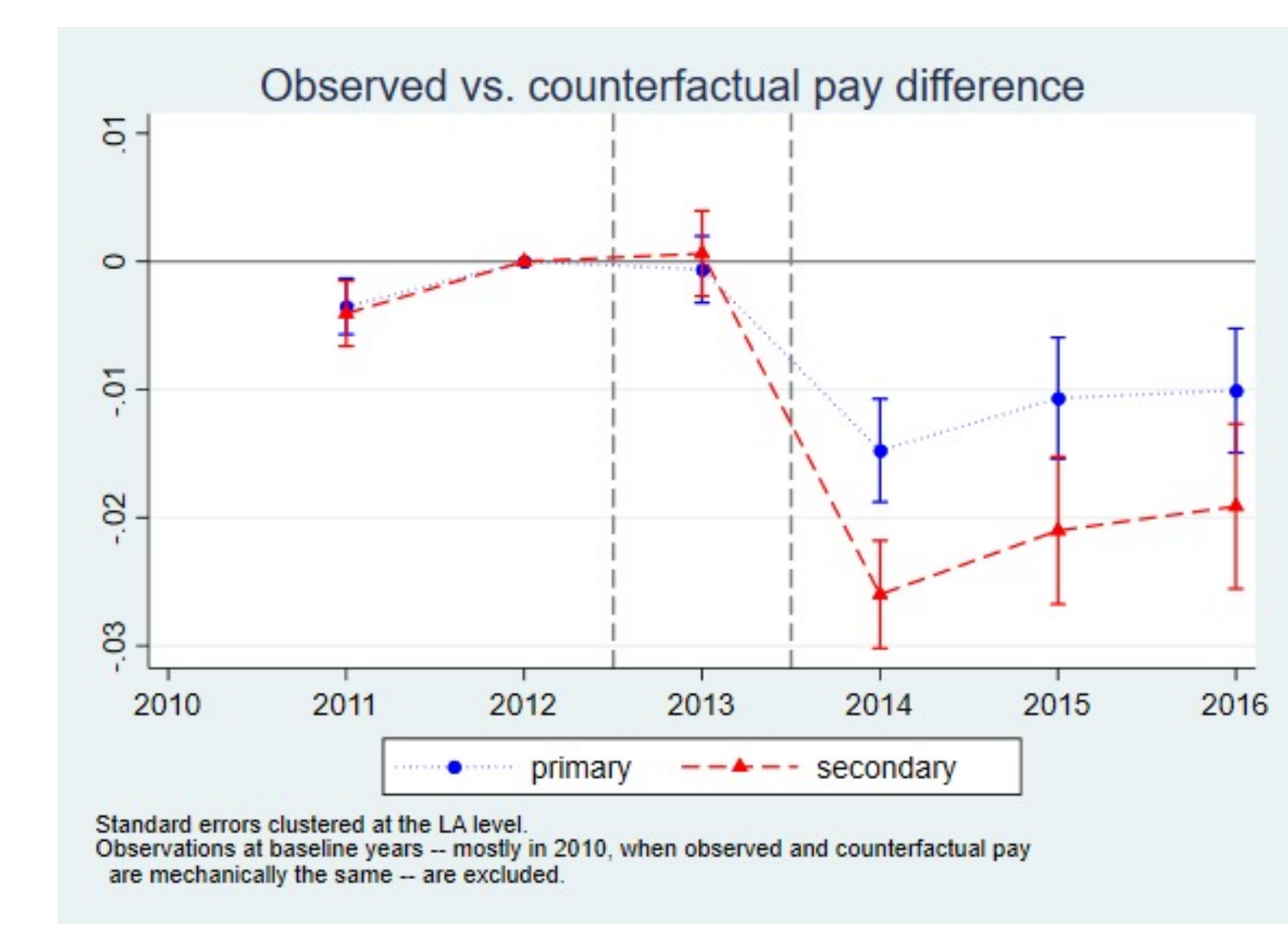
- Pre: automatic progression through seniority pay points
- Post: opportunity to flex pay between statutory min and max
- Policy goal: pay to respond to local labour market conditions and to link to performance
- Unique feature: Unions continued to shadow seniority pay points as recommendations.

Pay Scale for Classroom Teachers (Main scale) 2012				
Scale point	Annual Salary England and Wales (excluding the London Area)	Annual Salary Inner London Area	Annual Salary Outer London Area	Annual Salary Fringe Area
	£	£	£	£
1	21,588	27,000	25,117	22,626
2	23,295	28,408	26,674	24,331
3	25,168	29,889	28,325	26,203
4	27,104	31,446	30,080	28,146
5	29,240	33,865	32,630	30,278
6	31,552	36,387	35,116	32,588

Main Pay Range 2014				
	Annual Salary			
	England and Wales (excluding the London Area)	Inner London Area	Outer London Area	Fringe Area
	£	£	£	£
Minimum	22,023	27,543	25,623	23,082
Maximum	32,187	37,119	35,823	33,244

## The Effect on Teacher Pay

- We exploit union recommendations to construct counterfactual pay.
- The difference between observed vs. counterfactual teacher pay yields the effect of the reform:



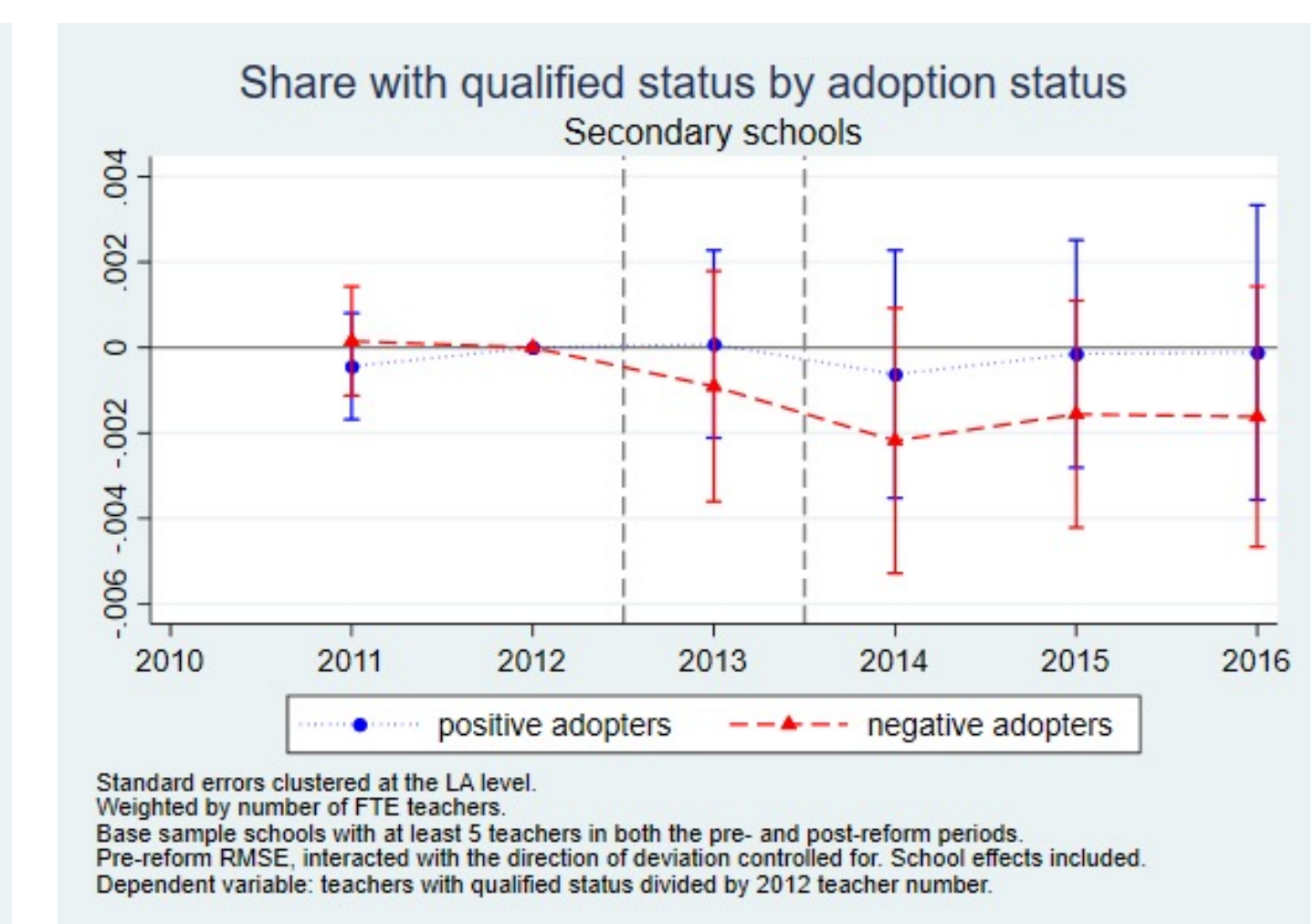
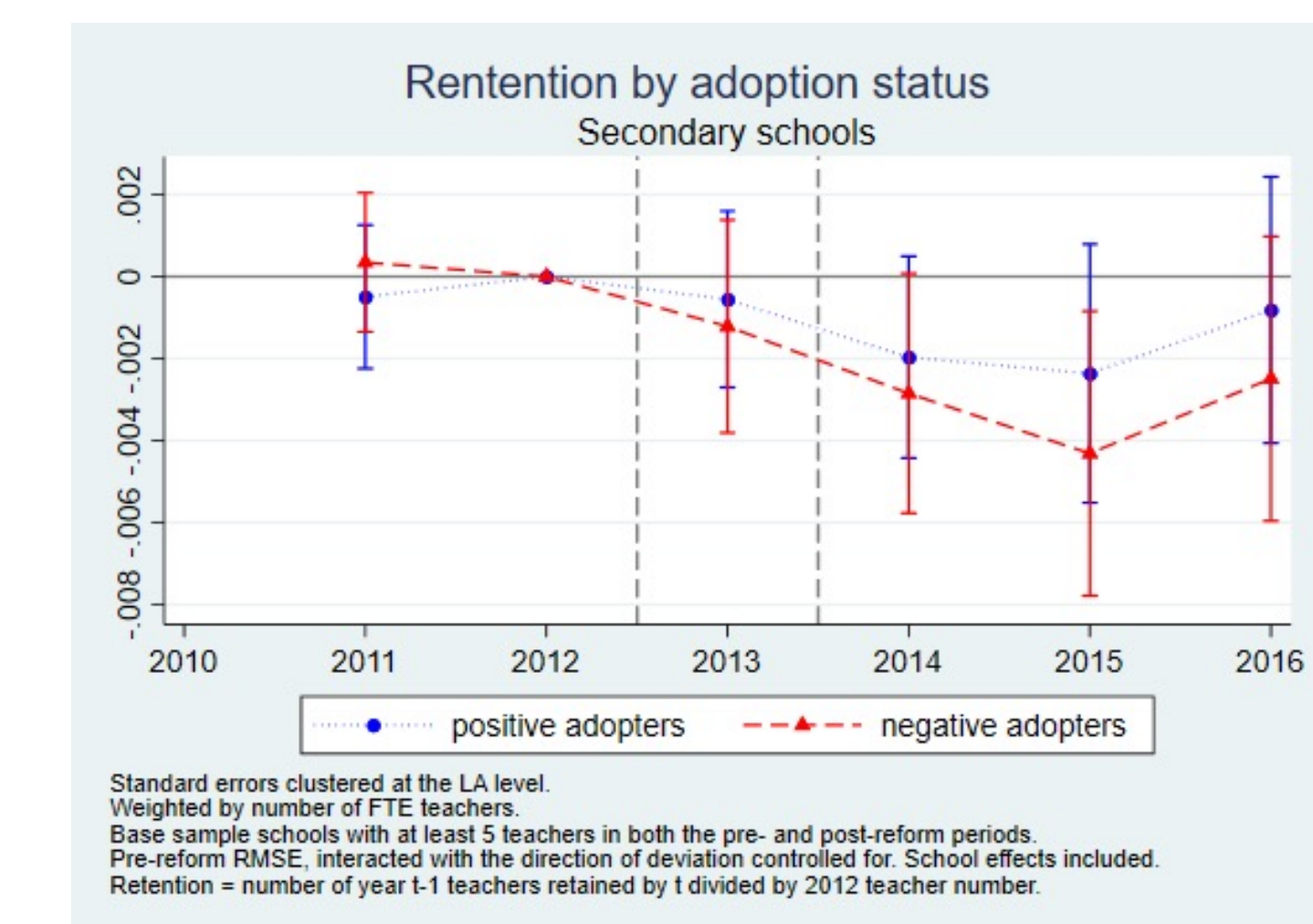
## Positive/Negative Adopter Schools

- We measure the extent to which each school adopts flexible pay by the school-level RMSE of observed pay predicted by counterfactual pay.
- We interact this RMSE with the sign of the school's mean deviation of observed pay from the counterfactual to get a directed metric of school-level adoption intensity.

	Primary	Secondary
Positive adopter	7,450	561
Negative adopter	8,160	1,100

## Implications on the Composition of the Teaching Workforce

- We run (non-causal!) diff-in-diff models to compare schools that let their pay drift more vs. less.



## Next Steps: Local Labour Market Monopsonies

- Following Manning (2003) and using our (non-experimental!) estimates, we can recover labour supply elasticities to individual schools:  
 $\epsilon^{primary} \approx 5, \epsilon^{secondary} \approx 20,$   
⇒ secondary sector more competitive than the primary!
- Using ASHE, we are further exploring the role of local labour markets in how the pay reform affected schools, teachers and pupils.