

Monopolies and Monopsonies

Vouchers will bring better pay, improved working conditions and more respect to teachers.
By Tim DeRoche

There are many good reasons to support school vouchers for poor families. But one of the best has been consistently overlooked. Vouchers will be good for teachers.

In fact, from a teacher's point of view, voucher programs are just about the best of all possible education reforms. Here's why.

Vouchers increase the number of choices available to teachers and spark heated competition for talented educators. Growing voucher programs will almost certainly bring better pay, improved working environments, and more respect to the teaching profession.

Compared to doctors or lawyers, teachers have very few options for employment. In most areas, where well-funded independent schools are rare, a teacher must work for the local school board. Every publicly-funded school in the area offers the same pay, the same benefits, and the same rules.

Of course, an educator will often have the option of working for five or six school districts within driving distance of her home. But nearby districts rarely differ significantly in benefits or pay, and all of these districts have to follow the same set of Byzantine provincial regulations.

For a doctor or a lawyer (or virtually anyone else), unlimited choice is so obvious that we rarely think about it.

- Should I work for a small firm or a large one?
- Should I accept a great salary for a 70-hour workweek, or a smaller salary and fewer hours?
- Should I work with a bunch of young, energized upstarts or with a group of knowledgeable veterans?
- Which potential employer holds values most similar to my own?

Teachers have a right to the same breadth of choices that the rest of us take for granted.

Proponents of vouchers typically advocate increased choice for parents

and students. The argument is familiar — vouchers make it much easier for all sorts of alternative providers to spring up in poor areas.

Instead of being at the mercy of one unresponsive bureaucracy, disadvantaged families are served by many different providers with different models. Since parent choice dictates where the money flows, schools will increasingly target the needs of the local population.

But teachers also benefit when more choices are available. As providers proliferate and schools become more diverse, teachers have more options. An educator can choose to work at a school that reflects his or her values, skills, experience, and personal goals (say, a mixed-age classroom on a year-round calendar with bilingual instruction). Another teacher with different talents and needs can go elsewhere.

But, even more important, vouchers will generate competition for good teachers. To be successful in a voucher system, a school must convince parents to enroll their children. What will the vast majority of parents care about? The quality of teaching.

Thus, successful schools will be those that can recruit and retain the very best teachers. With so many different providers trying to recruit good teachers, all sorts of benefits will follow. Salaries will go up, and support for teachers will improve.

Economists have two terms that apply to our current system of public education: monopoly and monopsony. These two terms are different sides of the same coin. A monopoly exists when there is only one seller of a certain product or service. A monopsony exists when there is only one buyer.

From a parent's perspective, the local public school district is a seller of educational services. And it's really the *only* seller: well over 90% of students attend public schools. This is a monopoly that Air Canada would envy.

A teacher, on the other hand, sees the public school system as a buyer, since schools pay educators to teach. Because public schools control more than 90% of the market, these public school districts can dictate the terms of employment. This is a classic case of monopsony.

That's why teachers now need unions. An individual has virtually no bargaining power against the monopsonistic school system and its huge market share. Joining a union helps level the playing field.

But what happens when the monopsony is broken and competition reigns? According to economic theory, salaries will go up and working environments will improve. For an extreme example, look at what happened to the salaries of baseball players once free agency allowed them to negotiate with multiple teams.

There is already some evidence that vouchers lead to these predicted gains. The *Los Angeles Times* reports that since accepting voucher students, St. Anthony's Elementary School in Milwaukee has been forced to raise its starting teaching salary from \$22,000 to \$30,000. That's a 36% increase.

It's natural for many teachers — and their unions — to fear vouchers. The current system, no matter how dysfunctional, is very stable. Teachers know whom they'll work for, what problems they'll face, and how little support they'll receive.

But freedom is calling. Liberated from the monopsonistic school system, the vast majority of teachers will be rewarded not only with better pay, but also with more support from administrators, more accolades from parents, and more respect from the community.

Voucher programs unleash the forces of competition in the service of educators.

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