Teacher Preferences, Working Conditions, and Compensation Structure

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Improving schools depends on attracting high-caliber teachers as well as increasing retention, both made possible by appealing to teacher preferences. Since teacher preferences cannot be estimated from traditional choice records, I deploy a discrete-choice experiment in a setting where teachers have reason to reveal their preferences. This generates four main findings: (1) I calculate willingness-to-pay for a series of workplace attributes including salary structure, retirement benefits, class size, performance pay, and time-to-tenure; schools can improve efficiency by shifting compensation into vehicles with greater WTP-to-cost ratios. (2) Highly rated teachers have stronger preferences for schools offering performance pay, which can be used to differentially attract and retain them. (3) Using preferences, I simulate how a school would structure compensation to maximize teacher welfare, teacher retention, or student achievement. Under each criterion, the results suggest that schools underpay in salary and performance pay while overpaying in retirement. Finally, (4) the most valued factor is having a principal who supports teachers with disruptive students; this single attribute is worth a 17-percent salary increase and it erases teacher aversion to low-income and low-achieving schools.

I. Introduction

If schools are the forges of human capital, teachers are the smiths. Perhaps more than any other public input, teachers foster the formation of human capital, and the long-run consequences of teacher retention and quality are far reaching (Darling-Hammond 2003; Rockoff 2004; Rivkin, Hanushek, and Kain 2005). Great teachers endow their pupils with higher achievement, non-cognitive skills, and better long-run outcomes including higher earnings, lower teenage fertility, and greater health than students afforded lower-rated teachers (Chetty et al. 2011; Petek and Pope 2019).[2] Simply

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[2] For example, Chetty et al. (2014) find that being exposed to a teacher with σ higher VAM for a single year increases a student's future earnings by about 1 percent each year; these students are also more likely to attend college, less likely to have children while in high school, are more likely to be married, and save more for retirement.

replacing a poor teacher with a median one for a single year may be worth $407,000 (net present value) in students' future earnings (Chetty, Friedman, and Rockoff 2014b).[3] In this light, it is unfortunate that teacher quality may have declined over the past half century (Murnane et al. 1991; Corcoran, Evans, and Schwab 2004; Bacolod 2007).

Reversing, or even stanching, this trend has proven difficult. On the demand side, it is "extremely challenging" for schools to identify the best prospective teachers when hiring (Hanushek 1986, 1997; Greenwald et al. 1996; Rockoff et al. 2011), and known training programs are typically ineffective at improving value-added (Rockoff 2004; Rivkin et al. 2005; Kane et al. 2008a; Harris and Sass 2011). On the supply side, the profession is taxing but pays little (Ingersoll and Smith 2003). The institution of rigid pay schedules, moreover, may lead to negative selection in the profession (Stinebrickner 2001; Hoxby and Leigh 2004; Correa, Parro, and Reyes 2015; Biasi 2019), especially if highly rated teachers have attractive options outside of teaching (Murnane and Olsen 1989; Feng 2005; Bacolod 2007; Chingos and West 2012; Wiswall 2013; Nagler, Piopiunik, and West, 2019).

At the same time, US governments spend almost $1 trillion per year on K-12 education, the principal cost of which is personnel. Teachers have a distinct compensation structure, which is concentrated in benefits and lacks performance incentives, both of which may be optimal in teaching. For instance, performance pay may reduce useful collaboration between teachers, and larger investments in retirement may promote retention or positive selection into the profession (Morrissey 2017; Weller 2017). Because public schools have significant market power as employers and operate without typical market pressure, districts may not select an optimal structure (de Ree et al. 2018). To explore this, I compare current compensation structures to those schools would use if they were attempting to maximize teacher retention or student achievement.

Estimating teacher preferences presents a challenge. Equilibrium matching between workers and jobs reflect not only candidate preferences but also labor-market conditions and employer choice (Wiswall and Zafar 2017). Teacher preferences could be disentangled by constructing choice sets from which teachers selected their employer (Train 2009), but the records needed to construct menus comprising each teacher's options (concurrent job offers) do not appear to exist (compare, for example,

[3] It bears mention that providing talented teachers is a rare intervention that produces long-term benefits, especially for low-income children. See, for instance, Altonji and Mansfield (2011), Dahl, Kostol, and Mogstad 2014, Chetty, Friedman, and Rockoff 2014, Heckman, Humphries, and Veramendi (2018).

Avery et al. 2013).[4] Even if these records were attainable, however, they would not be particularly informative. For one thing, observed characteristics in realized data are likely correlated with unobserved characteristics, confounding results (say, if salaries are correlated with amenities). For another, the variation needed to separate preferences for various attributes (compensation structure, contract type, and working conditions) is extremely limited—and ultimately insufficient—since teacher contracts are largely uniform with many important attributes being expressly colinear or everywhere absent.[5]

To address these challenges, I deploy a choice experiment that permits me to estimate teacher preferences for compensation structure, contract type, and working conditions. In Aldine Independent School District (a large, urban district in Houston, Texas), I present teachers with a series of hypothetical job offers, among which they select their preferred offer, and teachers make tradeoffs between valued features including starting salary, retirement generosity, larger merit rewards, smaller class sizes, and expedited time-to-tenure. Importantly, the survey was delivered through an organization hired to provide recommendations to the district in a setting with weak union presence, so teachers have reason to thoughtfully consider and truthfully reveal their preferences. The response rate was high (98 percent), and inattention is not a significant concern.[6] The resulting choice data allow us to explore preferences over several facets of the work setting, which has not been feasible to date.

Responses appear highly realistic and even sophisticated. For a handful of attributes, we can compare the estimates from this study to theory or touchstone literatures; consistently, the estimates retrieved here closely match those benchmarks, lending support to the other, more novel, estimates. For instance, if teachers pay part of their health insurance premium, they should be indifferent between an additional dollar of salary or additional dollar offsetting what they pay for insurance. Preference estimates reveal that teachers value health-insurance subsidies *identically* to an equivalent increase in salary. This is remarkable because these two features are presented in different units (*monthly* premia versus *yearly* salaries). Moreover, the discount rate which rationalizes teachers'

[4] Contacted districts did not keep records of job offers made. Conversations with firms that provide HR software to school districts indicate that fewer than 1% of schools use the software to make offers. Teachers, moreover, tend to never entertain simultaneous offers because offers explode on the same day they are extended.
[5] State policy and common union influence generate similar compensation structures across districts. Within district, compensation is totally uniform. Many states provide a uniform pension and health insurance program, rendering teacher choice uninformative as it relates to compensation structure. Importantly, real-world data are particularly unhelpful in determining preferences for merit pay or alternative retirement vehicles which rarely vary. When studying choices across states, say in a city that spans two states, like St. Louis, the transition cost associated with state licensing may be such that teachers are only able to choose across state lines at an additional cost, collinear with any state-level differences.
[6] Measurement error (i.e., mistakes) in respondent choice will not lead to bias in the parameter estimates so long as mistakes are independent of the attributes (Wooldridge 2010).

salary-retirement tradeoff is exactly that estimated in the empirical literature on discounting. And, interestingly, teachers are willing to commute for roughly half their hourly wage, matching the literature estimating the cost of travel time.

To understand how teachers value different components of their work place, I calculate WTP for several attributes. The willingness-to-pay (WTP) estimates suggest teachers value a ten-student class-size reduction equal to a $5,950 increase in salary (11.9 percent of base pay),[7] seven times less than the cost of such a reduction. Teachers consistently prefer riskier, though portable, defined-contribution retirement plans over a traditional pension. Teachers also value quicker tenuring: an additional year of probationary status is equivalent to a salary reduction of $500. Teachers prefer schools with fewer students in poverty and higher academic achievement. Many of these estimates are novel, and I provide additional estimates on the WTP for a broad array of other school attributes including shorter commutes, administrative support, and different evaluation schemes, which are also original.

The attribute that teachers most value is having a principal who supports them with disruptive students. Having such a principal is valued equal to a 17.3 percent increase in salary. Having a supportive principal also reduces teacher aversion to teaching in disadvantaged settings. A supportive principal erases the 90 percent of the disutility of teaching in a low-achieving school and reduces the cost of teaching in a low-income setting by 85 percent. The results imply that student misbehavior is taxing and that attentive principals greatly reduce those costs.

I also explore whether highly rated teachers have distinct preferences, which could prove useful. Forecasting which prospective teachers will be most effective is a difficult task (Hanushek 1986, 1997; Greenwald et al. 1996; Rockoff et al. 2011), though possible (Jacob et al. 2018; Sajjadiani et al. 2019). If high-type teachers have distinct preferences for conditions controlled by policy, policy*makers* can construct a separating equilibrium by structuring compensation, contracts, or working conditions to conform to the preferences of high performers.

By implementing policies preferred by high-types, excellent teachers might naturally select into the teaching setting, and low-type teachers are less likely to apply.[8] And effective teachers may be more likely to be retained (Ballou 1996; Hanushek 2011).[9] Using value-added models and principal

[7] Here, base starting pay is $50,000 for a new teacher without a master's degree.
[8] Over time the effect may be especially pronounced since the preferred compensation differentially retains high-performing teachers who also prefer work settings inhabited by other high-caliber colleagues (Feng and Sass 2016).
[9] In particular, raising everyone's compensation may improve the average quality of new recruits, but it reduces the scope for new hiring since ineffective teachers are also more likely to be retained.

evaluations, I find that highly rated teachers have broadly similar preferences to their peers, except in one regard. Excellent teachers systematically prefer jobs that include the opportunity to earn performance pay. Highly rated teachers (top decile) are 22 percent more likely than a low-quality teacher (bottom decile) to select an offer providing $3,000 in merit pay, which may induce favorable selection in retention. It is unclear whether merit pay would affect sorting *into* the profession since individuals may not know their teaching ability before making costly career investments.

The preference estimates allow us to explore the consequences of restructuring compensation and working conditions subject to the current budget constraint. I estimate teacher utility functions with diminishing marginal returns, use the estimates to simulate retention patterns of teachers under various compensation structures, and calibrate an achievement production function using estimates from the literature.

Whether maximizing teacher utility, teacher experience, or student achievement, I find that teachers are overpaid in retirement benefits and underpaid in salary and merit rewards. Restructuring what teachers are paid to maximize their utility generates a 17.6 percent increase in teacher welfare, the equivalent of a $14,000 raise. Structuring pay to maximize teacher experience increases starting pay (relative to the status quo) and includes a significant growth rate. The resulting compensation structure increases the odds of a student having a veteran teacher by 25 percent and raises the average experience by 16.2 percent; when maximizing experience, achievement would increase by 0.09σ per year, generated by more experienced teachers and the introduction of a modest performance-pay program, which teachers value more than its cost.

Restructuring pay to maximize student achievement also increases salaries and performance pay. Simulations based on the estimated utility of teachers suggest that a $4,000 bonus to top teachers affects their retention such that students are 21 percentage points more likely to have a teacher from the top of the distribution. The achievement-optimal structure is predicted to improve learning by 0.22σ, though the full effect would take shape over time since it is animated in part by changing retention patterns. The achievement gains are driven by positively selected retention (71%), added effort by teachers (24%), and better overall retention (5%). Salary increases come primarily from lower replacement rates in retirement and shifts toward defined-contributions plans which are preferred by teachers as well as less costly. The results suggest that the district does not structure the work setting to maximize teacher utility, teacher retention, or student achievement.

The preferences of marginal teachers are especially important. Marginal teachers are not only the relevant margin of labor supply, but some research finds that marginal teachers have higher academic ability and value-added measures, so their choices influence the quality distribution of teachers (Weaver 1979, 1983; Schlechty and Vance 1981, 1982; Wiswall 2013; Wheelan 2019). To explore the preferences of marginal teachers, (1) I test whether teachers who eventually leave the district have the same preferences as those who remain, conditional on experience; and (2) I survey college students in the area around Aldine to test whether preferences differ between students "set on teaching" and those "actively considering" it. In each case, preferences among marginal and inframarginal teachers are extremely similar, lending support to the claim that marginal teachers have similar preferences for compensation structure and working conditions but have lower teacher-specific utility.

This study builds on literature that explores teacher preferences (Antos and Rosen 1975; Ballou 1996; Boyd et al. 2013; Biasi 2019), teacher compensation (Hanushek 1986; Card and Krueger 1992; Ballou and Podgursky 1997; Figlio 1997; Loeb and Page 2000; Hendricks 2014), and teacher quality (Rockoff 2004; Hanushek and Rivkin 2006; Chetty, Rockoff, and Friedman 2014). Previous studies have largely relied on equilibrium data to estimate preferences, inheriting a host of confounding factors. Due to data limitations, moreover, prior studies were not able to estimate the willingness-to-pay for most components of teacher compensation and working conditions which do not vary independently. The key contribution of this study is to circumvent these issues by creating a transparent choice environment to measure teacher preferences over several important elements of the work setting, including dimensions for which there would be insufficient variation in naturally occurring records. It is the first to use choice data to calculate policy experiments for compensation structure and working conditions. Finally, this paper contributes to the discussion of whether compensation structure may be an effective tool for policy makers, not only by inducing effort but also by influencing selection.

II. Background

Aldine Independent School District

Aldine is charged with educating 69,716 students in the Houston, spending $700 million dollars annually (U.S. Department of Education, 2016; National Center for Education Statistics, 2019). Students in Aldine are predominantly Hispanic (72.6 percent) and black (23.1 percent). Just over three-quarters are eligible for free school meals (77.2 percent), which places them at the 92nd percentile of student poverty among districts in Texas (calculation from data provided by Texas Education Agency 2018; Elementary & Secondary Information System 2019). Students in Aldine perform better than their disadvantage would predict. Their achievement registers at the 43rd percentile in math where other districts with the same poverty share achieve at the 23rd percentile (19th percentile in reading in Aldine, compared to 15th percentile at similar districts).

At the time the survey was delivered, the district had 4,358 full-time teachers who were invited to take the district's annual survey, which, in 2016, included my experiment. The average teacher in Aldine has 9.0 years of experience, and 29.9 percent of Aldine's teachers have advanced degrees. Just over two-thirds of Aldine's teachers are female (68.0 percent); the plurality are black (36.7 percent), and the remaining teachers are mostly white (27.6 percent) and Hispanic (20.8 percent) (online Appendix table 2). Though there is no merit pay in the district, Aldine evaluates its teachers using a Danielson rubric in which the principal rates each teacher in four categories: planning and preparation, classroom environment, instruction, and professional responsibilities on a scale from 1 (ineffective) to 4 (highly effective). The average score is 3.2 out of 4 with a standard deviation of 0.50.

The Structure of Teacher Compensation

In the U.S., the median teacher receives $58,000 in annual salary and another $28,000 in benefits, primarily in health insurance and retirement.[10] The National Compensation Survey (NCS) reports that the costs of employing American primary and secondary school teachers are divided 69 percent toward salary, 11 percent toward health benefits, and 11 percent toward retirement benefits. The remaining 9 percent of compensation costs constitute legally required benefits, other pay (usually comprising bonuses), and paid leave.[11] Though typical civilian workers earn a slightly larger fraction of their compensation in salary, the primary difference in the structure of teacher pay is in the allocation of benefits. Teachers earn 20 percent more of their income in health insurance, twice as much in retirement benefits, and earn an order of magnitude less in supplemental pay, largely reflecting the fact that few schools employ bonus pay (Figlio and Kenny 2007; Bureau of Labor Statistics, 2018).

[10] This tally does not include special retirement health plans schools provide or the underfunding of pensions that the government presents as guaranteed (Farmer 2014; Novy-Marx and Rauh 2014). Government contributions would have to rise by 24.1 percent of payroll (a more than doubling from its current contribution of 16.3 percent of payroll), as of a few years ago, to close the fiscal gap on retirement promises.

[11] The parallel shares for a generic civilian worker are 68.7 percent in salary, 8.8 percent in health benefits, and 5.2 percent in retirement. https://www.bls.gov/news.release/archives/ecec˙03102016.htm

To study where Aldine falls in the distribution of teacher pay among districts, I use data from the Local Education Finance Survey (LEFS), which collects financial information from each school district. Aldine spent $89,461 per teacher in 2014; these data show that Texas schools pay a smaller fraction of their compensation in benefits (26.1 percent) and a larger fraction in salary (73.9 percent) than other states. A Freedom-of-Information-Act request (FOIA) to Aldine reveals a similar picture: 74.1 percent of their pay is received as salary and 25.9 percent is received in benefits. The school district reports paying the average teacher $62,186 in salary, $3,960 toward health insurance, $5,161 toward pension, $964 for retirement healthcare, and $0 in performance pay.

These three data sources (NCS, LEFS, and the FOIA disclosure) understate the amount state and local agencies will compensate teachers because they do not reflect the total cost of pension and retirement health plans, which are underfunded but essentially guaranteed (Novy-Marx and Rauh 2014). My calculations suggest that the state would need to double its contribution to retired health benefits and triple its pension contribution to reliably deliver on its promises. If funds do not cover promised benefits, the government will likely be required to make up the shortfall.[12] When calculating compensation structures under various criteria, I calculate the total cost of providing the current compensation structure so that compensation bundles are comparable in terms of total expected costs.

III. Experimental Design and Econometric Framework

The Empirical Challenge

When economists set out to estimate preferences, they collect data on the choices people make and the options available to them at the time of choosing. Unfortunately, the records needed to construct choice sets from which teachers select offers are unavailable. Districts have no reason to keep records of offers made, and, because of the structure of the market, teachers tend not to receive competing offers simultaneously.[13] If these records were collected, omitted variables would present a difficulty for inferring preferences. Variation in pay, for instance, may be correlated with other, unobservable factors (e.g., amenities, staffing, neighborhood, etc.), making it difficult to separate the influence of compensation structure on teacher choice from other factors.

[12] Though the issue appears far from settled, several judges have rejected attempts made by local officials to reduce pension benefits, and the BLS describes pension benefits as "guaranteed" (BLS 2012; Reid 2013; Vinicky 2013).
[13] The job market is highly decentralized, which means that schools make offers at widely varying times and offers often explode within 24 hours; teachers very rarely entertain two or more concurrent offers. If these records could be assembled, the resulting estimation would reflect the preferences of a relatively distinct subsample of highly sought-after teachers. In the dozens of districts interviewed, none kept records of offers made, precluding the assembly of what offers a teacher had to select from. One alternative was to work though software companies providing application and hiring software to multiple school districts, called consortiums. These software systems include the functionality to extend and accept offers through their interface, but less than one percent of offers were delivered through the software, and many appear to have been in error. Essentially no one accepted their offer through the interface.

Even if these challenges were surmountable, the results would not be particularly informative. There is essentially no independent variation in most of the school attributes that form the work setting. It is common for competing schools to have identical compensation structures, tenure timelines, and rules governing working conditions like class size. Even across districts, variation is extremely limited by statewide requirements and the common influence of union bargaining. Districts within a state often share a pension program, health-insurance plan, class-size regulations, and salary schedules. Where variation may exist at the borders between districts, the wealthier district usually offers a work setting that exceeds the neighboring district in every dimension, providing no information on preferences other than what was already known: that more compensation is usually preferred.[14] Choices along the borders of neighboring states suffer similar problems and are complicated by the fixed cost teachers face when acquiring a teaching certificate in a second jurisdiction.

How, then, can we study teacher preferences? I generate hypothetical job offers that randomly vary compensation structure and working conditions that teachers can choose from. The experiment is deployed through an organization commissioned to deliver recommendations to the district about how to reform its compensation structure and working conditions, so teachers have a credible reason to thoughtfully consider their preferences. Importantly, the experiment neatly addresses the empirical challenges endemic to the question. First, the setting allows us to directly observe menus so that we can see the options from which teachers select. Second, it addresses omitted variables using a controlled experimental setting in which there are no factors unobserved. And third, the environment allows me to introduce independent variation in important policy variables that don't exist or vary in the natural world. These are precisely the issues in teacher compensation that make the study of preferences challenging and, in some cases, impossible with naturally occurring data.

Choice Experiments and Conjoint Analysis

The choice experiment, sometimes called a conjoint, is a tool developed to measure consumer preferences and forecast demand for components of a prospective product or service. The design started in marketing and is valued because these experiments predict real-world purchasing behavior as well as broader market shares (Beggs, Cardell, and Hausman 1981; Green and Srinivasan 1990; Hainmueller, Hopkins, and Yamamoto 2013). In recent years, economists have used the method to study the career

[14] This empirical problem is inherent to the setting: Wealthy areas often create their own district so as not to subsidize poorer areas. For instance the wealthy parts of Los Angeles—Beverly Hills, Manhattan Beach, Santa Monica—are all visibly gerrymandered out of the, largely poor, Los Angeles Unified School District. Each area has its own distinct school district, some of which are the most highly rated districts in the country.

preferences of college students (Wiswall and Zafar 2017) and worker preferences for flexibility and other working conditions (Mas and Pallais 2017; Maestas et al. 2018). These authors find that preferences elicited in hypothetical experiments closely correspond with real-world choices.[15] Political scientists, too, have found that conjoint preference estimates align "remarkably well" with choices in the natural world (Hainmueller, Hangartner, and Yamamoto 2015).

This paper aims to estimate teacher utility over prospective compensation structures, contract terms, and working conditions for public school teachers. Doing so may be useful among government employers because they operate without a typical market test (de Ree et al. 2017). I construct a survey that invites teachers to make a series of choices between hypothetical job offers. To increase power, I use the statistical package, JMP, which varies the attributes using a fractional conjoint design. Each choice set requires the teacher to make tradeoffs, and the package maximizes efficiency of the parameters of the utility model for a given number of choice sets.[16] The choice experiment allows the analyst to evaluate several hypotheses in a single study and, importantly, compare the influence of various factors within a shared setting, making estimates directly comparable. Moreover, the method avoids the influence of social-desirability bias. In addition to being an essentially anonymous survey, respondents have available multiple reasons to justify any choice in the conjoint setting since several attributes vary at once, similar to Karlan and Zinman (2012) (see also, Hainmueller, Hopkins, and Yamamoto 2010). Respondents enjoy privacy, even from the researcher. The analyst cannot infer the preferences of any individual because each respondent makes fewer choices than there are factors (Lowes et al. 2017).

In this survey, I consider fourteen attributes recommended by the literature and from information gathered from interviews with experts. These attributes include (1) starting salary, (2) salary growth rate, (3) health insurance plan (in terms of the deductible and monthly premium), (4) retirement income plan (replacement rate as well as defined benefits (DB) or defined contribution (DC)), (5) performance pay program, (6) class size, (7) the duration of the probationary contract, (essentially "time to tenure"), (8) the frequency of contract review and renewal, (9) how many hours of teaching assistance a school provides the teacher, (10) the percent of students who are low income, (11)

[15] Mas and Pallais, for instance, find that preferences elicited in a survey and those elicited in the real world imply valuations that are essentially identical.

[16] I assume, for instance, that teachers prefer more of each type of compensation (higher staring salary, greater salary growth, a more generous retirement, etc.) while assuming that teachers prefer less of other things (e.g., fewer students to a class, shorter probationary period, smaller student-poverty shares, etc.). The software generates choice sets that present at least one tradeoff between attributes that are assumed to be desirable. The compensation decks present options that are roughly equally costly. Without this structure, we would present questions that illuminate very little.

the percent of students who are minorities, (12) the average achievement percentile of students, (13) commuting distance in time, and (14) whether the principal is "supportive" or "hands-off" with disruptive students. Attributes take on several values, shown in online Appendix table 1.[17]

When constructing the survey, the analyst faces a tradeoff between the realism of the options (made richer in the number and detail of attributes) and the ability of respondents to compute their preferences in a short time. If the attributes are too numerous (generally considered more than six in a single choice (Green and Srinivasan 1990)), respondents tend to resort to a simplifying rule in which they consider a subset of attributes they find most important. To estimate preferences over many factors, I split the attributes into three sets of questions, called "decks."

The first deck asks teachers to choose between different compensation structures, varying starting salary, salary growth rate, health insurance subsidies, retirement plans, and merit compensation. I include the starting-salary attribute in each of the other decks to "bridge" the decks, allowing for preference comparisons between attributes in different decks. The second deck varies working conditions, including class size, how long new teachers are on probationary contracts, how often term contracts are reviewed and renewed, distance to work from home in time units, and how many hours of instructional support are provided the teacher each week. The third asks teachers to choose between job offers that vary starting salary (again, to assimilate estimates across decks), rate of student poverty, student minority share, average achievement percentile, and whether a principal was "supportive" or "hands-off" with disruptive students as well as a placebo attribute. The statistical software generated 30 questions for each of the three decks and respondents were presented, at random, four questions from the compensation deck, four questions from the working-conditions deck, and three questions from the student and principal characteristic deck, since the final deck had fewer parameters to estimate. Examples of these survey questions are presented in online Appendix figures 1–3.

Because the survey is distributed on behalf of an organization hired to make recommendations regarding the district's compensation structure, teachers have an incentive to thoughtfully consider and reveal their preferences. Teacher responses are confidential and have been reliably private in previous

[17] Some of these features change in more than one dimension. For instance, the retirement description varies the replacement rate the plan provides in expectation and whether retirement is based on a defined-contribution or a traditional, defined-benefit plan (essentially the difference between a 401(k) and a pension). The health insurance description varied how much the district paid, the deductible, and the copay for an office visit. The performance pay varied how much a teacher could receive for being in the top 25 percent of teachers, either based on student growth and principal evaluations or student growth alone.

surveys implemented by the consulting group with whom I partnered; thus, teachers have no reason to believe their employer will be able to review their individual response but know their response will inform the district's decision. This setting is not formally strategy proof, but there is reason to believe that teachers' responses are reflective of their preferences. Hypothetical choice experiments, in a variety of settings, successfully predict individual choice behavior and willingness-to-pay in natural settings, even absent express incentive to reveal their preferences truthfully (Hainmueller, Hangartner and Yamamoto 2015; Wlomert and Eggers 2016; Parker and Souleles 2017; Wiswall and Zafar 2017).[18]

Moreover, formally incentive-compatible designs do not significantly alter the predictive validity of such experiments (Holt and Laury 2002; Ding 2007; Wlomert and Eggers 2016). Incentive compatibility seems to matter only if responding requires significant effort, or if subjects have a distinct reason to dissemble;[19] estimates from hypothetical choices align with those from incentivized elicitations in settings where respondents already know their preferences (Camerer and Hogarth 1999; Mas and Pallais 2017; Maestas et al. 2018). Because compensation and working conditions affect a teacher's daily life, they have likely considered their preferences, suggesting the need for new effort to discover their preferences is minimal. This conduces truth-telling. Early research in marketing, too, finds that conjoint responses are strongly predictive of an individual's later choices (Robinson 1980; Srinivasan 1988) and out-of-sample market share (Benbenisty 1983; Clarke 1992).

To evaluate whether revealed preferences are rational, I test whether choice is monotonic in ordered variables that have clear impacts on utility (Hainmueller and Hiscox 2010). I find that choosing an offer is strongly increasing, all along the support, in starting salary, salary growth, retirement replacement rate, class-size reductions, and support provided to teachers, with teachers significantly more likely to select the highest categories than the medium one, and significantly more likely to select a medium category than the lowest, a result that holds when making within-teacher comparisons. An important exception to this is performance pay, which reduces utility at high levels.

It could be that by asking teachers to make tradeoffs between hypothetical job offers, we are implicitly asking them to value things they may not care about in a normal setting, a type of

[18] Three-quarters of the time, one's conjoint responses correctly predicts market behavior (Wlomert and Eggers 2016). Similar predictive ability is seen in Brazell et al. (2006) and Iyengar and Jedidi (2012).

[19] Camerer and Hogarth (1999) remark "In many tasks incentives do not matter, presumably because there is sufficient intrinsic motivation…or additional effort does not matter… In other tasks, incentives can actually hurt, if increased incentives cause people to overlearn a heuristic…, to overreact to feedback…to exert "too much effort" when a low-effort habit would suffice… or when arousal caused by incentives raises self-consciousness…In a few tasks, incentives appear to actually hurt."

Hawthorne effect. To address this concern, I include in the choice sets a placebo feature that should have no plausible impact on teacher utility—whether the school bus at the featured school is blue (McFadden 1981)—to evaluate whether the experimental setting stimulates teachers to exhibit preferences for things that have no impact on their welfare. Reliably, I find that teachers express no preference over this irrelevant detail, aiding a causal interpretation. Uninstructed, subjects may fill in the state space, inferring other characteristics that influence their preference other than those features explicitly described. I frame each question by asking teachers to imagine that two hypothetical job offers are identical in every other way, indicating that the presented school qualities do not relate to unobserved aspects, like Wiswall and Zafar (2017): "If two schools that were identical in every other way made the following offers, which would you prefer?"

Inattention is not a major issue. First, inattention that is not triggered by the attributes themselves generates classical measurement error in the outcome variable—their choice—which does not bias the results, though it would reduce precision. Second, the survey is administered digitally, and the option to advance to the next question does not appear for the first few seconds each question is available, nudging teachers to read the prompt as they wait for an unstated amount of time. Third, the online survey environment records how long the teacher takes to respond to each question; teachers appear to take enough time to read and understand the options, on average 35 seconds per question. I estimate the models separately among respondents who took longer-than-average and shorter-than-average times to respond, and the estimates are identical in the two subsamples, suggesting that more attention is not associated with different preference estimates, alleviating the concern that some teachers resort to simplifying rules by paying attention to some attributes and not others.[20] If this bias were at play, we would expect measured preferences to be distinct for subjects spending more time to consider each question.

I deployed the experiment in Aldine ISD, a large, urban school district in Texas, at end of the school year in May 2016. I invited each of the district's 4,358 teachers to participate in the experiment,

[20] To identify people who take longer, I regress response time on question and teacher indicators. The composite of the residual plus the teacher fixed effect reflects the average residualized time that the teacher took to respond to questions. I implement this procedure rather than just using responses that took more or less time in case some questions were harder to compute than others. The method used identifies people who systematically take longer and shorter durations of time when rendering a decision. The only systematic association between taking longer and preferences appears to be that those taking longer express stronger preferences for defined contributions plans over defined benefits ($p < 0.001$).

97.8 percent of whom completed the survey. The high response rate was encouraged by district support, reminder emails, and a lottery for gift cards.

Conceptual and Econometric Framework

Teachers are presented a series of eleven questions in which they choose between two competing job offers, where each selection forces the teacher to make a tradeoff between two or more features that are assumed to generate positive utility. For instance, one option may provide a more generous salary, but comes at the cost of a larger class; or, a more generous retirement plan accompanies a smaller potential for merit pay. Under weak conditions, the hypothetical job selection data identify job preferences over several factors while standard realized choice data do not (Wiswall and Zafar 2017). Teacher i chooses offer a if $U_i(\vec{c}_a, \vec{w}_a) > U_i(\vec{c}_b, \vec{w}_b)$, where $\vec{c}_x$ represents a vector describing the compensation structure of option $x \in [a, b]$, and $\vec{w}_x$ is a vector describing the working conditions, including contract features like the time to tenure. I assume the attribute utility is additively separable.

Offers are indexed by j, and there is a finite set of offers $j = 1, \ldots,$J. Each offer is characterized by a vector of K attributes: $X_j = [X_{j1}, \ldots, X_{jK}]$. These offer attributes include compensation structure and non-pecuniary attributes like class size and time to tenure. To explore the influence of each factor, I use a linear-probability model that estimates the conditional mean with minimal assumptions; I regress respondent choices on a vector of characteristics, conditioning on choice-set fixed effects to account for the options available to the teacher in each choice:

$$u_{i(X)} = X'_{jS}\beta + \alpha_s + \varepsilon_i \tag{1}$$

Here, teacher i selects option j from choice set S. In each, parts-worth utilities are denoted β and characteristics of alternative j are given by X_j. For comparison, I also present the results from conditional logistic regression (Louviere et al. 2000). To aid interpretation in the main table, I convert parts-worth estimates into willingness to pay (WTP) by dividing each coefficient by the salary coefficient and multiplying by $1,000. In the main analysis, the linear-probability model is marginally more successful in explaining choice variation and in accurately predicting the choices of subjects. For example, the LPM accurately predicts 64 percent of choices, whereas the conditional logit predicts slightly fewer, at 62 percent, in the working-condition deck. The standard errors are clustered by teacher ID to account for persistence in preferences across questions by a single respondent. Summary statistics for the attributes are presented in table 1, and the demographic breakdown of teachers is presented in online Appendix table 2.

IV. Results

Teacher Utility over Compensation and Working Conditions

The main results are presented in figures 1–3 and table 2. The figures visualize the results nonparametrically by showing estimates of model (1) with bins of each attribute, making it easy to compare the influence of different school characteristics. In table 2, I use the continuous variables and present part-worth utility βs and translate them to an interpretable willingness to pay (WTP) for each trait; the left three columns represent estimates from a linear probability model, whereas the right three represent estimates from the conditional logistic model estimated with maximum likelihood. All estimates are standardized across the three decks using subjects' responses to the salary feature.[21] Columns (3) and (6) represent a money metric, which measures how much teachers value a unit of that feature in terms of a permanent salary increase. As far as I am aware, these are the first direct estimates of teacher WTP for several attributes including elements of compensation structure, class size, contract attributes (time to tenure, review frequency), commuting time, and principal support among teachers.

Teachers value $1,000 of district subsidies for insurance equal to $970 in salary increases, suggesting the marginal benefit is close to the marginal cost.[22] An additional one-percent increase in salary growth is valued equivalent to a permanent $2,270 increase in salary. This suggests that the average teacher expects to remain in teaching for six or more years, since only after her sixth year does the total present value of an additional 1 percent growth exceed the total present value of a higher starting salary.

Moving to a defined-contribution (DC) retirement plan from a traditional pension increases teacher utility equal to a salary increase of $907, presumably because DC plans are portable and, according to employees, less subject to political risk. Prior work finds that public workers are concerned about the future of their pensions because of underfunding (Ehrenberg 1980; Smith 1981; Inman 1982). Teachers value an additional ten-point replacement rate in pension equivalent as a

[21] Specifically, each coefficient in Deck 2, for instance, is multiplied by $\beta_{salary}^{Deck1}/\beta_{salary}^{Deck2}$, relating estimates across decks to be in the same relative units. Each coefficient in Deck 3 is multiplied by $\beta_{salary}^{Deck1}/\beta_{salary}^{Deck3}$. The salary betas are similar across the decks, but differ slightly. This is not an issue because, in preference estimation, only relative parameters matter (Train 2009).
[22] It bears mention that salary faces marginal income tax rates as well as payroll taxes where the insurance subsidy does not.

$1,730 salary increase, somewhat less than its cost of $2,870 per year, consistent with Fitzpatrick (2015). I use the tradeoff teachers are willing to make between higher salary today and higher retirement benefits in the future to calculate their intertemporal substitution parameter, δ, the discount factor. Teachers value a 1 percent increase in their retirement replacement the equivalent of a $173 starting-salary increase, which would increase their yearly retirement benefit by $840 under the current salary schedule after 30 years, when teachers become eligible for retirement. Reassuringly, the implied discount factor is 0.949 (solving for delta, $840 \times \delta^{30} = 173$), a value that aligns closely with the empirical literature estimating discount factors (Best et al. 2018; Ericson and Laibson 2018). This reinforces the claim that teachers respond coherently.

Teachers value performance pay but are averse to being evaluated only on the basis of value-added measures. An additional $1,000 in performance pay to the top quarter of teachers costs $250 per teacher. On average, teachers value a thousand dollars in merit awards available at $346, 38 percent more than its cost. Having rewards based solely on value-added measures is the equivalent of reducing a salary by $910. It is possible that teachers prefer Danielson scores because they can be influenced less costlessly (Phipps 2018). While a teacher can prepare for a small number of scheduled observations, success in value-added models (VAM) may require sustained effort. On the other hand, teachers may prefer an objective measure to an observation score that could be permeated by bias or be used to privilege friends of the evaluator. In the end-of-survey questions I ask a few more detailed questions and learn that teachers prefer a tandem evaluation over being evaluated by observation scores alone, suggesting teachers prefer having multiple, independent measures enter their evaluation. I also test whether teachers' aversion to rewards based only on VAM differs by whether the teacher has a relatively low VAM compared to their Danielson score. Preferences do not differ systematically by relative strength on VAM or Danielson.

The presented job offers vary how many years teachers are evaluated before granting a permanent contract, similar to tenure. Reducing the probationary period by one year (when it normally takes three years to receive permanent status) is valued equivalent to a $470 salary increase. The district also has regular review periods in which a teacher's performance is reviewed once she has permanent status. More frequent reviews impose no discernible disutility. An additional ten-minute commute is equivalent to a salary reduction of $530, suggesting that teachers are willing to be paid $9 per hour to commute to work, half a teacher's hourly wage ($19), exactly consistent with the literature on the commuting which finds people are willing to commute for half their hourly rate (Small 2012; Mas and Pallais 2017).[23]

Reducing class size by one student increases teacher utility the equivalent of a $595 salary increase (1.2 percent of starting salary. Translating estimates of the effects of class size and compensation on teacher attrition, we can infer WTP from previous studies for comparison, though these estimates do not rely on quasi-experimental designs. Estimates from Mont and Rees (1996) suggest that a teacher would give up 3 percent of her salary to reduce class size by one student; Feng (2005) finds no significant relationship between class size and teacher turnover, suggesting weaker preferences regarding class size. Teachers value an additional hour of teaching assistance each week at $260, less than the cost of hiring someone to provide assistance at minimum wage. This preference is possibly related to the costly nature of transferring tasks (Goldin 2014). It bears mention that the WTP for the first few hours of help is higher than the marginal WTP for additional hours, suggesting that providing some assistance may be cost effective.

The third deck varied student attributes and school-leadership characteristics. Teachers prefer schools with higher-achieving students and fewer children in poverty, but they have no preference over the racial composition of their students, consistent with the results of Antos and Rosen (1975), who find no racial preference among white teachers in their classic study of compensating differentials. Like the present study, Antos and Rosen find teachers prefer schools with higher achievement and less poverty; this result may help interpret findings that teacher quality declines in response to socioeconomic segregation correlated with race (Jackson 2009; Cook 2018). A ten percentage-point reduction in student poverty is equivalent to a salary increase of $320. Prior analysts have noted that the psychic costs of teaching low-income students lead highly rated teachers to leave low-income schools, yielding an obstacle for equal opportunity without implementing greater compensating differentials, sometimes crudely called "combat pay" (Lankford, Loeb, and Wyckoff 2002; Mansfield 2015).[24] Student achievement is important to teachers. A ten-point increase in the average percentile at

[23] Analysts report that workers value non-zero commute times as a mental transition from work to home, as a scenic or relaxing routine, or to use the time for recreation, including listening to music, radio, podcasts, or books. Using matching models, two papers have estimated how distance affects teacher preferences for new jobs, rather than commuting to one's own job. Biasi (2019) finds that moving to distant schools in Wisconsin is costly, and a move to a 1 percent farther job would be the equivalent of a 0.4 percent salary reduction, though it's not clear that these costs arise from commuting; they may be a function of moving costs. Like Biasi (2019), Boyd et al. (2013) use a model to estimate the cost moving but they cannot generate either positive or precise measures of utility for salary, making comparison difficult.

[24] How much would it cost to compensates teachers for teaching in schools with many low-income students? In Aldine, it would cost $8.2 million each year (about 3 percent of the budget Aldine now spends on teacher compensation) to equalize teacher utility to the level of a typical suburban school.[24] Because Aldine is largely low income, the teachers' preferences are those of a selected group. The needed compensating differential for the marginal teacher, outside the district, is likely higher.

which students perform is worth $550 in yearly salary. Teachers in Aldine teach predominantly low-income students; if teachers sort into the district based on lower aversion to teaching poor students, the student-attribute estimates generated here will fail to generalize.

The most predictive attribute in any deck is whether the principal is "supportive" of or "hands-off" with teachers who have disruptive students. Having a supportive principal provides utility equivalent to a permanent $8,670 increase in salary. The importance of this factor is so large that a supportive principal in the lowest-utility setting presented is preferred to a hands-off principal in the highest-utility setting. To understand how teachers interpreted having a "supportive" or "hands-off" principal regarding disruptive students, I contact a random sample of respondents, who indicated that a supportive principal would meet with disruptive students, support the teacher in enforcing discipline, and side with the teacher in disputes over discipline with parents.

Some research shows the influence of disruptive students on peers (Lavy and Schlosser 2011; Kinsler 2013; Horoi and Ost 2015; Ahn and Trogdon 2017; Carrell et al. 2018; Pope and Zuo 2020; Cheng 2020), but little has been done to explore the costs borne by teachers or the influence of principal-aided discipline in redressing those costs. Lacoe and Steinberg (2018) show that a reform discouraging (1) teachers from reporting willful defiance to principals and (2) out-of-school suspensions by principals, in favor of (i) discussion-oriented interventions and (ii) praise for good behavior led to a reduction in suspensions from nonviolent infractions while *increasing* the number of violent incidents. At the same time, the policy reduced student attendance, possibly due to a reduction in school safety (Bowen and Bowen 1999). The policy coincided with significant reductions in math and English achievement. Two other recent studies show the influence of school discipline on outcomes. Pope and Zuo (2020) show that exogenously reducing school suspensions also reduces achievement. Cheng (2020) shows that stricter discipline regimes in schools increase the adult earnings of affected cohorts by 4 percent. Both are consistent with Lazear (2001) in which disruptive peers can interrupt human-capital formation.

This finding, that teachers place significant value on disciplinary support from principals, contributes to a literature that suggests student discipline and behavior problems are costly or lead some teachers to leave the profession (Ingersoll and Smith 2003; Kinsler 2013; Luczak, Darling-Hammond, and Loeb 2013; Carrell, Hoekstra, and Kuka 2018). An important question is whether supportive principals reduce teacher aversion to working in low-income or low-achieving schools, a question important for providing equal opportunity. I estimate models where achievement and poverty share are interacted with the supportive-principal indicator. Supportive principals erase 90 percent of the costs of working in a low-achieving school. They wipe out 85 percent of the disutility associated with teaching in a high-poverty setting (table 3), suggesting both that disruptive students are perceived by teachers as very costly and that principal support is highly effective in mitigating those costs.

Scope for Separating Equilibria

Whether or not compensation and working conditions can generate a separating equilibrium in which high-type teachers differentially select into, and then remain in, a school depends on whether excellent teachers have distinctive preferences. It may also be important to know whether highly rated teachers have different preferences for working conditions that are not affected by policy, such as student characteristics, to understand whether larger compensating differentials are needed to draw highly rated teachers into needy schools. Perhaps high-quality teachers have weaker aversion to long probationary periods (worrying less about dismissal), stronger preferences for small classes (enjoying a better learning environment), high starting salaries (having stronger outside options), or more generous pensions (being more committed to a long career in teaching), as put forth by Morrissey (2017) and Weller (2017).

To evaluate teacher quality, I estimate value-added models (VAM) from student data and incorporate Danielson observation scores. The student data contain test scores for each student in each year they are tested and linked to the student's teacher covering students in grades 3–8 for years running from 2011 through 2016. I estimate VAMs using all the available test scores that a student has from their previous school year while controlling for student fixed effects, school-year fixed effects, and indicators for whether last year's test score is missing in each subject. The VAM used in the primary analysis is the average of the subject-specific VAMs available, usually math and reading. The resulting VAMs are 0 on average with a standard deviation of 1. I sort teachers into ten deciles based on their VAM and generate a quality index from those deciles from 0 to 1. Since students are not tested in all grades and courses, there are records to estimate value-added for just under half of teachers. To provide a measure of quality that covers a broader array of teachers, I incorporate Danielson observation scores for teachers without VAMs, which were discussed in section II.

I sum each teacher's four scores (one for each of the four categories described in the background) and assign deciles based on the total score to generate a quality index, parallel to that for VAMs, from 0 to 1. The VAM index and the Danielson index are significantly correlated for teachers with both measures ($p < 0.001$). For those teachers who do not have a VAM index, I input the Danielson index as their quality measure. Together, the VAM index and the Danielson index provide a quality measure for just under 80 percent of respondents. I find the same results (with less statistical power) when using either measure in isolation.[25]

To test whether preferences vary by teacher rating, I interact each of the attributes from table 2 with the quality index in a model of teacher choice. To show how preferences vary throughout the teacher-quality distribution visually, I interact decile dummies with each attribute and plot the resulting interaction coefficients. In both the statistical test and the nonparametric figures, I condition on experience dummies that indicate having exactly n years of experience to account for the fact that more experienced teachers may systematically have higher value-added and have distinct preferences related to experience and not their underlying ability to teach. The results are also robust to controlling for experience bins interacted with each attribute (table 4).

The most highly rated teachers have similar preferences to their colleagues for most school attributes (table 4 and online Appendix tables 6 and 7). High-quality teachers do not, for instance, have a stronger preference for more generous pensions, higher salary, or high-performing students. In terms of work setting characteristics that policymakers can influence, effective teachers have the same preferences as other teachers with regards to class size, salary, income growth, insurance subsidies, retirement benefits, and supportive principals. The only way in which high-performing teachers systematically differ is their preferences for offers including merit rewards (table 4 and figure 4). A teacher in the bottom decile values a $1,000 merit reward as equivalent to a $160 salary increase. Teachers in the top decile value the same merit program as equivalent to a $610 salary increase (the interaction $p < 0.001$). If teachers received two comparable offers, the highly rated (top decile) teacher is 22 percent more likely than a bottom-decile one to select the offer providing $3,000 in merit pay per year. Over time, this wedge in preferences could generate meaningful positive selection, at least in retention. Since the best teachers receive increased compensation, the probability of attrition is reduced relative to teachers with lower ratings. Whether merit rewards can generate favorable selection on

[25] This finding also holds when using only VAM or only Danielson observation scores, shown in online Appendix table 8.

entry into teaching, however, is not discovered in this study. Performance pay might not affect selection on entry if prospective teachers do not know their ability to teach. If low-quality prospective teachers are more overconfident about their teaching ability, for instance, merit pay could even drive negative selection into the profession.

The relationship between teacher quality and preferences for performance pay is illustrated in figure 4. Deciles 2 through 7 express differential preferences that are very close to zero. Teachers in deciles 9 and 10, however, have significantly stronger preferences for merit pay than low-decile teachers. The top decile is 4.1 percent ($p = 0.010$) more likely to select an offer providing \$1,000 in merit pay and teachers in the next top decile are 3.7 percent ($p = 0.004$) more likely. I present the corollary plot for each of the other school attributes in online Appendix figures 4–6, each of which lack a systematic pattern, findings that are consistent with the results in table 4 and in online Appendix tables 6 and 7 in which higher quality teachers do not differ significantly in their preferences for other school attributes. In future work, it may be fruitful to study whether there are differential preferences for other attributes including dismissal rules and measures of colleague quality.

Preference Heterogeneity

Here I explore how preferences vary by a teacher's race, sex, and experience level. A considerable body of work finds that students progress more quickly when taught by experienced teachers and teachers whose race or sex matches their own (Dee 2004, 2007; Bettinger and Long 2005; Clotfelter et al. 2006; Carrell et al. 2010; Kofoed and McGovney 2017; and, in particular, Gershenson et al. 2018). Understanding how preferences differ by group may help districts attract and retain teachers of a particular group (for instance, to retain experienced teachers or to tilt the sex/race distribution of teachers to mirror the sex/race distribution of students). The black-white and male-female achievement gaps may partly be the byproduct of skewed teacher demographics (Goldhaber and Theobald 2019).

To study how preferences differ by experience level, I divide teachers into four quartiles: novices, who have 0–1 years of experience; new teachers, who have 2–6 years of experience; experienced teachers, who have 7–14 years of experience; and veterans, who have 15 or more years of experience. I then interact dummies for "new," "experienced," and "veteran" with each attribute and estimate models like equation (1). The main estimate provides the preferences of novice teachers, the omitted category.

The interaction coefficients show the preference differential from novice teachers for each experience category.

More experienced teachers have weaker preferences for higher salary and stronger preferences for more generous retirement plans (online Appendix table 9). In working conditions, preferences are similar to those of novices in time-to-tenure, term length, and commute time, but older teachers have a higher tolerance for larger classes and a stronger demand for teaching assistance. More senior teachers also have stronger preferences in favor of high-achieving students. Novice, new, and experienced teachers have similar preferences for having a "supportive" principal, but veteran teachers place an additional premium on supportive leadership (online Appendix tables 9–11). In principle, a district could attempt to retain veteran teachers by providing compensation options that suited the preferences of these established teachers.

I follow a similar course to study how preferences differ by sex, interacting male dummies with each attribute. Men have stronger preferences for salary than women and are more averse to high-deductible health plans, suggesting that women are perhaps more likely to receive health insurance through a spouse. Like senior teachers, men are more willing to teach large classes, and they place a lower value on assistance with grading. Men and women have similar preferences for student demographic characteristics, but men exhibit less demand for a supportive principal (online Appendix tables 12–14). I also explore how preferences differ by ethnic description. Black teachers have weaker preferences for salary growth than white and Hispanic teachers. Black and Hispanic teachers have stronger preferences for performance pay than white teachers. Black teachers place higher value on a short tenure clock and less frequent reviews than white and Hispanic teachers. All three groups have similar preferences for commuting and assistance with grading. While white and Hispanic teachers have precisely zero preference for student race, black teachers prefer student bodies that have a higher minority share, again, similar to Antos and Rosen (1976). While everyone has strong preferences for a supportive principal, black and Hispanic teachers value supportive principals 8–12 percent less than white teachers (online Appendix tables 15–17). That both male and minority teachers have weaker preferences for principal support suggests they either experience lower costs of classroom disruption or enjoy additional social capital with disruptive students.

The Preferences of Marginal Teachers

A final dimension of heterogeneity that may be important is whether marginal teachers (those who are making decisions between remaining in the profession and exiting) have similar preferences to their inframarginal peers. Since these teachers are closer to the point of indifference with respect to staying, changes in the compensation structure are more likely to affect their labor-supply decision. They may also have preferences similar to prospective teachers who, also being near indifference, chose not to become teachers. I incorporate information on which teachers who took the survey in 2016 left the district by 2018 and interact an indicator for leaving with each attribute while controlling for experience dummies and experience bins interacted with each attribute. Marginal teachers largely have identical preferences for compensation structure and student characteristics. Of the 18 attributes in the study, teachers who leave the profession have systematically different preferences in only two of those attributes, both or which are significant at the five-percent level. Leavers have slightly weaker aversion to large classes and slightly stronger interest in having teaching aids. In other attributes (student characteristics, principal support, contract type), leavers have statistically identical preferences (online Appendix tables 18–20), suggesting that marginal teachers in the district have similar preferences.[26]

To explore whether the preferences of marginal teachers differ on entry, I survey 1,193 college students in a large public university near of Aldine. Students are asked to describe how likely they are to teach (on a Likert scale from "I would never consider teaching" to "I've never considered it, but I'd be open to it" to "I've thought about teaching" to "I've considered it seriously" to "I plan to be a teacher"). I ask the respondents to imagine that, regardless of their interest in teaching, they decided to become a teacher at least for one year. They then respond to the same choice experiment used in Aldine to elicit their preferences over compensation structure and working conditions. What is of interest is whether those planning on teaching have similar preferences to marginal teachers—those considering it or open to it. In fact, preferences are similar throughout the spectrum of interest in teaching. Comparing the preferences of those set on teachings with those seriously considering finds no difference in preferences. The significance in the interacted terms (attributes interacted with teaching propensity) is null in each model, though it should be noted that power is limited. Even when including the full gamut of interest in teaching, preferences differ little along the teacher-propensity

[26] I also test whether preferences differ by grade level. In general, teachers in elementary schools, middle schools, and high schools have similar preferences for compensation, student attributes, principal affect, commuting, and assistance. Middle and high school teachers, however, express less aversion to large classes and stronger aversion to longer tenuring periods than elementary-school teachers (online Appendix tables 21–23).

index. The joint significance, for instance, of attributes interacted with the teacher-propensity index is jointly insignificant in the compensation deck. Areas in which inframarginal teachers seem to differ from other respondents tend to be in attributes on which those investigating the profession would have a clearer view. For instance, those who plan on teaching have a deeper aversion to larger classes and a stronger preference for supportive principals than those who do not intend on teaching. These results are consistent with the claim that marginal teachers have similar preferences to those who become teachers but differ in the information they obtain.

Compensation Structure

What do preferences suggest about how the district should structure compensation? I calculate the structure of teacher compensation that maximizes three related objective functions: First, I consider an objective that allocates resources to maximize the utility of teachers; second, I calculate the compensation structure that maximizes teacher experience, embedding the influence of teacher utility on retention; third, I use estimates from the literature to specify an achievement production function that includes teacher experience (Papay and Kraft 2015), class size (Krueger 1999; Hoxby 2000; Cho Glewwe, and Whitler 2012), and merit pay (Imberman and Lovenheim 2015). Experience is influenced by the teacher utility from compensation and working conditions. Performance pay influences achievement by affecting the effort of teachers (Lavy 2002, 2009; Imberman and Lovenheim 2015; Biasi 2019), and by differentially retaining better teachers (Lazear 2000, 2003). I use the utility difference from teacher choice to simulate the experience distribution of normal teachers and excellent teachers as performance pay inclines.

All the simulations are based on the same estimated model of teacher utility which comes with some limitations. By using the estimated utility function for current teachers, I implicitly assume that incoming teachers will have similar preferences and ignore the effect of simulated compensation structures on recruiting or selection on entry. Since preferences seem similar across the spectrum of propensity to teach, this assumption is not likely far from accurate but may understate the influence of a compensation structure on achievement if it would also positively shape selection on entry.

Compensation Structure to Maximize Teacher Utility

Teacher-utility maximization may be the goal of districts with strong unions that aggregate and represent the preferences of members (Farber 1978). By understanding the teacher-optimal structure, schools can improve the well-being of their teachers by reallocating scarce district resources, even without additional funding. To simulate the optimal pay structure for teacher utility, I estimate teacher utility models that allow for diminishing marginal returns by including a squared term of relevant non-binary features including salary growth, class size, performance pay, and the replacement rate in retirement (online Appendix tables 21 and 22), which blends utility estimates on compensation from the compensation-structure deck and utility estimates on class size from the working-conditions deck. Without allowing for nonlinearity, the results would degenerate to a corner solution in which all compensation loads into the attribute with the highest utility per dollar. I specify costs for the budget constraint, which accounts for the costs of starting salary, the rate of salary growth, retirement replacement, guaranteed pensions, merit pay, and the cost of recruiting and training when someone quits. The costs interact. For example, retirement replacement becomes more expensive as salary increases. Class-size reductions also become more costly as total compensation rises since it is increasingly expensive to hire an additional teacher in order to reduce class size. The details of the cost function are found in online Appendix B. I solve the optimization problem using a nonlinear programming solver. For inference, I bootstrap 1,000 estimates of teacher utility and solve the maximization problem separately with each estimate.

At the time of the survey, the district paid $50,000 in base salary, with a 1.8 percent average yearly increase in salary earnings. They provided no performance pay, had an average class size of 28.7 students, paid $3,960 in health-insurance subsidies, and promised to replace 69 percent of a teacher's top earnings in retirement through a pension program if the teacher remained for 30 years. To maximize teacher utility subject to the current budget constraint, the school would pay 50 percent more in base salary ($74,530) and offer $1,480 in merit pay to the top quarter of teachers. These increases are financed by reduced expenditure elsewhere: increased class size (4.5 percent), reductions in salary growth (from 1.8 percent growth to 0.0), and a reduced replacement rate (36 percent). Concurrent with these reductions is a shift to a defined-contributions retirement plan that is both less costly to districts and more attractive to teachers. In total, these changes incur no additional costs but increase teacher welfare by 17.6 percent, the equivalent of a $14,000 increase in annual salary. Utility improvements are generated by salary increases (91.6%), the introduction of merit pay (5.0%), and shifting toward a defined-contributions retirement plan (3.4%).

I assess the influence of this compensation structure on other outcomes. Maximizing teacher utility increases average teacher experience by 15.2 percent. This bundle increases student achievement by 0.093σ, which comes in from increased experience (15%), induced effort from merit pay (22%), and increased retention of highly rated teachers (63%).

Moving to a defined-contributions plan may not be feasible or desirable. To understand the optimal replacement rate without shifting to a DC retirement program, I re-calculate the optimal bundle constraining the model to use a traditional pension. The calculation suggests an optimal replacement rate 53.8 percentage points (78 percent) lower than the status quo, owing to a higher salary (which makes replacement more expensive), the expense guaranteeing income, and relatively modest preferences for retirement compensation.

Compensation Structure to Maximize Teacher Experience

Experience is the most reliable predictor of teacher effectiveness (Wiswall 2013; Papay and Kraft 2015). Districts could structure compensation and working conditions to promote retention. To find the compensation structure that maximizes teacher experience, I use estimates from Hendricks (2014). He reports retention rates over the life cycle of teachers in Texas, as well as how compensation changes affect retention for teachers with different levels of experience, using a careful quasi-experimental design. To calculate the experience profile of districts with different compensation structures, I calculate the salary-equivalent utility of the attribute bundle and compare it to the salary-equivalent bundle prevailing in Hendricks (2014). I modify the base retention probabilities with the salary-equivalent-utility differences at each experience level multiplied by the elasticity of retention at the same experience. I use those (modified) retention probabilities to simulate the share of teachers who will be in each experience cell in steady state. The dot product of experience shares and experience itself produces the average experience level, which is the object I maximize. And importantly, because the estimates in Hendricks (2014) come from Texas, they likely generalize to teachers in Aldine.

The resulting compensation structure that maximizes experience stipulates starting salary above the status quo ($62,860) and targets higher compensation to teachers that already have experience with a positive salary growth rate of 1.8 percent. Like the teacher-optimal bundle, the retention-optimal bundle offers performance bonuses of $1,490 for the top quarter of teachers each year (statistically higher than the status quo with $p < 0.001$). These increases are paid in part by 3.5 percent larger classes and 32 percent lower replacement rate in retirement, both significantly different than the status quo bundle. When I require the district to use a pension, the solution replaces 22.9% of salary in retirement instead of 46.7%. These lower replacement rates overstate the reduction in retirement income since the replacement rate applies to a higher final salary. The replacement rate for DC is 33 percent less than the status quo, but the retirement annuity is 15 percent less than the status quo owing to the higher salary replaced. I also model the influence of pensions and defined contributions on retention probabilities using estimates from Costrell and McGee (2010), who estimates the influence of pension wealth accumulation on attrition. Pensions benefits are backloaded, so they produce a strong pull for teachers nearing ~28 years of experience, when pension benefits spike, but do little to retain younger teachers while generating "push" incentives by which teachers lose pension wealth by remaining in the profession too long. These simulations suggest that defined contributions plans, on net, increase teacher experience, consistent with regression-discontinuity evidence in Goda, Jones, and Manchester (2017). The logic is twofold: teachers prefer defined contributions, and the marginal accretion of retirement wealth is larger for the bulk of teachers for DC plans than for pensions.

The resulting bundle not only increases average teacher experience by 16.2 percent and the odds that a student has a veteran teacher by 25 percent but also reduces the odds they have a novice teacher by 34 percent. When compared to the utility-maximizing bundle, the retention-optimal structure increases average teacher experience using a higher salary growth rate that improves the odds of retaining teachers who already have experience. The changes produce a 0.094σ increase in student achievement, an improvement that arises from an increase in teacher experience (16%), an increase in teacher effort from performance pay (21%), and positive selection in retention (62%).

Compensation Structure to Maximize Student Achievement

Schools are tasked with aims beyond maximizing teacher utility, and improving teacher welfare may not directly increase student achievement (for example, De Ree et al. 2017). Policymakers may instead construct compensation and working conditions to promote human-capital formation to a greater extent with available resources. I specify an achievement production function using averages of domestic estimates or, when available, recent estimates from Texas; in the achievement function, students learn more in smaller classes (Krueger 1999; Hoxby 2000; Cho, Glewwe, and Whitler 2012) and somewhat more with merit rewards (Lavy 2009; Imberman and Lovenheim 2015; Bond and Mumford 2018). Merit compensation produces selection in retention based on teacher ratings (Biasi 2019), and teacher utility affects the distribution of experience (Hendricks 2014), with more experienced teachers having increasing, concave impacts on students (Papay and Kraft 2015). To calculate the influence on achievement through experience, I calculate retention probabilities, as above, and then imulate the equilibrium experience profile and take the dot product with VAM over the life cycle from Papay and Kraft (2015). TO calculate the influence of performance pay on selection, I take a cross section of new teachers, calculate their utility based on the attribute bundle with heterogeneity in preferences along the quality distribution. I add to their utility a random component from the empirical distribution of the error terms in the data and, after calculating the quantity who exit each year from the retention probabilities, remove teachers with the lowest utility up to that cutoff. The details of this functional specification are discussed in online Appendix C.

In comparison to how Aldine now compensates teachers, the structure that maximizes achievement would include higher base pay than the status quo ($60,000), a higher salary growth rate (2.2 percent growth rate), $4,000 in merit pay, and a class size that's 3.5 percent larger. The achievement-optimal bundle reduces the replacement rate by 27 percent, relative to the status quo, while moving to a defined-contributions retirement plan. This structure increases teacher retention by 11.8% (relative to baseline) and increases achievement by 0.223σ per year. The achievement gains come from more experienced teachers (5%), effort induced by merit pay (24%), and improved retention of high-caliber teachers (71%).

These estimates are calculated based on a partial-equilibrium framework in which one district adopts the estimated structure that is assumed to have no impact on the selection of workers into the school district leading to a suitably conservative estimate. The achievement gains are fully realized in the long term by affecting retention patterns. With the exception of induced effort, retention and selection effects grow slowly over time. One question of interest is whether merit pay can generate positive selection into teaching, if broadly adopted. Though the question is beyond the reach of this study, two important conditions are necessary for merit pay to bring about favorable selection. First, prospective teachers would need to have private information regarding their ability to teach before they embark into the profession. If the beliefs of prospective teachers about their self-efficacy is uncorrelated with their eventual quality, performance pay programs will fail to drive positive selection on the entry margin. Second, marginal teachers, those who could be induced into teaching, must have similar, affirmative preferences for merit pay as other teachers. Both in the district and among prospective teachers, I find that marginal teachers have statistically identical preferences for performance pay.

Across objectives, the maximization exercises suggest an increase in salary and merit pay and a reduction in the replacement rate while moving towards defined-contributions retirement programs would improve outcomes. The achievement-maximizing structure recommends a level of performance pay that roughly mirrors the share of compensation private sector workers receive in bonuses, 2 percent of compensation (U.S. Department of Labor 2018).

Although the environment of this experimental setting generates rich, novel variation with which to study preferences, the setting has important limitations that bear mention. As would be true in a survey of any district, the experimental variation reveals the preferences for a given group of workers who selected into the district, possibly because of the compensation structure already in place. Therefore, the results are not naturally generalize to the state, or indeed, the country. Instead, the estimates provide some sense for whether the district compensation structures are distorted from its own optimal.

There is something important to notice about this. What is striking is that, even among a selected group of teachers choosing Aldine, the status quo compensation structure does not reflect either teacher preferences or a structure that would succeed in maximizing experience or achievement. If the calculated optimal structures were similar to Aldine's practice, we might conclude that teachers prizing the structure provided in Aldine selected into the district. That the optimal structure diverges so clearly from practice among an endogenously selected group implies that working conditions and compensation structure are structured especially poorly.

V. Discussion

Interestingly, Aldine's compensation scheme does not conform to goals of teacher preferences, teacher retention, or achievement maximization. Although it has weak union presence, we might wonder whether bargaining distorts compensation in some way. Since unions are typically led by older, veteran teachers, it may be that they bargain for compensation structures that provide private benefits to representatives.[27] If preferences of union representatives explain district reliance on retirement benefits over salary, we might expect places with stronger union presence to pay a larger share of compensation in benefits, conditional on total compensation.[28] I gather a measure of state-level union

[27] Indeed, I find that teachers value more generous retirement plans the more senior they are, and the relationship is strictly monotonic for bins of teacher experience.

[28] There is a strong negative relationship between total compensation and salary share, perhaps since other amenities become more important as the value of a marginal increase in salary diminishes. There is also a strong relationship between total compensation, and union strength. I control for total compensation to avoid confounding benefit-share increases with increased total compensation.

strength provided by the Fordham Institute, which identifies the strength of unions based on five measures: resources and membership, involvement in politics, scope of bargaining, state policies, and perceived influence. These several factors are combined to generate five quintiles, with the top quintile representing states with the strongest union presence. A one quintile increase in union strength is associated with a benefit-share increase of 2.6–2.8 percentage points ($p < 0.001$), explaining a nine-point difference between states with the weakest unions (where compensation is 29.8 percent benefits) and where unions are strongest (where compensation is 39.8 percent benefits), conditional on total compensation (online Appendix table 26).

To assess the generalizability of the recommendations for optimal structure, I compare Aldine's compensation structure to the rest of the state and country.[29] One of the consistent lessons from the maximization exercise is that Aldine may improve teacher welfare, experience, and student achievement by increasing salary expenditures as a fraction of total compensation. If Aldine has low salary share compared to other districts, it may simply fall on the high side of a distribution that is centered on what is optimal. In online Appendix figure 9, I show where Aldine's compensation falls in the distribution of US districts in terms of salary share. Two-thirds of school districts have salary shares below Aldine; when weighting by the number of teachers in a district, we learn that 90 percent of teachers are in school districts with salary shares lower than Aldine. Since Aldine appears to underinvest in salary, the many school districts who invest less are likely also to be underinvesting.

The results highlight several areas for future work. Because of the potential importance of separating equilibria, designs that study whether excellent teachers have differential preferences for colleague quality, dismissal risk, or other attributes may provide policymakers with additional tools to recruit and retain excellent instructors. Research to evaluate whether the preferences we report here are comparable to teacher preferences in other areas of the country would be useful for discerning how general these preferences, and their implications, are. Scarce is known about teacher entry. It would be useful to expand the study of how compensation and working conditions affects the decisions of individuals to become teachers, especially among the highly able. Finally, considering the apparent importance of principals, a deeper focus on principal influence and interventions may pay dividends.

[29] Compared to teachers in other districts, teachers in Aldine ISD receive total compensations at the 55th percentile in Texas and the 24th percentile across the country. See, for reference, online Appendix figure 10.

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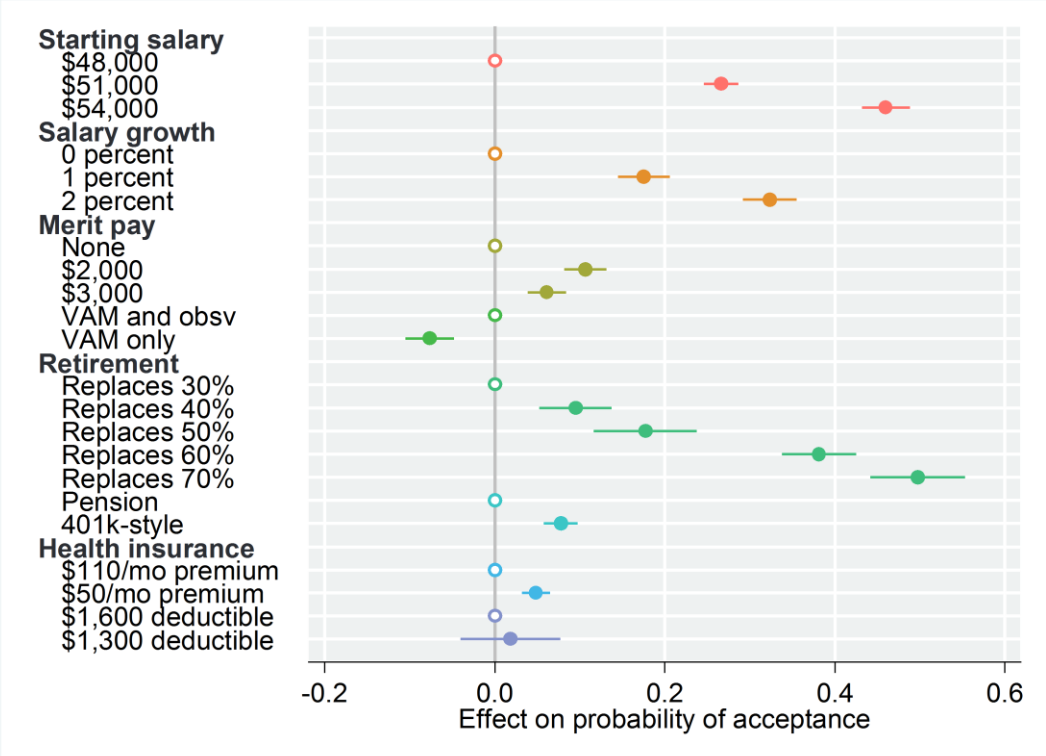
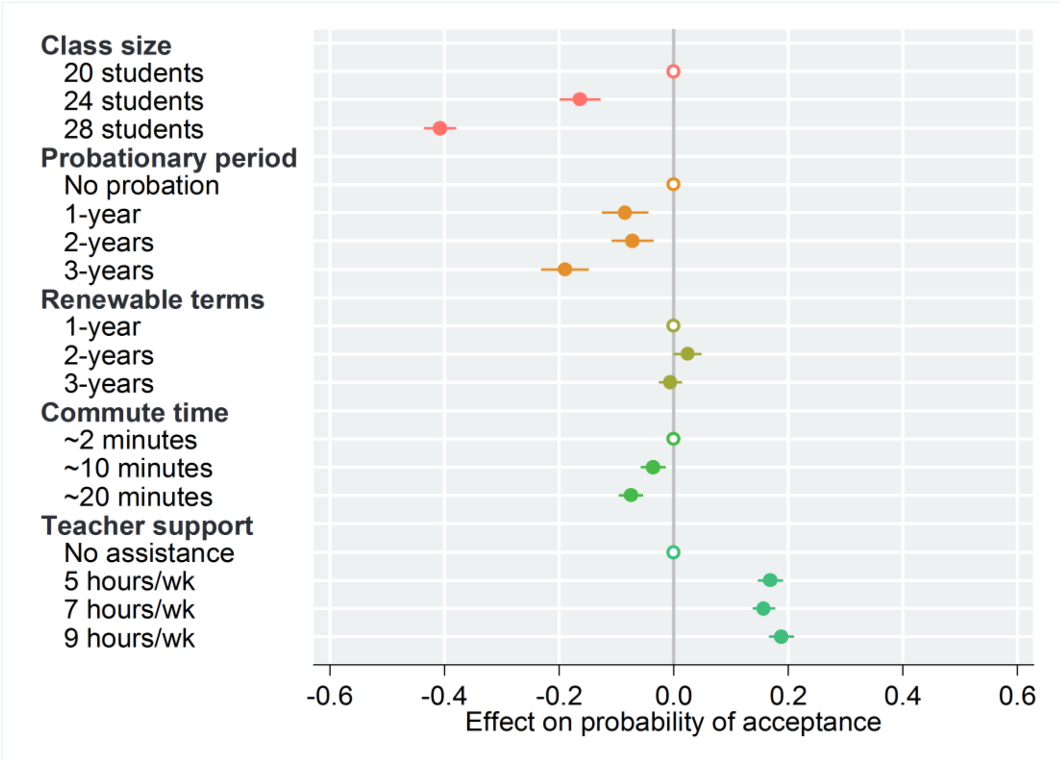
Figure 1—Effects of Compensation Attributes on the Probability that Teachers Accept a Job Offer



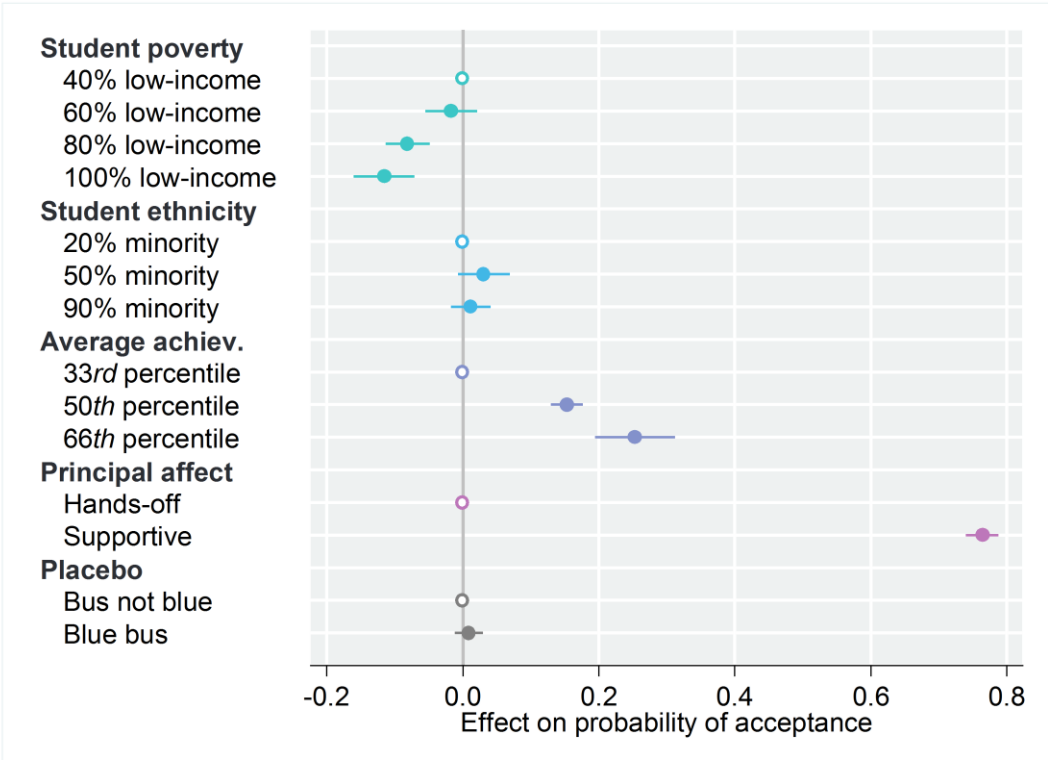
Note: Dots with horizontal lines indicate point estimates with cluster-robust, 95%-confidence intervals (CI) from least-squares regression. The unfilled dots on the zero line denote the reference category for each job-offer attribute. Online Appendix Table 2 displays the underlying regression results.

Figure 2—Effects of Working-Condition Attributes on the Probability that Teachers Accept a Job Offer



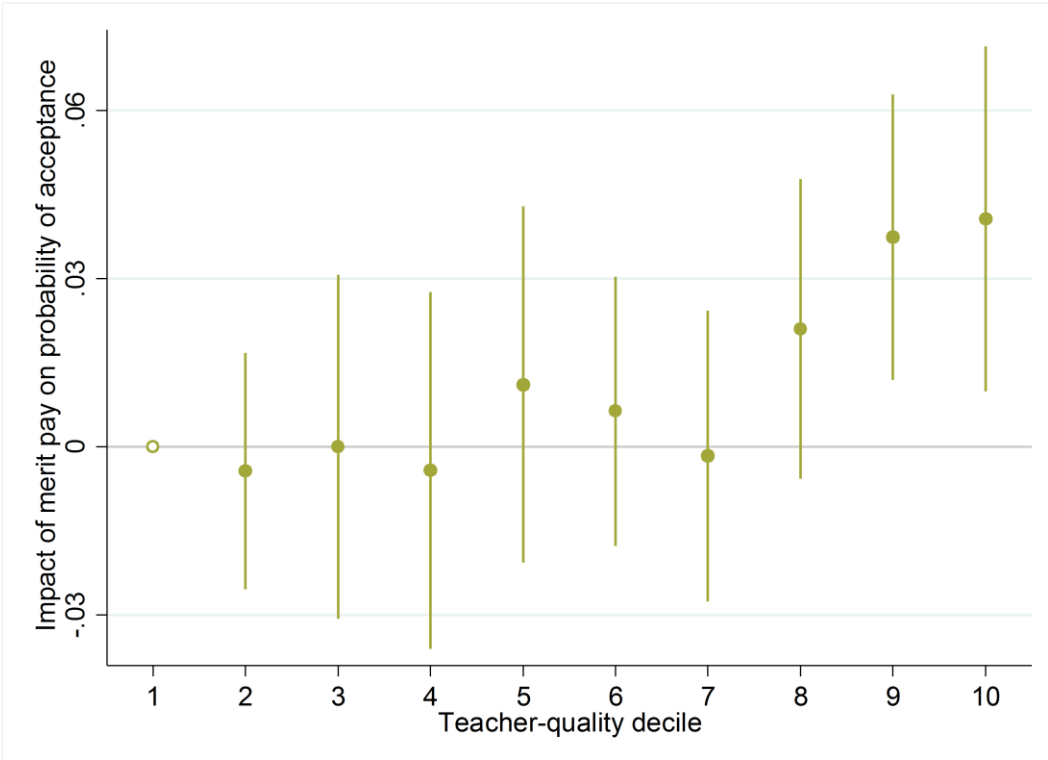
Note: Dots with horizontal lines indicate point estimates with cluster-robust, 95%-confidence intervals (CI) from least-squares regression. The unfilled dots on the zero line denote the reference category for each job-offer attribute. Online Appendix Table 3 displays the underlying regression results.

Figure 3—Effects of Student and Principal Attributes on the Probability that Teachers Accept a Job Offer



Note: Dots with horizontal lines indicate point estimates with cluster-robust, 95%-confidence intervals (CI) from least-squares regression. The unfilled dots on the zero line denote the reference category for each job-offer attribute. Online Appendix Table 4 displays the underlying regression results.

Figure 4—Differential Effect of Merit Pay on the Probability that Teachers Accept a Job Offer



Note: In this figure, I identify the teacher-quality decile of each teacher using VAM and, for those teachers who lack a VAM score, the decile of their Danielson observation score. The coefficients above represent the differential effect of merit pay (in $1,000s) on the probability a teacher will accept a job offer.

Table 1—Summary Statistics on Offer Attributes for Conjoint Experiments

	Average	Std. Dev.	Units
Choice	0.50	(0.50)	Indicator
Starting Salary	49.51	(2.38)	$1,000s
Salary Growth	1.44	(0.71)	% growth
Bonus amount	1.25	(1.29)	$1,000s
VAM only	0.20	(0.40)	Indicator
Replacement	48.09	(9.31)	% of salary
401k-style	0.37	(0.48)	Indicator
Premium (yearly)	0.78	(0.30)	$1,000s
Deductible	1.48	(0.18)	$1,000s
Probationary period	1.72	(0.93)	Years
Term length	2.26	(0.96)	Years
Commute time	0.187	(0.096)	Hours
Class size	24.55	(3.39)	Students
Assistance	3.26	(3.66)	Hours/week
Percent low income	6.79	(1.86)	10%s
Percent minority	5.62	(2.97)	10%s
Ave. achievement	4.99	(1.65)	10%tiles
Supportive	0.42	(0.49)	Indicator
Blue bus	0.50	(0.50)	Indicator

Note: This table presents the mean and standard deviation of the experimental data. The "units" column describes the units of each variable to aid interpretation of regression results.

TABLE 2—LINEAR PREFERENCES OVER COMPENSATION STRUCTURE AND WORKING CONDITIONS

	Linear Probability			Conditional Logit		
	Coeff	SE	Relative	Coeff	SE	Relative
	(1)	(2)	(3)	(4)	(5)	(6)
Panel 1: Compensation Deck						
Salary						
Starting salary	0.085**	(0.002)	$1,000	0.395**	(0.008)	$1,000
Salary growth	0.192**	(0.009)	$2,270	0.948**	(0.034)	$2,400
Merit reward						
Bonus amount	0.029**	(0.003)	$346	0.192**	(0.012)	$486
VAM only	-0.077**	(0.015)	-$907	-0.209**	(0.055)	-$529
Retirement						
Replacement	0.015**	(0.001)	$173	0.071**	(0.002)	$181
401k-style	0.077**	(0.010)	$907	0.413**	(0.035)	$1,046
Health insurance						
Premium (yearly)	-0.082**	(0.014)	-$970	-0.438**	(0.048)	-$1,109
Deductible	-0.312	(0.212)	-$3,688	-1.009	(0.760)	-$2,554
Panel 2: Working-Conditions Deck						
Contract						
Probationary period	-0.058**	(0.005)	-$502	-0.320**	(0.022)	-$467
Term length	-0.004	(0.005)	-$33	0.014	(0.021)	$21
Working conditions						
Commute time	-0.365**	(0.043)	-$3,177	-2.880**	(0.200)	-$4,204
Class size	-0.068**	(0.001)	-$595	-0.399**	(0.007)	-$582
Assistance	0.030**	(0.001)	$257	0.175**	(0.005)	$255
Panel 3: Students-&-Leaders Deck						
Students						
Percent low income	-0.022**	(0.002)	-$324	-0.117**	(0.010)	-$285
Percent minority	0.0027	(0.0014)	$40	0.007	(0.006)	$18
Ave. achievement	0.036**	(0.003)	$546	0.237**	(0.011)	$577
Principal affect						
Supportive	0.575**	(0.009)	$8,673	3.04	(0.042)	$7,392
Placebo						
Blue bus	0.007	(0.008)	$101	0.019	(0.038)	$47

Notes: * p < 0.05, ** p < 0.001. Each coefficient represents the parts worth impact of an attribute on the odds of accepting a presented job offer. These estimates are translated into willingness-to-pay values by scaling the impact of an attribute by the impact of $1,000 starting salary. Regression summaries: Deck 1: N=31,820, %Predicted=64, R-squared=0.19; Deck 2: N= 31,574, %Predicted=64, R-squared=0.28; Deck 3: N=23,678, %Predicted=62, R-squared=0.36.

TABLE 3—DO PRINCIPALS MITIGATE DIFFICULT WORK SETTINGS?

	LPM (1)	LPM (2)	LPM (3)
Principal supportive (PS)	0.575**	0.794**	0.683**
	(0.009)	(0.054)	(0.067)
Achievement pctl.	0.036**	0.058**	0.067**
	(0.003)	(0.006)	(0.006)
Achievement × PS	.	-0.045**	-0.061**
	.	(0.011)	0.0115
Poverty rate	-0.022**	-0.020**	-0.033**
	(0.002)	(0.003)	(0.005)
Poverty × PS	.	.	0.028*
	.	.	(0.009)
Observations	*23,678*	*23,678*	*23,678*
R-squared	*0.365*	*0.366*	*0.366*

Note: * $p < 0.05$, ** $p < 0.001$. This table presents the results of linear probability models in which I test whether having a principal "supportive with disruptive students" attenuates a teachers' aversion to poorer or lower achieving school settings.

Table 4—Teacher Preferences by Quality

	Choice		Choice	
	Reference Group	Quality-index interaction	Reference Group	Quality-index interaction
	(1)	(2)	(3)	(4)
Salary				
Starting salary	0.090**	-0.002	0.091**	-0.001
	(0.004)	(0.006)	(0.004)	(0.006)
Salary growth	0.178**	0.004	0.183**	0.008
	(0.014)	(0.017)	(0.014)	(0.017)
Merit reward				
Bonus amount	0.014*	0.041**	0.018*	0.041**
	(0.007)	(0.011)	(0.007)	(0.011)
VAM only	-0.064*	-0.025	-0.075*	-0.022
	(0.022)	(0.027)	(0.025)	(0.028)
Retirement				
Replacement	0.013**	0.002	0.013**	0.002
	(0.001)	(0.0014)	(0.001)	(0.0014)
401k-style	0.062*	0.034	0.079**	0.042
	(0.019)	(0.030)	(0.022)	(0.030)
Health insurance				
Premium (yearly)	-0.112**	0.071	-0.106**	0.071
	(0.031)	(0.054)	(0.031)	(0.054)
Deductible	-0.453	-0.130	-0.270	-0.163
	(0.284)	(0.226)	(0.287)	(0.225)
Experience bins	X		X	
Exp. interactions	.		X	
R-squared	0.201		0.203	
Observations	21,358		21,358	

Note: * $p < 0.05$, ** $p < 0.001$. Columns (1) and (2) represent one regression in which the main effects are displayed in column (1) and the interactions with the quality index are represented in column (2). The regression displayed in columns (3) and (4) follows a similar form, but adds controls for experience bins interacted with each attribute.

TABLE 5—COMPENSATION STRUCTURE UNDER VARIOUS OBJECTIVES

	Status quo	Teacher-utility optimal	Teacher-retention optimal	Student-achievement optimal
	(1)	(2)	(3)	(4)
Starting salary	\$50,000	\$74,530**	\$62,857**	\$60,000**
Salary growth	1.8%	0.0%**	1.8%	2.2%
Merit pay	\$0	\$1,482**	\$1,494**	\$4,000**
Class size	28.7	30.0**	30.0**	30.0**
Replacement rate	69.0%	44.2%**	46.7%**	50.7%**
Defined contribution	0	1**	1**	1**
Insurance subsidy	\$3,960	\$0	\$0	\$0
Teacher utility	79.2	93.2	86.7	83.5
Teacher experience	9.03 years	10.4 years	10.5 years	10.1 years
Student achievement	0.092σ	0.185σ	0.186σ	0.315σ

Note: * $p < 0.05$, ** $p < 0.001$. This table presents the results of maximizing teacher utility, teacher experience, and student achievement subject to a budget constraint. When I prevent districts from using defined contributions plans, the optimal replacement rate is 34.2% for teacher-utility optimal, 39.5% for retention optimal, and 40.4% for student-achievement optimal. Statistical significance is calculated by bootstrapping 1,000 estimates of the utility function and re-solving the maximization problem for each one. I present figures showing the distribution of those solved values in online Appendix figure 7.

Online Appendices

Online Appendix A: Estimation of Value-Added Measures

In the empirical analysis on separating equilibria, we divide teachers into bins based on their value-added measure (VAM). In this online Appendix, I discuss the methodology for estimating VAM for teachers in Aldine ISD.

The school district provided student-teacher linked test score records from the 2011–12 school year through to the 2015–16 school year, covering some 60,501 students and 3,559 teachers. These files contain yearly student performance on the STAAR exam (State of Texas Assessments of Academic Readiness) administered statewide by the Texas Education Agency. STAAR tests mathematics, reading, writing, science, and social studies, depending on the year. The state tests reading and mathematics in grades 3–8; writing in grades 4 and 7; science in grades 5 and 8; and social studies in grade 8. Like commonly used VA models, I estimate teacher value-added from the equation

$$A_{istm} = f(A_{i,t-1}) + \delta_{st} + \alpha_i + \gamma_m + \varepsilon_{istm}$$

I parameterize the control function for lagged test scores using a linear expression of prior-year scores in all available subjects, with indicators for whether the student lacks scores in each subject. To account for student-specific student achievement trajectories, I include student fixed effects, α_i; and control for school-year differences in achievement gains with school-year specific fixed effects, δ_{st}, to capture yearly school/neighborhood effects that are unrelated to the teacher assignment. The parameters γ_m capture teacher-specific contributions to student achievement, holding all else constant, which I take as the measure of teacher value-added.

Online Appendix B: Cost Function of Compensation Structure

Crucial to calculating the optimal structure of compensation and working conditions is properly specifying the cost as a function of each element. In this Appendix, I provide detail on how the cost function is constructed.

Salary

Because Aldine ISD does not participate in Social Security, they pay modest payroll taxes. Both in documents from the district and in the district's financial disclosures, the district pays 1.5 percent of its payroll in payroll taxes, approximately the rate owed for Medicare taxes, 1.45 percent. Thus, the cost of an additional \$1 in salary compensation costs the district \$1.015. The cost of salary provision also interacts with the cost of salary growth and retirement, discussed below.

Health Insurance

In July 2016, three months after the survey was administered, I collected data from the Affordable Care Act (ACA) health exchange which indicated the monthly premium, deductible, cost of an office visit, and plan type (HMO, PPO, POS, PD, catastrophic) for 50 plans available in the Houston area. A hedonic pricing model revealed that the cost of office visits (the copay) had no systematic relationship with price (premia), which was most predicted by the deductible ($p < 0.001$) and HMO status ($p < 0.001$). With no deductible, a generic plan cost \$385.70 (CI: \$361.34 – \$410.06) per month, and the cost declined by \$24.40 (\$20.30 – \$28.49) for every \$1,000 increase in the deductible. There is no evidence that the price is a quadratic function of the deductible.[30]

$$\text{Annual Cost} = 12 \times (385.7 - 24.4 \times \text{deductible})$$

In my model, I use the value of insurance subsidies, in part because we do not have enough power or variation to precisely pick out the "right" health plan. Moreover, in practice, teachers have an insignificant preference in favor of dollars paid in salary over dollars paid in health insurance, meaning that, when optimizing teacher utility, the school district will shift away from health insurance compensation, allowing teachers to privately optimize their insurance decision.

Merit Pay

The merit compensation teachers are offered in the survey is paid to "the top 25 percent of each school based on principal ratings and student growth." Because performance compensation is paid only to a quarter of teachers, the cost of providing an additional \$1 in merit pay is \$0.25 per teacher. This income is subject to Medicare taxes, 1.45 percent.

Defined Benefits Plan (Pension)

The calculation of pension costs is somewhat complicated. The explicit promise of a *defined benefits* program is that it is not subject to risk—the benefit, rather than just the contribution, is fixed. Marx and Rauh (2014) show that, in order to satisfy the funding requirements, pension managers assume a constant, high rate of growth (7.5–8.0 percent) with no risk in order to balance their revenues with their expected demands. This leads to underfunding above and beyond the shortfall recognized under even these optimistic assumptions. The actual return of an essentially risk-free investment, like treasury bonds, is 1.7 percent. I assume a rate of 2 percent and calculate what would

[30] When the quadratic term is included, the coefficient's p-value is 0.688.

be saved by retirement's onset if a teacher were setting aside 1 percent of her wages each year. I then take the lump sum accumulated by retirement (assumed at age 65) and annuitize it, using an online annuity calculator.[31] I then take the annual annuity as a fraction of the teacher's highest salary to make a mapping from what percent of salary the teacher is saving to her replacement rate. With a 2 percent risk-free rate of return, a one-percent saving pattern replaces two percent of the teacher's salary, meaning that teachers must save 0.510 percent of their income to finance an additional percentage point of replacement rate under a risk-free rate of return.

Defined Contributions Plan (403(b))

Nonprofit and governmental agencies can provide a retirement plan that is corollary to the 401(k), called the 403(b), which are available to all tax-exempt organizations. In 403(b) accounts, the school commits to contributing a defined amount to the worker's retirement rather than promising a defined level of benefits at retirement. While pensions take several years for a worker to vest and retirement benefits are heavily backloaded,[32] 403(b) plans accumulate retirement wealth proportional to employment and vest immediately, making retirement contribution totally portable. I follow the same calculation to generate the cost of an average replacement rate through the 403(b), but use as the expected interest rate five percent, under the historical trend (eight percent) to be conservative and reflect the expectations by some economists that growth in the future will be lower than that enjoyed as a result of previous technology improvements (Cowen 2011; Gordon 2016). Here from, the cost of saving enough to replace one percent of a teacher's salary (in expectation) is 0.324 percent of your salary. If one assumed an eight-percent return, the coefficient on rep would be 0.00197 rather than 0.00324.

Class Size

One of the chief conceptual issues in structuring the cost function is how to formalize the cost of class-size choices while allowing compensation structure to vary flexibly. For instance, by simply using the average cost of class size reductions from a paper, the analysis would not account for the fact that class size changes become more and less costly based on the costliness of the compensation package itself. The fundamental problem is that reducing class size requires hiring an additional teacher, the cost of which depends on the cost of the compensation package. Moreover, the cost of

[31] http://money.cnn.com/tools/annuities/
[32] Vesting refers to when the employee becomes eligible for retirement payments even should they retire or quit. The granting to an employee of credits toward a pension even if separated from the job before retirement.

additional class-size reductions increase quadratically as class size falls. To accommodate this tradeoff in optimization, I conceptualize the cost function as a joint choice of compensation structure (which determines the average cost per teacher) and class size (which determines the number of teachers needed), allowing the cost structure of teacher pay to flexibly affect the cost of class-size adjustments. To provide a smooth function for optimizing, we model teacher quantity as continuous.

Endogenous Retention

What makes the calculation of the cost of salary growth rates somewhat complicated is that providing more generous compensation reduces attrition, increasing the cost both through salaries *and* by increasing the odds that teachers are retained to be paid at higher steps of the salary schedule. Hendricks (2014) estimates the effect of additional salary on the attrition probability of teachers at different points of their experience profile and finds that compensation has significant impacts on attrition for new teachers which influence declines as teachers approach veteran status. His study uses data from Texas, and it's fortunate to have estimates on the impact of compensation on retention, throughout the teacher life cycle, from the broad labor market in question.

To adjust for the cost of endogenous retention, I calculate the total utility of teachers with status-quo compensation and difference it from candidate compensation structures. We multiply those differences by turnover elasticities for teachers of every experience level, which generates a vector describing how the new compensation structure would affect turnover at each experience point. I add these adjustments to the natural turnover rate and then calculate the steady-state distribution of teacher experience based on the affected retention patters. This allows me to construct the average compensation cost in steady state, a function of compensation and the distribution of teacher experience.

Cost of Turnover

A related element affecting the cost of lower retention and reduced class size is the fixed costs of employing an additional teacher, the primary cost of which is more frequent hiring and training. Barnes, Crowe, and Shaefer (2007) and Watlington et al. (2010) study the costs of turnover in terms of recruiting, screening, and training. The authors do an in-depth accounting exercise with five school districts and find that a typical new hire costs $11,891, on average. Because the average teacher turns over every 6.13 years (the average years of experience in Hendricks (2014)), the yearly cost of hiring is $1,938 per teacher each year under the status quo retention patterns. I allow retention patterns to evolve in response to compensation and working conditions and explicitly calculate the cost of turnover based on the share of teachers that attrit in a year multiplied by the number of teachers times the cost of replacing each.

I calculate other fixed costs of employment, but they are more trivial. The wage base of unemployment insurance is smaller than the typical yearly salary, so UI taxes function effectively as a head tax, of only $11 per teacher per year in this district (calculated from financial disclosures from the district). The district also pays $167 per teacher per year for workers compensation. A final consideration is the costs for space. Throughout, I use as the benchmark a sort of steady state. If a class is made smaller, I assume that each classroom can be made smaller costlessly, either in new construction or in a one-time construction cost. It may be that teachers have their own office space in some districts, but I ignore this cost for simplicity.

Online Appendix C: Objective Functions

Teacher Utility

As a kind of baseline, I use as the objective function the teacher-utility model estimated from the data, essentially acting as if the district's goal is to structure conditions to maximize the wellbeing of teachers, subject to a budget constraint. This may also be similar to the stated goals of a teachers' union. This model provides some of the core influence of the other optimization criteria because teacher utility affects the retention probabilities that influence, for instance, achievement. I estimate the model of teacher utility (the coefficients from simply regressing teacher choices on attributes) with nonlinearities for merit pay, growth rate, replacement rate, and class size; these nonlinearities prevent compensation from loading into the attribute with the highest average return. Importantly, I cannot estimate nonlinearities for health-insurance subsidies because I presented just two values. To calculate retention probabilities for teachers throughout the experience support, I need a monotonic measure of utility from salary. The estimates from starting salary are concave such that salary growth produces more negative utility outside of the support of the experimental variation as teachers gain experience. To address this, I use a linear approximation of teacher utility from salary.

Here, and in the remainder of the estimates, teachers have strong preferences for salary compensation and, though they prefer smaller classes, weaker aversion to large classes. When, the maximization is unfettered, class size balloons to pay for higher salaries. In Texas, classes can be no more than 22 students for students from kindergarten through fourth grade, but there is no statutory requirement for more advanced students, though legislation was proposed to limit class sizes to no more than 28 students for students in fifth through eighth grade (Green 2014). While the structure of other elements of compensation have little direct impact on students, class-size reductions are not intended, primarily, to appeal to teachers. For this exercise and those that follow, I limit the permissible range of class size to no more than 30 so that, should class-size reductions be an appealing improvement to teaching conditions, we can see those materialize in smaller class size, but not allow classes to explode in order to provide more generous compensation to incumbent teachers.

Teacher Retention

When teachers leave Aldine ISD, either by retirement from the profession or by transferring to another district, the district typically must replace the departed with novice teachers, which is quite costly to student achievement (Wiswall 2013). One objective that districts could pursue would be to structure compensation and working conditions to improve retention. I use the same basic structure used above to adjust for endogenous retention: Retention probabilities are adjusted off a baseline based on how much the structure improves teacher utility. Using those adjusted retention probabilities, I simulate the share of teachers who will be in each experience cell in steady state. The dot product of experience shares and experience produces the average experience level with that structure of compensation, which is the object I maximize.

Student Achievement Production Function

What structure of pay maximizes student achievement rather than teacher satisfaction or retention? I construct the achievement function to reflect the representative estimates of quasi-experimental domestic studies in terms of experience, class size, merit pay, and selection. I assume student achievement is a function of parent and teacher inputs, $A = g(P, T)$, where P reflects the input of parent and T reflects inputs of the teacher. The parents' impact, $P = h(t, r, k)$, is a function of the time parents allot to children (t), the resources made available to children (r), and the number of children the parents care for (k) (Price 2008; Loken, Mogstad, and Wiswall 2012; Black, Devereux, and Salvanes 2005). The teacher's role in achievement is a function of her innate teaching ability ψ, her skill σ which is influenced by experience ϵ and training τ, her effort e, and the size of her class c.

$$T = f(\psi, \sigma(\epsilon, \tau), e, c)$$

The teacher's skill increases quickly in experience ϵ before slowing its incline after the first few years. Traditional training programs have demonstrated little effect on teacher skill, though we might consider professional evaluations and mentoring programs a new generation of training (Taylor and

Tyler 2012). Finally, effort is conceived as induced, unnatural effort—the increase prompted by incentive or accountability (Fryer et al. 2012; Imberman and Lovenheim 2015; Macartney 2016). In part because of limits in the literature, the achievement function I calibrate will be a linearization.

Experience

Retention affects teacher quality through two channels. First, teachers improve as they gain experience, especially at the beginning of their careers. If a given teacher turns over, the students she would have had will instead by taught by a novice who is systematically less effective. Second, early in the career, teachers with the largest positive impacts on students are the most likely to leave the profession. Thus, when increasing the retention odds, the stock of teacher quality improves both in experience and in composition because the marginal teacher to leave is, on average, of higher quality. In the basic model, we focus on the influence of additional experience improving a teacher's ability, since the effects of retention on the distribution of initial quality is somewhat unclear (Wiswall 2013; Hendricks 2018).

To quantify the influence of experience in the model, I rely on estimates from the discontinuous career model in Table 2 of Papay and Kraft (2015). I normalize average new-teacher VAM to zero and infer the typical teacher improvements in math and English (at five years, a typical teacher has improved 0.1216 in math and 0.0824 in English; by year 15, the typical teacher has improved an additional 0.1315 in math (suggesting that the typical teacher is 0.2531 better than a new teacher after having earned that much experience) and an additional 0.0831 in English (suggesting that the typical teacher with that experience is 0.1655 better than a new teacher)). Finally, the estimates suggest that teachers with 25 years of experience have improved from their 5-year experience level by an additional 0.2413 in mathematics and 0.1513 in English (0.3629 cumulatively in math and 0.1845 cumulatively in English by year 25).

To provide a general profile of experience on quality, I average the math and English returns. I fit a regression model of average VAM on experience and experience-squared using the first three experience nodes (0, 5, and 15), and a second model using the latter three points (5, 15, and 25) and use the predicted values (y-hat) from 0 through 5 in the first model and between 6 and 30 in the second model. Without the combination of these two piecewise models, the resulting experience profile either suggests convex increases in quality among veteran teachers, something never found in empirical work, or declines in quality among veteran teachers, which would contradict the estimates used to train the VAM profile in experience. The value-added profile that results from this procedure is most steeply increasing for new teachers but reflects the gains of experience throughout the life cycle of a teacher (Wiswall 2013; Papay and Kraft 2015). The resulting quality profile is presented in online Appendix figure 11.

Class Size

Though the causal evidence on class size in the US is somewhat mixed, guided by international evidence, analysts typically conclude that large class sizes reduce student achievement, especially for students that are young or low-income (Angrist and Lavy 1999; Krueger and Whitmore 2001; Jepsen and Rivkin 2009; Fredriksson, Ockert, Oosterbeek 2012, 2016; Chingos 2013; Schanzenbach 2014). When focusing on studies in the US, two studies show only weak or null effects. Hoxby (2000), exploits natural variation arising from cohort sizes and class-size rules and finds no impact of class size on student achievement; her use of test scores after summer break may reflect rapid fadeout for class-size induced achievement gains. Dee and West (2011) use a within-student comparison for middle-school students and, similarly, find no overall impact of class size on student achievement. In contrast, Krueger (1999) finds that an eight-student reduction (from 23 students to 15) increased achievement by 0.035σ per year, with larger effects in kindergarten (0.120σ), using random assignment from the Tennessee STAR experiment.[33] Cho, Glewwe, and Whitler (2012) follow Hoxby using new data and find that a ten-student reduction in class size by 0.04–0.05σ for students in elementary school, essentially in line with Krueger (1999). The domestic evidence tends to suggest class size does not matter for older grades, and matters most for very young children. I take the average of these four estimates to predict that student achievement rises by 0.022σ for elementary students, with no effect of class sizes for students in middle or high school (Rivkin, Hanushek, and Kain 2005; Dee and West 2011; Chingos 2012). I use data from the National Center for Education Statistics to know what proportion of the district in question is a part of each school-type. The district serves a student body of 15.2 percent pre-school aged children, 37.6 percent elementary-school aged children, 22.5 percent middle school aged children, and 24.7 percent high-school aged children. I calculate the average effect (the dot product of the percent-in-group times the class size effect) which yields 0.012σ per ten-student change or 0.0012σ per student change.

[33] The experimental setting may alter teachers' incentives, since the results of a known experiment may influence future working conditions.

Merit Pay

The evidence on merit pay suggests modest improvements to achievement in the presence of stronger incentives (Lavy 2002; Springer et al. 2010; Muralidharan and Sundararaman 2011; Sojourner, Fryer et al. 2011; Fryer 2013; Mykerezi, and West 2014; Dee and Wyckoff 2015; Imberman and Lovenheim 2015; Balch and Springer 2015). What is particularly striking is that the two prominent RCTs on merit pay (Springer et al. 2010 and Fryer 2013) generate null effects while each of those estimated in natural settings suggest positive effects, suggesting either bias in natural experiments or Hawthorne effects. The settings of each study differ enough to make comparison difficult. In many programs, schools implemented the reform with other supports; in others, the incentives apply to school-wide or district-wide goals. Because of the program's similarity to the one posed to teachers in my survey and the setting is geographically proximate (from Houston, Texas), I use Imberman and Loveheim (2015) for a parameter value. They use the fact that grade-level incentives are stronger for smaller grades, suggesting that a $1,000 merit-pay increase induces a 0.0136σ increase in student achievement.

Finally, I find that merit pay matters more to high quality teachers than their colleagues. High ability teachers express a 0.035 percent higher preference for an offer containing $1,000 merit pay than other teachers. When I incorporate this into the model, I find that, over the life cycle of teachers, a $1,000 increase in merit pay increases the probability a randomly-selected teacher is high-quality by 1.15 percent. To calculate this difference, I calculate the retention probabilities of low-type and high-type teachers with and without merit pay. Those labeled high quality teachers have a value-added that is, 1.29 student standard deviations, on average.

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Online Appendix D: Online Appendix Figures

Online Appendix Figure 1—Sample Compensation Question

If two schools that were identical in every other way made the following offers, which would you prefer:

	School 1	School 2
Starting salary:	\$52,850	\$46,850
Health plan:	\$1,400 deductible; \$40 monthly premium	\$1,250 deductible; \$90 monthly premium
Salary growth:	1.0% each year	2.0% each year
Reward:	Teachers receive \$0 reward if they are in the top 25% of the school based on principal ratings and student growth	Teachers receive \$0 reward if they are in the top 25% of the school based on principal ratings and student growth
Retirement:	A pension that replaces 65% of your salary in retirement if you stay 30 years	A pension that replaces 35% of your salary in retirement if you stay 30 years
	○	○

Note: This figure presents an illustration of the questions answered by teacher respondents with respect to compensation structure.

Online Appendix Figure 2—Sample Working-Condition Question

If two schools that were identical in every other way made the following offers, which would you prefer:

	School 1	School 2
Starting salary:	$49,850	$52,700
Contract:	Teachers receive a renewable 3-year term contract after a 3-year probationary contract	Teachers receive a renewable 2-year term contract after a 1-year probationary contract
Distance from home:	15-minute drive	1-minute drive
Class size:	23	27
Assistance:	The school hires someone to help you with instructional support for 9 hours each week	The school hires someone to help you with instructional support for 0 hours each week
	○	○

Note: This figure presents an illustration of the questions answered by teacher respondents with respect to working conditions.

Online Appendix Figure 3—Sample Students-&-Leadership Question

If two schools that were identical in every other way made the following offers, which would you prefer:

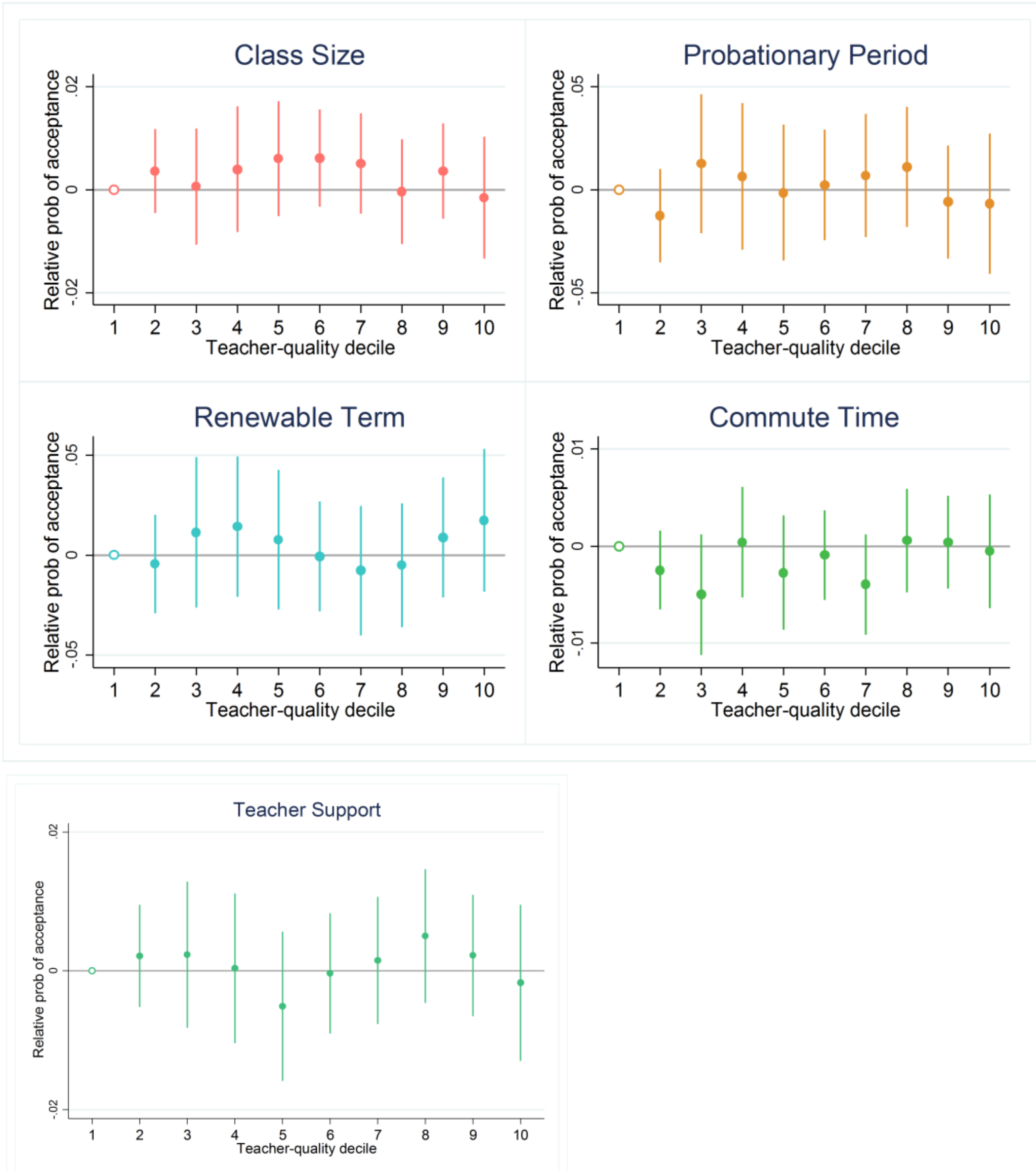
	School 1	School 2
Starting salary:	$47,150	$50,300
Percent of students in poverty:	38%	53%
Percent of students who are minority:	36%	66%
Average student achievement:	43rd percentile	57th percentile
Principal support:	Principals are hands-off with disruptive students	Principals are hands-off with disruptive students
School bus:	The school's buses are blue	The school's buses are not blue
	○	○

Note: This figure presents an illustration of the questions answered by teacher respondents with respect to student and principal characteristics.

Online Appendix Figure 4—Differential Compensation Preference by Teacher-Quality Deci

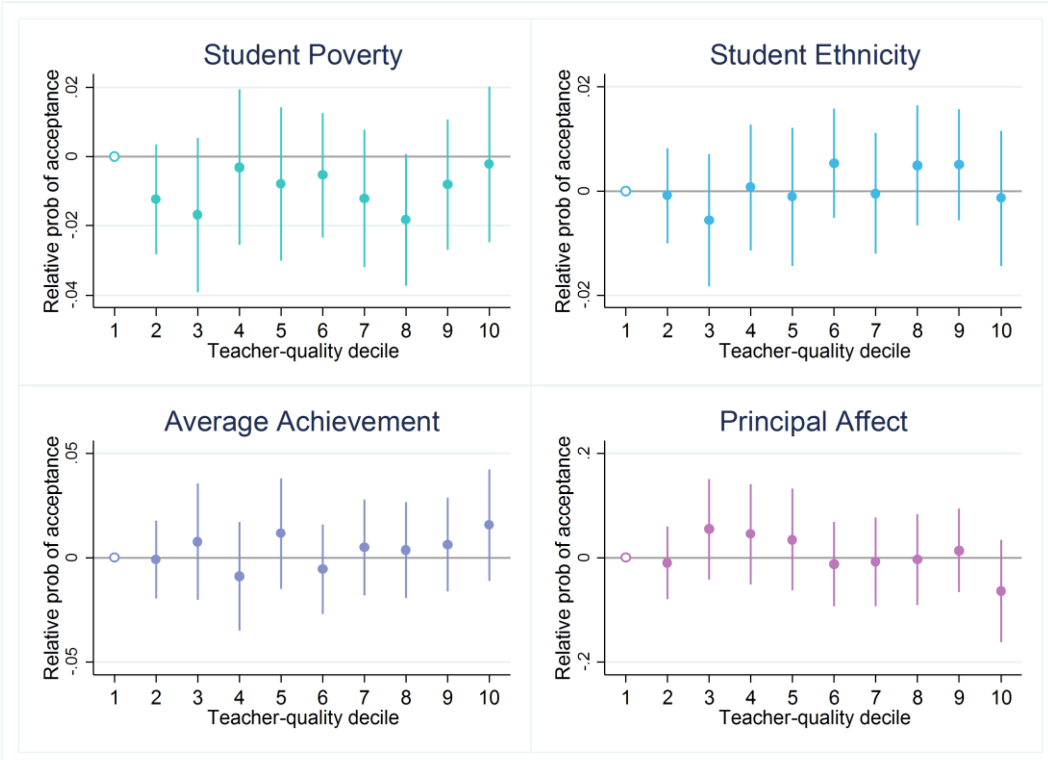
Note: This figure shows visually whether teachers of different quality deciles have distinct preferences for various compensation attributes, relative to bottom-decile teachers.

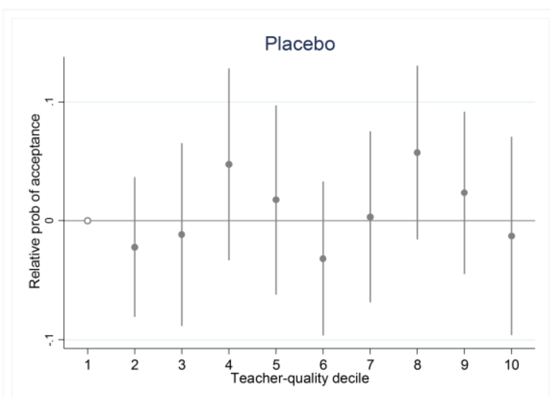
Online Appendix Figure 5—Differential Working-Condition Preference by Teacher-Quality Decile



Note: This figure shows visually whether teachers of different quality deciles have distinct preferences for various working-condition attributes, relative to bottom-decile teachers.

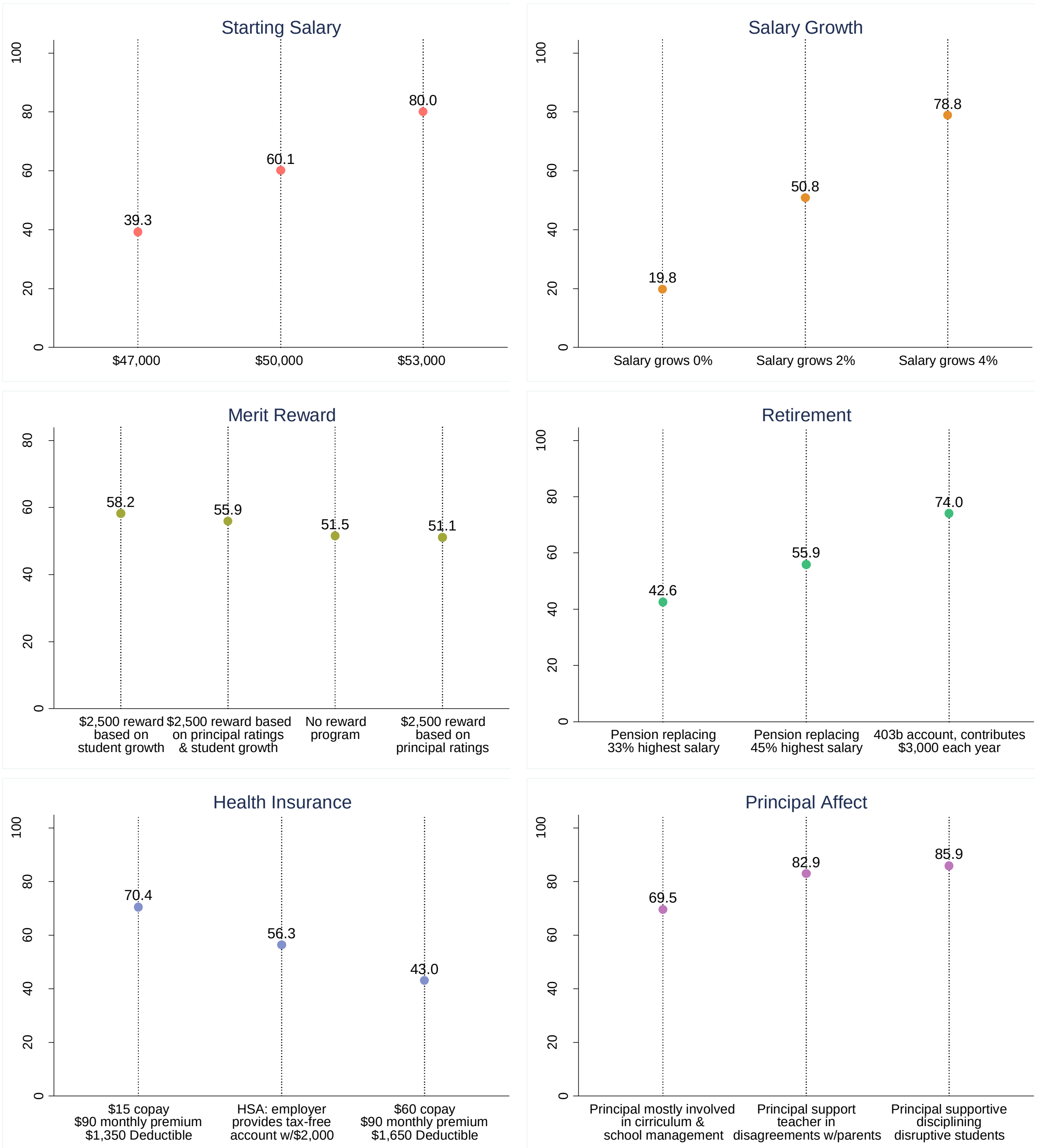
Online Appendix Figure 6—Differential Students-&-Leadership Preference by Teacher-Quality Decile





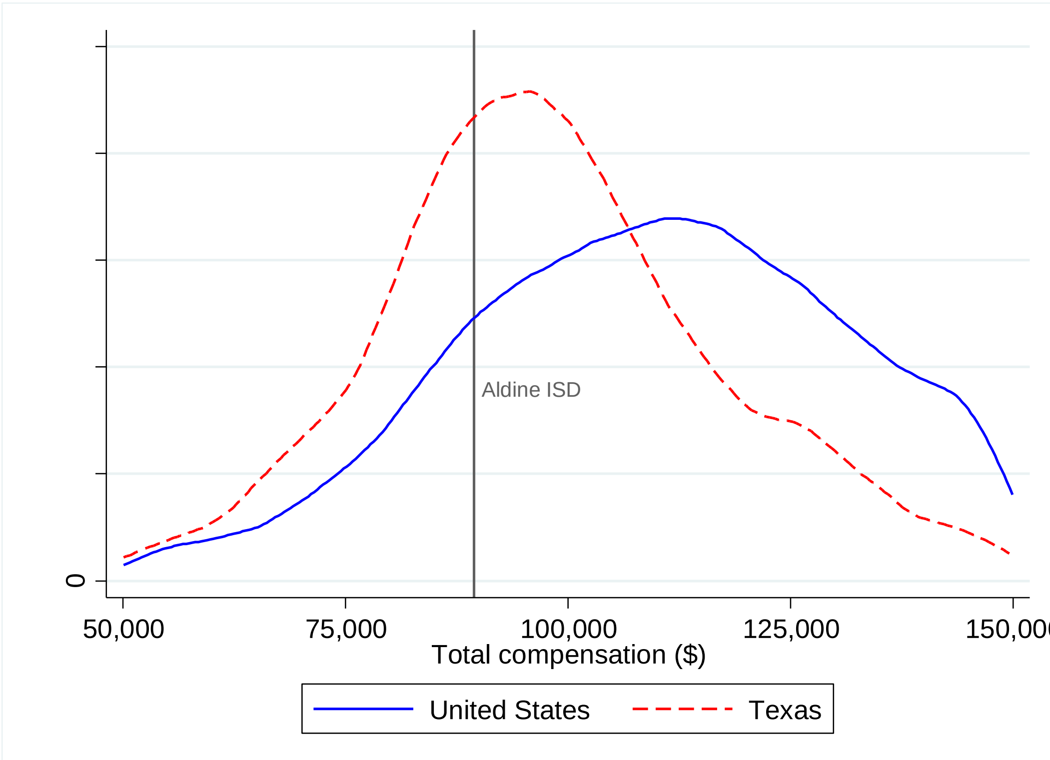
Note: This figure shows visually whether teachers of different quality deciles have distinct preferences for various student-and-leadership attributes, relative to bottom-decile teachers.

Online Appendix Figure 7—Stand-Alone Attribute Evaluation Question



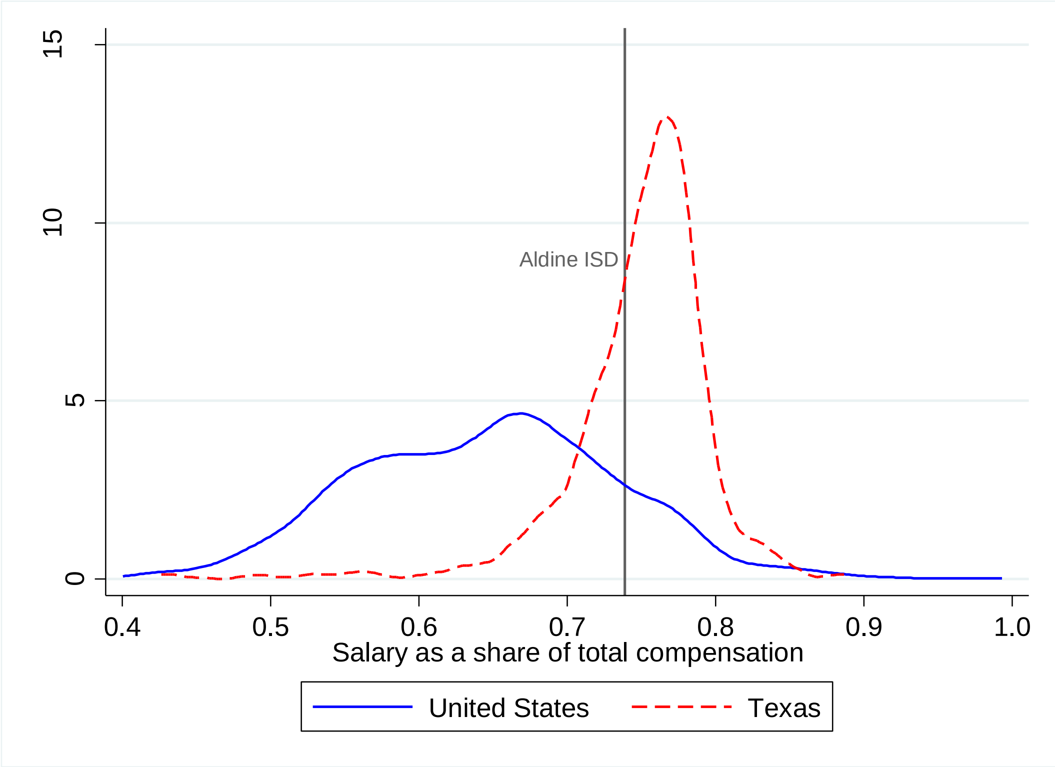
Note: This figure presents the results of additional survey questions in which a subset of teachers were asked to evaluate the probability that they would accept an offer that featured varying attributes.

Online Appendix Figure 8—Comparing Aldine-ISD Total Compensation to Distribution



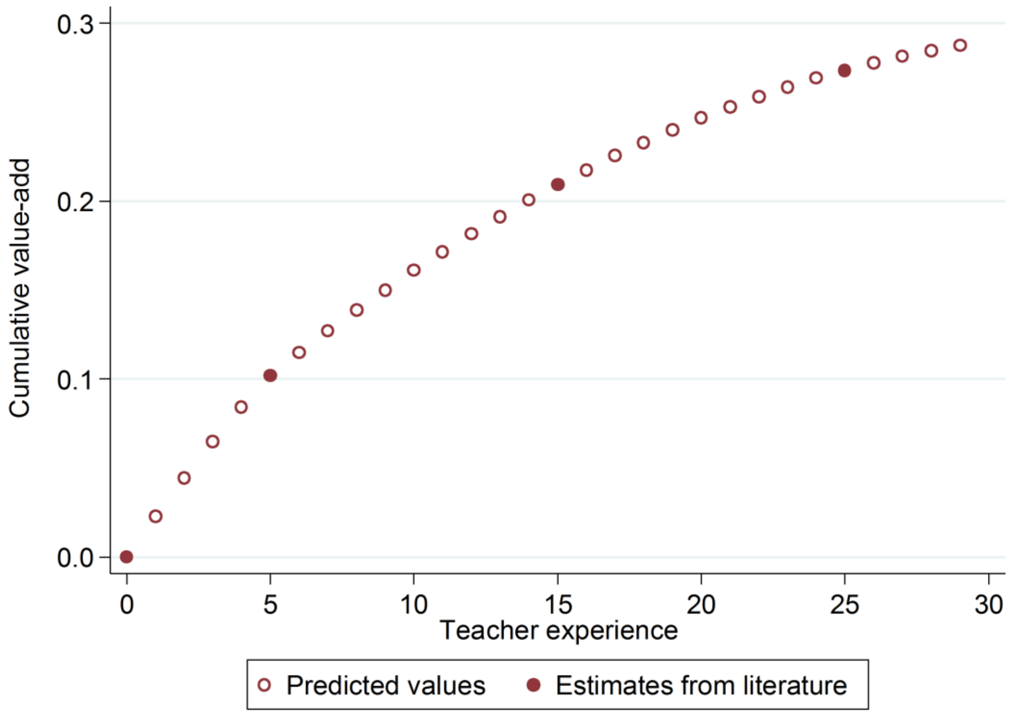
Note: This figure compares the average total compensation at Aldine ISD to the distribution of total compensation in the U.S. and in Texas using data from the Local Education Finance Survey.

Online Appendix Figure 9—Comparing Aldine-ISD Salary Share to Distribution



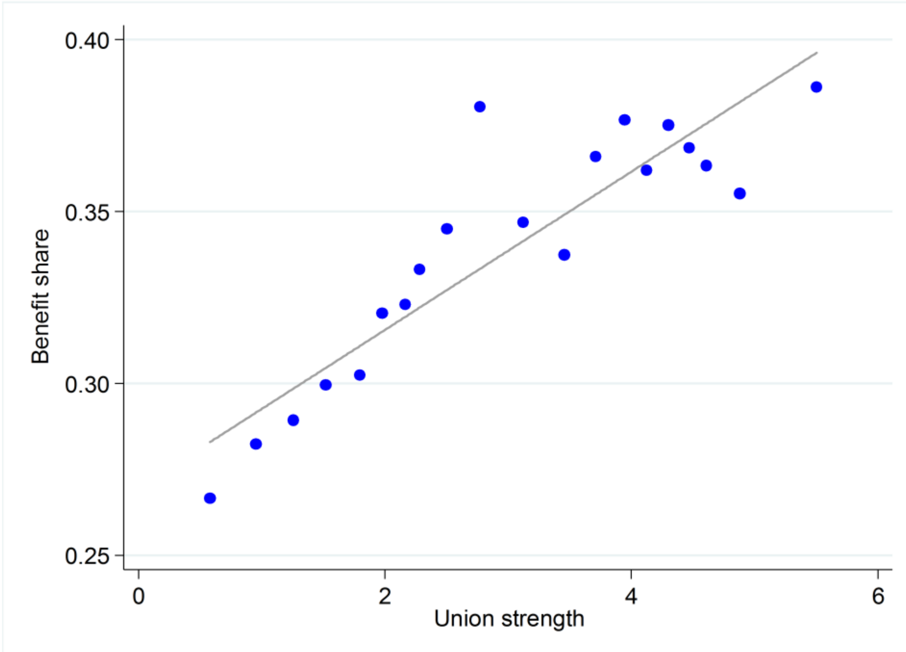
Note: This figure compares the average total compensation at Aldine ISD to the distribution of total compensation in the U.S. and in Texas using data from the Local Education Finance Survey.

Online Appendix Figure 10—Value-Added Growth with Experience



Note: This figure shows the value-added estimates from Papay and Kraft (2015) in the solid dots. The open dots represent the inferred value add for each experience level that I use in the achievement production function.

Online Appendix Figure 11—Union Strength and Benefit Share



Note: This figure shows the relationship between union strength and the share of a teacher's compensation that comes to her in the form of benefits, conditional on salary bins.

ONLINE APPENDIX D: ONLINE APPENDIX TABLES

ONLINE APPENDIX TABLE 1—OFFER ATTRIBUTES FOR CONJOINT EXPERIMENTS

Attribute	Levels
Salary	\$46,550, \$46,700, \$46,850, \$47,000, \$47,150, \$47,300…\$53,300, \$53,450
Growth	0.2%, 0.4%, 0.6%, 0.8%, 1.0%, 1.2%, 1.4%, 1.6%, 1.8%, 2.0%, 2.2%, 2.4%, 2.6%
Deductible	\$1,200, \$1,250, \$1,300, \$1,350, \$1,400, \$1,450, \$1,500, \$1,550, \$1,600...\$1,800
Premium	Monthly health insurance premium: \$40, \$90
Co-pay	\$0, \$5, \$10, \$15, \$20, \$25, \$45, \$50, \$55, \$60, \$65, \$70, \$75
Reward	\$0, \$1,750, \$2,000, \$2,250, \$2,500, \$2,750, \$3,000, \$3,250
Rating	Evaluated based on: student growth and principal evaluations, student growth only
Retirement plan	pension, 403(b) (defined contributions)
Replacement rate	33%, 35%, 37%, 39%, 41%, 43%, 45%, 48%, 50%, 52%, 54%, ...63%, 65%, 67%
Time till tenure	immediate, 1 year, 2 years, 3 years
Review term	1 year, 2 years, 3 years, 4 years, 5 years
Commute time	1 minutes, 3 minutes, 5 minutes, 7 minutes, 9 minutes, 11 minutes...19 minutes
Hired assistance	0 hours per week, 5 hours per week, 7 hours per week, 9 hours per week
Poverty rate	38%, 43%, 47%, 48%, 53%, 58%, 63%, 68%, 72%, 77%, 82%...97%, 99%
Minority share	12%, 18%, 24%, 30%, 36%, 42%, 48%, 66%, 72%, 78%, 90%, 96%, 100%
Av. achmt prctle	percentiles: 23rd, 27th, 31st, 35th, 39th, 43rd, 47th, 53rd, 57th, 61st...73rd, 77th
Principal	hands-off with disruptive students, supportive with disruptive students
Bus color	blue, not blue

Note: This table presents all the possible values presented to respondents in the estimating sample.

Online Appendix Table 2 – Teacher Demographics

	Average	Std. Dev.
Experience in years	9.03	(9.21)
Bachelor's	0.455	(0.498)
Master's	0.299	(0.458)
White	0.276	(0.447)
Hispanic	0.208	(0.406)
Black	0.367	(0.482)
Female	0.680	(0.467)
VAM score	0.000	(0.995)
Danielson score	12.8	(2.07)

Note: This table presents the demographic makeup of teacher respondents.

Online Appendix Table 3— Effects of Compensation Attributes on the Probability that Teachers Accept the Job Offer (Complement to Figure 1)

	Choice		
	Coeff.	Std. err.	P-value
	(1)	(2)	(3)
Starting salary			
$51,000	0.266**	(0.010)	0.000
$54,000	0.460**	(0.015)	0.000
Salary growth			
1 percent	0.175**	(0.015)	0.000
2 percent	0.324**	(0.016)	0.000
Merit pay			
$2000	0.107**	(0.013)	0.000
$3000	0.062**	(0.012)	0.000
VAM only	-0.077**	(0.015)	0.000
Retirement			
Replaces 40%	0.095**	(0.022)	0.000
Replaces 50%	0.177**	(0.031)	0.000
Replaces 60%	0.381**	(0.022)	0.000
Replaces 70%	0.497**	(0.028)	0.000
401k-style	0.144**	(0.017)	0.000
Health insurance			
$50/mo. premium	0.048**	(0.009)	0.000
$1,300 deductible	0.018	(0.030)	0.544
R-squared	0.1904		
Adj. R-squared	0.1894		
Num. obs.	31,820		

Note: This table presents the estimates behind Figure 1. These results make bins to describe each of the attributes of available offers to show the influence of each characteristic nonparametrically.

Online Appendix Table 4— Effects of Working-Condition Attributes on the Probability that Teachers Accept the Job Offer (Complement to Figure II)

	Choice		
	Coeff.	Std. err.	P-value
	(1)	(2)	(3)
Class size			
24 students	-0.163**	(0.018)	0.000
28 students	-0.408**	(0.014)	0.000
Probationary period			
1-year	-0.084**	(0.021)	0.000
2-year	-0.072**	(0.019)	0.000
3-year	-0.190**	(0.021)	0.000
Renewable terms			
2-year	0.025*	(0.012)	0.047
3-year	-0.005	(0.010)	0.603
Commute time			
˜10 minutes	-0.036**	(0.011)	0.001
˜20 minutes	-0.075**	(0.011)	0.000
Teacher support			
5 hours/wk	0.169**	(0.011)	0.000
7 hours/wk	0.157**	(0.010)	0.000
9 hours/wk	0.188**	(0.011)	0.000
R-squared	0.281		
Adj. R-squared	0.280		
Num. obs.	31,574		

Note: This table presents the estimates behind Figure 2. These results make bins to describe each of the attributes of available offers to show the influence of each characteristic nonparametrically.

Online Appendix Table 5— Effects of Working-Condition Attributes on the Probability that Teachers Accept the Job Offer (Complement to Figure III)

	Choice		
	Coeff.	Std. err.	P-value
	(1)	(2)	(3)
Student poverty			
60% low-income	-0.017**	(0.019)	0.379
80% low-income	-0.081**	(0.017)	0.000
100% low-income	-0.116**	(0.023)	0.000
Student ethnicity			
60% minority	0.031	(0.019)	0.110
90% minority	0.012	(0.015)	0.429
Average achievement			
50th percentile	0.153**	(0.012)	0.000
66th percentile	0.253**	(0.030)	0.000
Principal affect			
Supportive	0.764**	(0.012)	0.000
Placebo			
Bus blue	0.009	(0.011)	0.402
R-squared	0.365		
Adj. R-squared	0.364		
Num. obs.	23,678		

Note: This table presents the estimates behind Figure 3. These results make bins to describe each of the attributes of available offers to show the influence of each characteristic nonparametrically.

Online Appendix Table 6—Preferences for Working Conditions by Teacher Quality

	Choice		Choice	
	Reference Group	Quality-decile interaction	Reference Group	Quality-decile interaction
	(1)	(2)	(1)	(2)
Benchmark				
Starting salary	0.119**	-0.002	0.119**	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)
Contract				
Probationary period	-0.063**	0.011	-0.059**	0.010
	(0.008)	(0.012)	(0.008)	(0.012)
Term length	-0.009	0.015	-0.008	0.012
	(0.009)	(0.013)	(0.009)	(0.013)
Working conditions				
Commute time	-0.007**	0.002	-0.008**	0.002
	(0.001)	(0.002)	(0.001)	(0.002)
Class size	-0.071**	0.002	-0.072**	0.002
	(0.003)	(0.004)	(0.003)	(0.004)
Assistance	0.027**	0.001	0.028**	0.001
	(0.002)	(0.004)	(0.002)	(0.004)
Experience bins	X		X	
Exp. interactions	.		X	
R-squared	0.288		0.289	
Observations	21,312		21,312	

Note: * p < 0.05, ** p < 0.001. Columns (1) and (2) represent one regression in which the main effects are displayed in column (1) and the interactions with the quality index are represented in column (2). The regression displayed in columns (3) and (4) follows a similar form, but controls with experience bins interacted with each attribute.

Online Appendix Table 7—Preferences for Student and Leadership Characteristics by Teacher Quality

	Choice		Choice	
	Reference Group (1)	Quality-decile interaction (2)	Reference Group (1)	Quality-decile interaction (2)
Benchmark				
Starting salary	0.068**	-0.002	0.068**	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)
Students				
Percent low income	-0.025**	0.002	-0.025**	0.002
	(0.005)	(0.008)	(0.005)	(0.008)
Percent minority	0.001	0.006	0.001	0.006
	(0.003)	(0.005)	(0.003)	(0.005)
Ave. achievement	0.027**	0.010	0.027**	0.010
	(0.005)	(0.009)	(0.005)	(0.009)
Principal affect				
Supportive	0.588**	-0.007	0.555**	-0.026
	(0.020)	(0.034)	(0.024)	(0.034)
Placebo				
Blue bus	-0.014	0.037	-0.026	0.034
	(0.017)	(0.028)	(0.020)	(0.029)
Experience bins	X		X	
Exp. interactions	.		X	
R-squared	0.373		0.375	
Observations	15,982		15,982	

Note: * $p < 0.05$, ** $p < 0.001$. Columns (1) and (2) represent one regression in which the main effects are displayed in column (1) and the interactions with the quality index are represented in column (2). The regression displayed in columns (3) and (4) follows a similar form, but controls with experience bins interacted with each attribute.

Online Appendix Table 8—Assessing the Influence of Different Quality Measures on Differential preferences for Performance Pay

	Choice (1)	Choice (2)	Choice (3)	Choice (4)	Choice (5)
Reward	0.029**	0.023*	0.018**	0.019	0.013*
	(0.003)	(0.009)	(0.007)	(0.013)	(0.007)
Reward × VAM index		0.037**		0.036*	
		(0.014)		(0.018)	
Reward × Danielson index			0.032**	0.011	
			(0.012)	(0.018)	
Reward × Quality index					0.043**
					(0.010)
Observations	31,820	12,274	17,166	7,942	21,498

*Note: * $p < 0.05$, *** $p < 0.001$.* This table presents the interaction of merit pay with various teacher-quality indices; the results are qualitatively similar across the measure of quality we use.

Online Appendix Table 9—Experience Heterogeneity in Compensation Preferences

	Linear Probability			
	Novice teachers (1st quartile: 0-1 yrs)	New-teacher differential (2nd quartile: 2-6 yrs)	Experienced-teacher differential (3rd quartile: 7-14 yrs)	Veteran-teacher differential (4th quartile: 15-36 yrs)
	(1)	(2)	(3)	(4)
Starting salary	0.093**	0.001	-0.009*	-0.029**
	(0.003)	(0.004)	(0.004)	(0.004)
Salary growth	0.205**	-0.019	-0.025*	-0.02
	(0.011)	(0.012)	(0.011)	(0.012)
Bonus amount	0.026**	0.009	0.013	-0.005
	(0.005)	(0.008)	(0.007)	(0.008)
VAM only	-0.077**	0.014	0.003	-0.012
	(0.017)	(0.018)	(0.018)	(0.017)
Replacement	0.012**	0.001	0.003*	0.006**
	(0.001)	(0.001)	(0.001)	(0.001)
401k-style	0.079**	-0.012	0.011	-0.014
	(0.014)	(0.020)	(0.020)	(0.020)
Premium (yearly)	-0.064*	-0.01	-0.013	-0.057
	(0.022)	(0.037)	(0.036)	(0.036)
Deductible	-0.589*	-0.062	0.265	0.965**
	(0.221)	(0.156)	(0.149)	(0.151)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying different levels of teacher experience. Standard errors clustered at the teacher level.

Online Appendix Table 10—Experience Heterogeneity in Working-Condition Preferences

	Linear Probability			
	Novice teachers (1st quartile: 0-1 yrs)	New-teacher differential (2nd quartile: 2-6 yrs)	Experienced-teacher differential (3rd quartile: 7-14 yrs)	Veteran-teacher differential (4th quartile: 15-36 yrs)
	(1)	(2)	(3)	(4)
Probationary period	-0.045**	-0.007	0.003	0.002
	(0.005)	(0.007)	(0.006)	(0.006)
Term length	-0.003	-0.010	0.003	0.005
	(0.005)	(0.007)	(0.007)	(0.007)
Commute time	-0.005**	0.001	0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)
Class size	-0.054**	0.000	0.000	0.004*
	(0.002)	(0.002)	(0.002)	(0.002)
Assistance	0.021**	0.000	0.004*	0.005*
	(0.001)	(0.002)	(0.002)	(0.002)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying different levels of teacher experience. Standard errors clustered at the teacher level.

Online Appendix Table 11—Experience Heterogeneity in Student/Principal Preferences

	Linear Probability			
	Novice teachers (1st quartile: 0-1 yrs)	New-teacher differential (2nd quartile: 2-6 yrs)	Experienced-teacher differential (3rd quartile: 7-14 yrs)	Veteran-teacher differential (4th quartile: 15-36 yrs)
	(1)	(2)	(3)	(4)
Percent low income	-0.031**	0.001	-0.001	0.010
	(0.005)	(0.007)	(0.007)	(0.007)
Percent minority	-0.001	0.003	0.006	0.009*
	(0.003)	(0.004)	(0.004)	(0.004)
Ave. achievement	0.048**	-0.006	-0.010	0.018*
	(0.005)	(0.009)	(0.008)	(0.008)
Supportive principal	0.722**	0.014	0.049	0.126**
	(0.020)	(0.032)	(0.030)	(0.029)
Blue bus	0.001	0.022	0.009	0.007
	(0.016)	(0.026)	(0.024)	(0.024)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying different levels of teacher experience. Standard errors clustered at the teacher level.

Online Appendix Table 12—Sex Heterogeneity in Compensation Preferences

	Linear Probability	
	Female teachers	Male differential
	(1)	(2)
Starting salary	0.082**	0.011**
	(0.002)	(0.003)
Salary growth	0.192**	-0.001
	(0.009)	(0.011)
Bonus amount	0.030**	-0.005
	(0.004)	(0.007)
VAM only	-0.079**	0.011
	(0.015)	(0.016)
Replacement	0.015**	0.000
	(0.001)	(0.001)
401k-style	0.084**	-0.035
	(0.011)	(0.018)
Premium (yearly)	-0.093**	0.053
	(0.016)	(0.033)
Deductible	-0.211	-0.513**
	(0.214)	(0.134)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying male teachers. Standard errors clustered at the teacher level.

Online Appendix Table 13—Sex Heterogeneity in Working-Condition Preferences

	Linear Probability	
	Female teachers	Male differential
	(1)	(2)
Probationary period	-0.043**	-0.008
	(0.004)	(0.006)
Term length	-0.003	0.002
	(0.004)	(0.006)
Commute time	-0.005**	0.000
	(0.001)	(0.001)
Class size	-0.055**	0.007**
	(0.001)	(0.002)
Assistance	0.025**	-0.008**
	(0.001)	(0.002)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying male teachers. Standard errors clustered at the teacher level.

Online Appendix Table 14—Sex Heterogeneity in Student and Principal Preferences

	Linear Probability	
	Female teachers	Male differential
	(1)	(2)
Percent low income	-0.027**	-0.005
	(0.003)	(0.006)
Percent minority	0.004*	-0.001
	(0.002)	(0.004)
Ave. achievement	0.048**	0.000
	(0.004)	(0.008)
Supportive principal	0.792**	-0.130**
	(0.013)	(0.027)
Blue bus	0.015	-0.028
	(0.012)	(0.022)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying male teachers. Standard errors clustered at the teacher level.

Online Appendix Table 15—Racial Heterogeneity in Compensation Preferences

	Linear Probability		
	White teachers	Black differential	Hispanic differential
	(1)	(2)	(3)
Starting salary	0.082**	0.004	0.008*
	(0.003)	(0.003)	(0.004)
Salary growth	0.213**	-0.048**	-0.017
	(0.011)	(0.010)	(0.011)
Bonus amount	0.011*	0.037**	0.023*
	(0.005)	(0.006)	(0.007)
VAM only	-0.086**	0.028	0.005
	(0.016)	(0.015)	(0.017)
Replacement	0.016**	-0.001	-0.002
	(0.001)	(0.001)	(0.001)
401k-style	0.059**	0.035*	0.024
	(0.013)	(0.016)	(0.019)
Premium (yearly)	-0.077**	-0.002	-0.02
	(0.021)	(0.030)	(0.035)
Deductible	-0.239	-0.067	-0.247
	(0.221)	(0.127)	(0.148)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying black teachers and Hispanic teachers. Standard errors clustered at the teacher level.

Online Appendix Table 16—Racial Heterogeneity in Working-Condition Preferences

	Linear Probability		
	White teachers	Black differential	Hispanic differential
	(1)	(2)	(3)
Probationary period	-0.037**	-0.021**	-0.003
	(0.005)	(0.005)	(0.006)
Term length	0.002	-0.014*	0.000
	(0.005)	(0.006)	(0.007)
Commute time	-0.006**	0.001	0.001
	(0.001)	(0.001)	(0.001)
Class size	-0.055**	0.007**	-0.005*
	(0.001)	(0.002)	(0.002)
Assistance	0.023**	0.001	-0.001
	(0.001)	(0.002)	(0.002)

Note: * $p < 0.05$, ** $p < 0.001$. This table presents a heterogeneity analysis by interacting each attribute with dummies identifying black teachers and Hispanic teachers. Standard errors clustered at the teacher level.

Online Appendix Table 17—Racial Heterogeneity in Student and Principal Preferences

	Linear Probability		
	White teachers	Black differential	Hispanic differential
	(1)	(2)	(3)
Percent low income	-0.031**	0.008	-0.002
	(0.004)	(0.006)	(0.007)
Percent minority	0.000	0.011*	-0.001
	(0.003)	(0.003)	(0.004)
Ave. achievement	0.058**	-0.021*	-0.008
	(0.005)	(0.007)	(0.008)
Supportive principal	0.809**	-0.065*	-0.099**
	(0.017)	(0.024)	(0.030)
Blue bus	0.013	-0.014	0.005
	(0.014)	(0.020)	(0.024)

*Note: * p < 0.05, ** p < 0.001.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying black teachers and Hispanic teachers. Standard errors clustered at the teacher level.

Online Appendix Table 18—Leaver Heterogeneity in Compensation Preferences

	Linear Probability		Linear Probability	
	Teachers that stay	Marginal-teacher differential	Teachers that stay	Marginal-teacher differential
	(1)	(2)	(3)	(4)
Starting salary	0.085**	-0.002	0.087**	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)
Salary growth	0.186**	0.008	0.193**	0.011
	(0.010)	(0.010)	(0.010)	(0.010)
Bonus amount	0.031**	0.003	0.035**	0.004
	(0.004)	(0.006)	(0.004)	(0.006)
VAM only	-0.068**	-0.017	-0.069**	-0.009
	(0.016)	(0.015)	(0.019)	(0.016)
Replacement	0.014**	0.001	0.014**	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
401k-style	0.085**	-0.023	0.097**	-0.015
	(0.012)	(0.016)	(0.016)	(0.017)
Premium (yearly)	-0.095**	0.027	-0.088**	0.025
	(0.027)	(0.027)	(0.017)	(0.027)
Deductible	-0.252	0.006	-0.124	0.002
	(0.225)	(0.037)	(0.228)	(0.037)
Experience bins	X		X	
Exp. interactions	.		X	

Note: * $p < 0.05$, ** $p < 0.001$. This table presents a heterogeneity analysis by interacting each attribute with dummies identifying teachers who left shortly after the survey, while nonparametrically controlling for teaching experience in yearly bins. Standard errors clustered at the teacher level.

Online Appendix Table 19—Leaver Heterogeneity in Working Condition Preferences

	Linear Probability		Linear Probability	
	Teachers that stay	Marginal-teacher differential	Teachers that stay	Marginal-teacher differential
	(1)	(2)	(3)	(4)
Probationary period	-0.049**	0.009	-0.047**	0.008
	(0.004)	(0.005)	(0.005)	(0.005)
Term length	0.000	-0.006	-0.001	-0.007
	(0.005)	(0.006)	(0.005)	(0.006)
Commute time	-0.004**	-0.001	-0.005**	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Class size	-0.055**	0.004*	-0.055**	0.004*
	(0.001)	(0.002)	(0.001)	(0.002)
Assistance	0.022**	0.003*	0.022**	0.003*
	(0.001)	(0.002)	(0.001)	(0.002)
Experience bins	X		X	
Exp. interactions	.		X	

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying teachers who left shortly after the survey, while nonparametrically controlling for teaching experience in yearly bins. Standard errors clustered at the teacher level.

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Online Appendix Table 20—Leaver Heterogeneity in Student and Principal Preferences

	Linear Probability		Linear Probability	
	Teachers that stay	Marginal-teacher differential	Teachers that stay	Marginal-teacher differential
	(1)	(2)	(1)	(2)
Percent low income	-0.028**	0.000	-0.029**	0.000
	(0.004)	(0.006)	(0.004)	(0.006)
Percent minority	0.004	0.002	0.004	0.002
	(0.002)	(0.003)	(0.002)	(0.003)
Ave. achievement	0.043**	0.011	0.043**	0.011
	(0.004)	(0.007)	(0.004)	(0.007)
Supportive principal	0.760**	0.014	0.709**	-0.018
	(0.015)	(0.024)	(0.024)	(0.026)
Blue bus	0.006	-0.007	-0.016	-0.010
	(0.013)	(0.021)	(0.019)	(0.022)
Experience bins	X		X	
Exp. interactions	.		X	

Note: * $p < 0.05$, ** $p < 0.001$. This table presents a heterogeneity analysis by interacting each attribute with dummies identifying teachers who left shortly after the survey, while nonparametrically controlling for teaching experience in yearly bins. Standard errors clustered at the teacher level.

Online Appendix Table 21—Grade-Level Heterogeneity in Compensation Preferences

	Linear Probability		
	Elementary School	Middle School	High School
	(1)	(2)	(3)
Starting salary	0.090**	0.002	0.001
	(0.003)	(0.004)	(0.004)
Salary growth	0.193**	0.003	-0.007
	(0.012)	(0.012)	(0.013)
Bonus amount	0.035**	-0.001	-0.017*
	(0.006)	(0.008)	(0.008)
VAM only	-0.074**	0.010	0.011
	(0.019)	(0.018)	(0.019)
Replacement	0.014**	0.000	0.000
	(0.001)	(0.001)	(0.001)
401k-style	0.079**	-0.010	0.011
	(0.015)	(0.021)	(0.022)
Premium (yearly)	-0.061*	0.009	-0.07
	(0.025)	(0.038)	0.039
Deductible	-0.286	-0.082	0.043
	(0.167)	(0.156)	(0.167)

*Note: * p ¡ 0.05, ** p ¡ 0.001.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying school type. Standard errors clustered at the teacher level.

Online Appendix Table 22— Grade-Level Heterogeneity in Working-Condition Preferences

	Linear Probability		
	Elementary School	Middle School	High School
	(1)	(2)	(3)
Probationary period	-0.038**	-0.017*	-0.022*
	(0.005)	(0.006)	(0.007)
Term length	0.006	-0.010	-0.014
	(0.006)	(0.012)	(0.007)
Commute time	-0.004**	-0.001	-0.001
	(0.001)	(0.001)	(0.001)
Class size	-0.062**	0.011**	0.016**
	(0.002)	(0.002)	(0.002)
Assistance	0.023**	0.001	-0.004
	(0.001)	(0.002)	(0.002)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying school type. Standard errors clustered at the teacher level.

Online Appendix Table 23— Grade-Level Heterogeneity in Student and Principal Preferences

	Linear Probability		
	Elementary School	Middle School	High School
	(1)	(2)	(3)
Percent low income	-0.029**	-0.004	-0.008
	(0.005)	(0.007)	(0.007)
Percent minority	0.000	0.006	0.008
	(0.003)	(0.004)	(0.004)
Ave. achievement	0.038**	0.004	0.012
	(0.006)	(0.008)	(0.009)
Supportive principal	0.757**	0.034	0.012
	(0.022)	(0.031)	(0.033)
Blue bus	0.023	-0.011	-0.057*
	(0.018)	(0.025)	(0.027)

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents a heterogeneity analysis by interacting each attribute with dummies identifying school type. Standard errors clustered at the teacher level.

Online Appendix Table 24—Compensation Estimates for Simulation Exercises

	Linear (1)	Quadratic (2)
Starting salary	0.0846**	0.2863*
	(0.0022)	(0.1376)
Starting sal. sqr.		-0.0020
		(0.0014)
Salary grth.	0.1918**	0.2225**
	(0.0091)	(0.0370)
Salary grth. sqr.		-0.0145
		(0.0136)
Performance pay	0.0293**	0.1326**
	(0.0034)	(0.0232)
Performance pay sqr.		-0.0386**
		(0.0085)
VAM only	-0.0767**	-0.0699**
	(0.0145)	(0.0175)
Retirement replcmnt.	0.0146**	0.0388**
	(0.0005)	(0.0077)
Retire. replmt. sqr.		-0.0002*
		(0.0001)
401k-style	0.0767**	0.0524**
	(0.0100)	(0.0135)
Deductible	-0.3117	-0.3003
	(0.2115)	(0.2335)
Premium	-0.0821**	-0.1000**
	(0.0141)	(0.0160)
Observations	0.193	0.195
R-squared	31,820	31,820

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents the estimated utility coefficients for the simulation exercises; standard errors clustered at the teacher level.

Online Appendix Table 25—Working Conditions Estimates for Simulation Exercises

	Linear (1)	Quadratic (2)
Starting salary	0.0846**	0.0787**
	(0.0013)	(0.0016)
Time-to-tenure	-0.0424**	-0.0450**
	(0.0036)	(0.0037)
Review frequency	-0.0028	-0.0065
	(0.0037)	(0.0037)
Commute time (mins)	-0.0045**	-0.0026**
	(0.0005)	(0.0006)
Class size	-0.0502**	0.0916*
	(0.0011)	(0.0289)
Class size sqr.		-0.0029**
		(0.0006)
Assistance (hrs/wk)	0.0217**	0.0351**
	(0.0008)	(0.0039)
Assistance sqr.		-0.0018**
		(0.0005)
Observations	0.279	0.281
R-squared	31,574	31,574

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents the estimated utility coefficients for the simulation exercises; estimates are adjusted so that they are directly comparable to the coefficient estimates in prior table. Standard errors clustered at the teacher level.

Online Appendix Table 26—Relationship between Union Influence and Benefit Share

	Benefit share	Benefit share	Benefit share
	(1)	(2)	(3)
Union strength	0.0260**	0.0274**	0.0278**
	(0.006)	(0.007)	(0.007)
Salary level	No	Yes	No
Salary bins	No	No	Yes
Mean DV	0.355	0.355	0.355
Observations	14,389	14,389	14,389
R-squared	0.187	0.192	0.268

*Note: * $p < 0.05$, ** $p < 0.001$.* This table presents the relationship between union strength and the share of a teacher's compensation received in benefits. Data from LEFS; standard errors clustered at the state level.