

Regulatory Arbitrage in Teacher Hiring and Retention:

Evidence from Massachusetts Charter Schools

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POLICY ISSUE

Charter schools typically have greater flexibility in their employment practices than do traditional public schools because they face fewer restrictions on personnel decisions. In theory, this means that charter schools could more easily remove low value-added teachers or find and retain high value-added teachers who might otherwise slip through the cracks—thereby improving student outcomes. The extent to which charter schools capitalize on this comparative labor market flexibility is unknown.

STUDY DATA AND FINDINGS

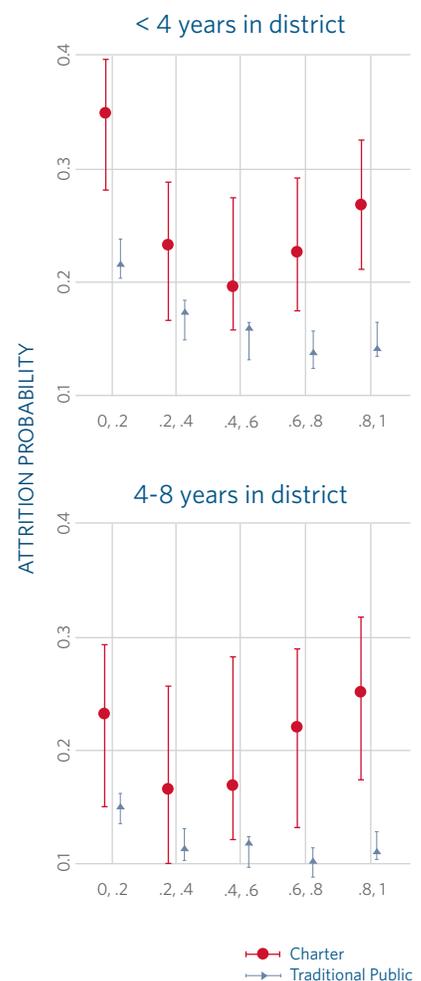
We study teacher mobility within and across charter and traditional public schools using data from the Massachusetts Department of Elementary and Secondary Education from academic years 2008-2009 through 2016-2017. We first estimate teacher and school value-added (a measure of teacher/school quality that is based on student test scores) at the state level. We then describe how the relationship between teacher value-added and attrition compares across charter and traditional public schools.

We find that charter schools in Massachusetts are more likely to lose both their highest and lowest performing teachers than traditional public schools. Broadly speaking, attrition patterns in charter schools exhibit a U-shape with respect to teacher quality, while attrition in traditional public schools is not meaningfully related to teacher quality. We also find little empirical evidence to support the claim that employment flexibility contributes meaningfully to charter school effectiveness. We find similar U-shaped relationships between teacher quality and attrition within both more and less effective charter schools, indicating that this attrition pattern is a common feature of charter schools and is not significantly related to student performance.

Intriguingly, where teachers who leave charter schools end up the following year differs by teacher value-added. Teachers that are high performing within their charter school tend to move to other public school employment

KEY FINDINGS

TEACHER VALUE-ADDED QUINTILE (MATH)



opportunities. Lower performing teachers tend to exit the Massachusetts education system entirely.

Combined, these pieces of evidence suggest that charters act as a filtering mechanism by inducing their worst teachers to leave the education sector while also providing a pathway for high-quality teachers to enter the traditional public system. We argue that this occurs as a result of regulatory arbitrage. While traditional public schools are restricted through union rules and government regulation to require teaching licenses and pay a relatively high wage, charters are not subject to these requirements and hence are free to hire unlicensed teachers at a lower wage. This is similar to the way firms like Uber and Lyft take advantage of loopholes in taxi regulations to enter the personal transport market and pay lower wages, undercutting the highly regulated incumbent firms.

POLICY IMPLICATIONS

Though attrition patterns differ across sectors, our results do not appear to support the claim that employment flexibility contributes meaningfully to charter school effectiveness. The U-shaped relationship between teacher quality and attrition is a common feature of charter schools that is not significantly related to charter school impacts.

Our results also contribute to the understanding of the impact that charter schools have on the quality of traditional public schools. The evidence on the overall effects of charter school expansion on the quality of nearby traditional public schools is mixed, with the majority of prior studies finding either null or small positive effects. Prior authors suggest that charter schools could impact public school performance through a combination of

altering their available resources or by instilling competition for student enrollment.

Our results suggest that charter schools contribute to the quality of education within a locality in part by increasing the supply of high-quality teachers available to teach in traditional public schools. Charter schools do so by providing an alternative pathway for teachers to enter the labor force. Because the fixed costs to participating in the charter sector are low (i.e., licenses are not necessary), teachers are able to explore their taste for the profession before committing to obtaining the license required to work in a traditional public school. This in turn generates positive selection on the quality of teachers entering public school careers.

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