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How Much Should You Charge? An Economist Weighs In

by Katie Gustafson and Steven McMullen, PhD

A few years ago I had a conversation with a colleague about the fee I was charging for private lessons. At the time I was charging \$20 per 30-minute lesson. He was surprised by this, and strongly encouraged me to raise my rate to \$25. His reasoning was, “You have a degree in music education, you have a Minnesota teaching license, and you’ve been teaching for over ten years. If you charge that much less than the going rate, you are making it harder for other qualified teachers to charge a reasonable, living wage.”

I decided to take his advice. But in the years since, I have encountered many other music instructors who have expressed uncertainty about whether they should charge more or less for their teaching. According to Steven McMullen, economics professor at Hope College, there are five primary considerations that should guide your decision.

Consider your competition

I did a light survey of my own network of colleagues, and the normal going rate seems to be close to \$25-30 per half hour lesson. Most of the people I talked to had a bachelor’s or master’s degree, and between five and fifteen years of teaching experience. If you charge a price that is significantly higher, you might have a hard time finding students. Conversely, if your price is too low, it might end up hurting other teachers needlessly.

Consider your level of training

It is normal for people with more education to be paid more. On average, researchers usually estimate that an additional year of relevant education increases a person’s wages by 8 to 12 percent. As a rule of thumb, then, that should give teachers with a master’s degree approximately a 15 to 25% premium over those with a bachelor’s degree. For music teachers, a bachelor’s degree or

advanced degree in education or performance can make you a much better teacher for advanced students, since these students will require greater expertise. Moreover, a teacher with a studio of advanced students could charge more than a studio of beginners.

Consider your years of experience

As teachers gain more experience with students, they usually become much better at their job. For classroom teachers, it is normal for their first three or four years to dramatically improve their teaching effectiveness. This should give teachers some warrant for considering an increase in their prices if they have not changed recently.

Consider your costs

When setting a wage, it is important to consider the essential costs of living and employment. In addition to their wages, many professionals will also receive health benefits and retirement contributions. Moreover, employers contribute half of the 15.3% that everyone pays toward Social Security and Medicaid taxes. Independent instructors, if they need to fund these benefits, should think about the hourly wage they would be able to earn in another job, and then add in enough to cover at least minimal benefits. Even more importantly, there are big differences in the cost of living in different cities around the country, and changes in the cost of living over time. In the last year, inflation has stayed close to 2%. In the last decade, inflation has increased the cost of living by 17%. Even if you don’t change prices every year, every teacher should periodically consider a cost-of-living increase.

Consider demand

The most simple rule for deciding how much to charge might be your popularity.

If you are not getting as many students as you would like, you could consider lowering your prices. If you have many more inquiring students than you can accommodate, on the other hand, this might be a signal that your price is lower than your competition, or at least lower than the market will support.

Making a change

If you feel uncomfortable having the “I’m raising my rates” conversation with your existing clients, you could consider raising your rate only for new students. This would allow you to phase out your old rate gradually. Conversely, if you want to draw more students without dropping your rate for your whole studio, consider taking a cue from some standard business practices: offer a discount for the first year, the first six months, or perhaps a seasonal special for the time of year in which you have more time. For families, you can offer a multiple-child discount.

While many people dislike talking about money, the more open and transparent you are about your prices, the easier it will be. Moreover, if you put some advanced research into your pricing, it will be a lot easier to post prices or talk about them in an informed way. One way to be transparent and informative is to post prices in a brochure or website, along with a description of the expertise you bring to the lessons. This allows families to consider your prices and value privately before talking with you.

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