

**AN EXAMINATION OF THE  
WAGE SYSTEM OF TECHNION PROFESSORS -  
CURRENT PROBLEMS AND SOLUTIONS**

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## **Background**

The salaries of about 90% of the wage earners in Israel are set through collective bargaining. About 90% of these wage earners are represented by one labor union - The General Federation of Workers (Histadrut). Salaries at the Technion, like in all the public sector are set through collective bargaining. The union that represents all the university professors in Israel is the coordinating committee of the professors' unions, in which the union of Technion professors is a member.

Salaries in the public sector in Israel are controlled by the Ministry of the Treasury. According to the Basic Budget Act, no budgeted or supported organization can raise or change its salaries without the consent of the Ministry of the Treasury.

The custom in Israel is to have three tier bargaining structure:

- (a) The national level - package deals, framework agreements, cost of living escalation agreements, etc.
- (b) The industry - craft level in the public sector - mostly craft.
- (c) The local level - the workplace agreement - in the public sector these agreements are usually opposed by the Treasury. Thus, they take the following forms - wage drift, specific allowances, reimbursement of expenses that were not incurred, etc.

The wage policies of the Israeli government are always part of the national economic policy. Thus, they adopt a restrained approach and emphasizes the macro (the whole country) level, while deemphasizing the micro (work place) problems. Since the principles of the current wage system in the public sector were set in the mid-60's and since no major change in the structure of this system was introduced later the current system is not achieving its goals - attracting adequate supply of labor and motivating employees to reach high levels of performance. The Sussman Committee Report which is the output of a task force that studies the wage structure and the problems with salaries in the public sector for almost a decade offer a new system. In my opinion the new proposed wage system will make existing problems even worse.

The current situation of the Israeli labor market is one of high rates of unemployment which are expected to rise. The economic situation in the private sector is one of instability, the threat of work-force reduction or even closing of work places are imminent. Yet, in the public sector work-place security is much higher, thus, labor unrest, can be expected if feelings of wage inequity, exploitation, etc. exist.

### **The Existing Labor Agreements at Technion**

The most recent collective agreement between the institutes of higher education (universities) and the professors unions was signed on December 11, 1990. This contract sets professors' salaries till March 31, 1992. The essence of this contract is the application of the national framework agreement, for the years 1990-1992, negotiated and signed by the Histadrut and the government to university professors. National agreement do not apply automatically to university professors since their union is an independent union, i.e. not part of the Histadrut.

In addition the following contracts apply to Technion professors.

- (a) The national agreement on cost of living allowance (Tosefet Yoker), which is applied through an extension act that covers all wage earners in Israel.
- (b) The special collective agreement between the universities and professors' unions in relation to multi annual salary comparisons. This agreement was signed on June 19, 1986 and its expiration date is September 30, 2011. The role of these wage comparisons is to compensate university professors for the wage drift applied to other professionals - engineers, academics in humanities and social sciences. The most recent comparison was concluded about two months ago.

By these two contracts university professors are assured the same salary adjustments as other professionals in the public sector.

The wave comparison contract is very problematic since the basis for comparison is total income that is paid by the employer and taxed by the internal revenue authority [The only major items that are not included are the employers' allocation in foreign currency, for the fund for international scientific exchange, and for sabbaticals].

The gross income of university professors is compared with the gross income of the upper quartile of engineers and academics in government offices. Thus, any increase in the salaries of Technion professors, general or specific, will be taken into account in the comparison and would not increase the average salary of professors.

- (c) Pension agreements which are signed separately for each institution. There are some major differences between the agreement of Technion and the one of the Hebrew University for example. Most of these agreements are not registered and they are not considered collective agreement. At the Technion, like the Hebrew University, the same agreement applies to professors and staff employees.
- (d) Workplace regulations which specify conditions of work of professors. Some of these regulations were negotiated and some were set unilaterally by management. The most important clauses, for our discussion, are those that deal with hours of work and the right of the professors to "moonlight".

Thus, university professors get (a) the benefit of the national agreement through a special contract, (b) specific benefit and wage comparison by the special collective agreement that applies to all universities, (c) cost of living allowance as result of extension act, (d) pensions and conditions of work as set by the work place institute regulations.

As a result the remuneration that professors get in the following form:

- (1) Monthly salary that is set according to the rank and seniority.

- (2) Special allowances that include compensation for extra work, special position allowance (deans, rectors, presidents etc.).
- (3) Special pre-set, foreign currency, fund for international scientific exchange that allows professors to participate in international conferences, research projects etc. This fund is accumulated. The amount is set according to the rank of the professor. This fund "belongs" to the professor and can be used after he retires.
- (4) Sabbatical rights that allow the professor to have a paid sabbatical, the pay per sabbatical month is fixed according to the rank and seniority of the professor at the time that he goes on sabbatical. Sabbatical rights can be used only while the professor is actively working.
- (5) Pension rights of university professors include the right of early pension if employee's job is terminated before retirement age. Under special conditions, pension rights can be "freezed" when a professor leaves the Technion, till he is 65 years old.  
After retirement, the professor's relations with the institute are not terminated - they have the right for an office/laboratory space, services and foreign currency exchange fund.
- (6) Work schedule of Technion professors is based on the following premises:
  - (a) The job at the Technion is the main job of a professor.
  - (b) Professor's annual schedule is for 12 months of work and paid vacation as specified in the collective agreement (7 weeks a year).
  - (c) Professor's job includes frontal teaching administration and research. He has to devote to his job at the Technion at least 38 hours per week, five days a week.
  - (d) A professor can do outside jobs for about one day a week.
  - (e) The Technion has a keen interest that its professors will do outside jobs since it contributes to the professors' teaching and research, as well as, to the reputation of Technion. Thus Technion professors have the right to serve as consultants.
  - (f) During periods when no classes are conducted, the professor will engage mainly in research.

## **Major Problems with the Wage System of University Professors in General and at Technion in Particular**

In the last two decades, wage differentials in Israel had grown. This applies mainly to the differences in income from work of employees at top business positions and those at the bottom. It is quite frequent that the top people get 10 to 15 times the income of the employees at the bottom, or the minimum wage.

University professors used to be part of the elite of the Israeli society and during the first two decades of the State their income was comparable with the one of business and government executive. Since the late 60's professors' relative income did not keep up with the one of business executives. What is more important is the fact that the salaries at the ranks of lecturer or senior lecturer are so low that it seems that it hardly allows for a decent living. Thus, many of the young, starting professors engage actively in consulting or try to get summer teaching jobs abroad. This behavior hampers their research and teaching. In some cases their outside activities are well beyond the permissible and desired.

The current wage system pays the same salary to a productive professor and to a non-productive. There are no incentives to productivity beside promotion. Thus, there is a lack of motivators to motivate full professors to invest a major effort in research and teaching. The only motivators come from the "outside world"- the business community (consulting) and the academic community abroad (leaves).

Another major problem is that while professors salaries are, relatively, low, their labor costs are quite high. This is the result of the costs of fringe benefits, like sabbatical leave, fund for international scientific relations, special pension arrangements, etc.

Thus, there is a major problem in motivating professors to keep their productivity and to limit their out-of-Technion engagements.

## **Expected Developments in the Wage System**

Several developments in the wage system in the public sector are expected in the coming years. The most important among them is the implementation of the "Recommendation of the Committee for the Examination of the Wage System in the Public Sector" (The Sussman Committee). The main recommendations are:

- (a) One, and only one wage schedule for all occupations, professions, workplaces etc. in the public sector - currently there are about twenty different ones, though related to each other. Among these is the wage schedule of university professors.
- (b) Simplifying the wage structure - all the different allowances will be included in three components - wage, education and training allowance and special short term allowance for non-regular conditions of work. The first two components serve as the basis for pension calculation. Currently, there are many allowances that are not included in the basis for the calculation of the basis. Thus, the pension for professionals is calculated in most cases only on the basis of about 60% of the income framework.
- (c) Rewarding employees for their investment in human capital (experience, training and education).
- (d) Strengthening the relationship between the pay level and productivity.
- (e) Re-evaluating all the jobs in the public sector.
- (f) In dealing with the wage system the Sussman Committee decided not to deal with the sabbatical allowance and with the fund in foreign currency, for international scientific exchange.

In all the collective agreements in the public sector, signed since the report was submitted the parties agreed that the recommendations should be adopted. Till now, after more than two years, nothing was done. There



are signs that the process of job evaluation in the public sector might start shortly. There are some experts that object to the adoption of the recommendations about one wage schedule. Most union leaders informally are against the adoption of this recommendation.

Since the current wage system of university professors is different than most wage schedules in the public sector by including all the allowances in the basic wage, and since it is very difficult to define the "work day" of a professor, there will be only minimal changes in the relative salaries of professors if the recommendations are adopted.

Since it is very difficult to evaluate the "value" of the professor's job and since most of the "regular" duties of a professor are the same regardless to the rank - thus the rank is personal and not attached to the position - the salaries of university professors will have to be calculated by attaching them to the level of salaries for other positions in the public sector. Thus, in one way or another, the current system by which the wage schedule of professors is attached to the salaries of other professionals in the public sector will be continued. Thus, attaching salaries to productivity of professors will just change the internal wage differentials but would not change the relationship between the salaries of professors and other occupations.

## **Solutions**

The basic conclusion of the examination of the current situation and future developments regarding the wage system of university professors is that **no major change for the better is expected**. This applies specially to the relationship between wage schedule of professors and those of other professionals in the public sector. Since the system of applying the national contracts to professors and the periodical salary comparisons will continue, **any change introduced in the wage system of professors will only change the internal salary differentials between professors and not the general level of salaries.**

In order to pay an additional compensation to professors that will not be included in the salary comparisons, **it has to be paid by other organizations than the Technion, by in a separate pay check and will have to have a separate bookkeeping system.** This is, for example, the current situation with the salaries paid to Technion professors by independent research institutes.

**Thus, the only method by which the general leave of Technion professors salaries can be increased is by establishing outside; though related organizations that will pay professors for high research productivity high level of teaching, high level of administrative work etc. This pay will be detached and disconnected from their Technion salary.**