

Wage-Leadership in the Higher Education Sector of Sri Lanka: A Case Study of Colombo District

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ABSTRACT

Irrespective of whether the government acts as a wage leader placing pressure on the wages in the private-sector of the economy (those that are more open for competition) or otherwise, there are important implications of it for macroeconomic activities, particularly in small open economies like Sri Lanka. With the notable exception of the case of Scandinavian countries, opinion on this issue is still divided. Hence, the aim of this study is to investigate whether wage-setting in certain sectors of the Sri Lankan economy affects wage-setting in other sectors. This paper examines the wage formation in the public and private-sector for higher education while focusing on the causal twoway relationship between public and private wage setting, thus examining whether there is a wage-leadership in the higher education sector of Sri Lanka.

A comprehensive literature review was carried out around wages, models and theories pertaining to wage leadership supported by wage and academic transition patterns observed in recent history. In view of the fact that similar study has not been conducted in Sri Lanka previously, it derives the theoretical arguments adopted in studies based on the Theory of Wage Leadership of Aukrust (1970) derived from the “Scandinavian Model” of inflation and the Calmfors-Drifill hypothesis (Calmfors & Drifill 1988). According to the theory of wage leadership, changes in the level of the real wage in the sector acting as the leader cause changes in the wages of other sectors’ in the same causing labor transition across sectors in the economy. Derivation of the variables for the study was conducted by collecting data and information from a pilot survey conducted in Sri Lankan public universities and private sector institutions of advanced learning. A questionnaire survey was conducted amongst the different levels of functionaries from private sector institutions of advanced learning while data for the functionaries from the public sector were gathered from various official sources. Further, the data related to inter-sectoral academic mobility was gathered by taking the number of hires from one sector to another during a particular period of time.

The study suggests that at a general level, the private sector institutions of advance learning play the role of wage leadership in Sri Lanka and the public sector institutions (i.e. the universities and technical institutions) lag behind. Wage leadership was determined by the permanent academic transition between the public and the private sector. The functionaries of the universities and the private sector institutions of higher education were grouped into several categories i.e. professors, senior lecturers, lecturers, probationary lecturers, and

assistant lecturers. Then the wages were calculated on the basis of their direct pecuniary wages, perks, and other benefits. It is also evident that the wages in both sectors do not converge to a mutually agreed wage in the long run as to attract more staff; the private sector always attempts to keep its salaries at a comparably higher level. When the changes of wage patterns and the periods of said changes made in both public and private sectors were considered, it is also evident that the changes in government wages cause changes in private sector wages. These findings demonstrate that although the government is placing an indirect pressure on wages of the private sector, the academics in the public sector move to private sector permanently or partly for better prospects, justifying the wage leadership in the private sector institutions of advanced learning.

Keywords: Higher Education Sector, Inter-sectoral Academic Transition, Wage Leadership

Introduction and research problem/issue

One may argue that if and when an economy comes to rest at full-employment and enjoys free labour mobility between sectors and the opportunity for free wage setting prevails, the competitive sectors of that economy (i.e. those that are private and which trade primarily with the external sector economies) may attract for their enterprises/organisations the better grade professionals by way of relatively better pecuniary and non-pecuniary packages of wages from the protected (non-competitive) sectors (i.e. the public sector of the economy).

The literature from a global survey shows that in economies where there are no particular penchant amongst professionals for employment in one sector or another (i.e. the public sector versus the private sector employment), under conditions as those outlined above (i.e. full employment, absence of restrictions on labour mobility, and free competition in the market), the labour (particularly that with advanced qualifications with cutting edge knowledge in academic proficiencies and with related skills) will abandon its traditional domain (non-competitive) and seek employment in the highly competitive sectors where the wage-packages (pecuniary and non-pecuniary packages of wages) are relatively better.

It must be stated that the competitive industries are defined here as those that trade in the open market (international market) with goods/services produced, engaging cutting edge technologies and competencies, etc. whilst the traditional sector (also known also as the noncompetitive sector establishments) belongs with the segment of the economy, which depends on tax revenue etc. for its revenue, thus being, for the most part, the state (public) sector of the economy.

It is understood also that the wages (inclusive of the perks and other benefits) in the competitive sector of the economy is higher than those in the non-competitive sectors. Therefore it may be argued that there is a general tendency of the professionals with cutting

edge knowledge in their professions (and which are highly attractive with the competitive sector of the economy) with their relatively more attractive wage packages be attracted to competitive sector enterprises than the other.

This phenomenon is referred to as the 'wage-leadership' in the industry and which has been studied at great length in some countries (i.e. those of Sweden, Norway and other countries of Scandinavia) whilst it has so far being absent in Sri Lanka.

The senior functionaries (the high wage earning lot) of the public sector enterprises/ organisations of Sri Lanka have over the years been seen as a different breed of people distinct from those from the private sector and there seem to be no love affair between the two. This is despite the fact that most major top notch industries in the countries of Scandinavia have over the years been able to recruit professionals of different calibre (medicine, pharmacology, engineering, management, IT, etc) with cutting edge knowledge in their professions away from the public sector universities and or state enterprises where the wage setting has been rather sluggish. (*The clearest majority of ABB directors of Finland have been former university professors.*)

However, over the past ten years in Sri Lanka, there has been a tendency towards thawing of the relations between the public sector institutions of advanced learning (universities and technical colleges) and those of the private sector (i.e. the degree awarding private sector institutions of learning). There seem to be emerging courtship between the two at least in terms of staff recruitment.

The aim of the proposed paper is to investigate the plausibility of this supposition (hypothesis) in the case of Sri Lanka and how significant it has been in pushing for a move towards restructuring Sri Lanka's education sector.

Research Methodology

The data gathering work concentrated on the private sector institutions of advanced learning in Colombo and its vicinity whilst the data for the public sector universities and technical colleges were gathered from official sources. This was because the wages inclusive of perks and other benefits paid between different private sector institutions of advanced learning were different whilst those paid by the state for their employees at universities and the state run technical colleges were regulated through collective bargaining.

It was difficult at times to measure the perks and other benefits paid to the workers (both in the state sector and in the private sector) because some belonged with the category of

perceived values than real values. The higher social status attached with one sector or the other of the economy belongs with this.

Decisions about wages in the sector for higher education are been taken primarily by the concerned education institutes. The role played by the state (the legislature) is limited to providing the policy framework. According to University Grants Commission, currently there are eleven (11) major private sector institutions that offer local and/or foreign university degrees/diplomas in Sri Lanka. With the expansion of private sector, many job opportunities were created. Hence, the tendency for academics that were previously with the public sector to move in favour of the private sector has more notable.

A cross sectional survey of academics in Colombo District was applied to accomplish the research objectives. An explanatory research, a deductive research approach was used to develop hypotheses. Both qualitative and quantitative approaches were used. The formalised hypotheses were then tested and mathematically analysed with standard quantitative methods (SPSS).

For the purpose of the paper, initially a pilot survey was run along with an interview survey and later on the questionnaire created to determine the factors of academic transition/wage leadership. Both primary and secondary data sources were used in collecting data. Out of about 3,000 academic population, a sample of 90 were selected randomly from both private and state institutes of advance learning (two (2) UGC approved private sector institutions and four (4) state universities). Both graphical and statistical techniques were used in the analysis.

Results and findings

The findings of the research show that there is a clear penchant with a significant proportion of the top notch professionals of Sri Lanka for the private sector institutions of learning. In a number of areas including medicine, engineering, IT and management, the top grade academics make those of who have had previous place of employment with the public sector institutions. Then there are those other professionals who retain their hold with the public sector universities whilst they also work with the private sector institutions. They may be called the “foot-loose academics”. This group does not seem to prefer to take tenured positions with the private institutions. They may be categorised as the visiting lecturers/professors who work with private institutions. At the same time there are others who work on an extemporary basis; i.e. they work fulltime when on sabbaticals whilst, when they are through with their sabbaticals, they return to their universities.

Then, there is a distinction between top-notch professionals with cutting edge knowledge in the concerned discipline and those others with basic academic qualifications. It is the academics with relatively higher education and related skills (prolonged research and

teaching experience) that are been attracted to private institutions with relatively better packages of remunerations and perks whilst the remuneration packages paid to the junior functionaries (i.e. the junior lecturers, tutors and demonstrators) have not been very highly attractive. There is a tangible different in the share of the wages paid for these categories.

Another feature to note is the age structure of the professionals in the private sector. There are some who have been attracted to private sector institutions soon after they have received their basic education and have gathered some basic experience as professionals. However, except for those who wish to work with the private sector institutions during their sabbaticals, the professionals of the middle-ages (perhaps of the ages between 35 to 55 years of age) from state sector are rather reluctant to leave their jobs in favour of the private sector institutions. This is because they want to have the benefits that they are entitled from state sector employment, which they are entitled for (i.e. the pension) instead of leaving their jobs with the state sector and loosing on them. However, after their retirement there are those who seem to prefer for employment with the private sector where they say they wish to work “for the few years whilst their legs can carry them”.

Conclusions, implications and significance

The researcher with proper justification was able to demonstrate the existence of wage leadership in Sri Lankan higher education sector by obtaining the head counts of academics joined a private institute from the public sector universities on permanent basis. There seem to be some indications of “wage-leadership” amongst private sector institutions of advance learning in Sri Lanka. This may not be so highly significant as with the private sector, cutting edge industries in the countries of Scandinavia (with Alfa Laval, Nokia, Ericsson, SKF and others) that have paved the way for restructuring of the industrial sectors of those countries.

The tendency for ‘wage leadership’ amongst the institutions of advanced learning is weak but clear and significant.

This indicates the possibility that, once the best brains are been attracted to themselves by the private sector institutions of advanced learning, they will emerge over the years to come being the best providers of education, research opportunities thus motivating national economic growth and promoting equitable distribution of resources(after elimination of state monopolies).

The fact that eight of the ten best universities of the world (according to the university ranking list) are being categorised as non-state sector institutions (i.e. either private universities or charity organisations) substantiates this supposition.

This paper clearly shows that there is a wage push coming from the public sector institutions which reaffirms previous findings by Aukrust (1970) and Smith (1996). The Calmfors-Driffill (1988) hypothesis was also supported by this research with small adjustments to the original hypothesis.

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