

FINANCING AND SALARIES IN ESTONIAN INSTITUTIONS OF HIGHER EDUCATION, AND THEIR COMPETITIVENESS ¹

Matti Raudjärv²
University of Tartu, Mattimar OÜ

Introduction

For Estonian institutions of higher education, issues of the financing of higher education and relatively low salaries of the staff have been topical almost the whole period after regaining of independence of Estonia.³

The purpose of this paper is to examine opportunities for increasing the financing and salaries of Estonian institutions of higher education, including the activities of trade unions, in order to increase the competitiveness of both the institutions of higher education and graduates. The following research tasks were set for the achievement of this objective:

- the general background of the problem in Estonia is presented;
- positions arising from the activities of Estonian academic trade unions (reform of doctoral studies, proportion of the financing of higher education and research in GDP) are presented in the course of the study;
- possibilities for raising salaries and making amendments to Salary Rules are studied;
- the “old” problem of whether or not to apply tuition fees is raised again.

The paper is not based on surveys conducted and does not present research results but mainly describes the current situation – the current situation in economy and education

¹ This paper has been written in consultation with the Chairman of the University of Tartu Faculty Association, Ruth Tammeorg (as some of the sources referred to are the result of the work of the University of Tartu Faculty Association) whose positions have also largely been taken into account.

² *University of Tartu*, Faculty of Social Sciences, *Emeritus* (Doctor of Philosophy – Candidate of Economics, PhD; Docent /Associate Professor /; Senior Researcher); senior member of the University of Tartu Faculty Association;

Alumnus: Tallinn University of Technology (TTU, since 1974) and DAAD (Bonn, Federal Republic of Germany, since 1990);

Mattimar OÜ /private limited company/ – owner of the company and Chairman of the Management Board and Managing Director since 1993;

Contact (villa/office): Kose tee 79, 12013 Tallinn-Pirita, Eesti-Estland-Estonia; mattir@hot.ee; www.mattimar.ee; at the University of Tartu matti.raudjarv@ut.ee.

In Georgia: *Georgian Technical University*, visiting professor = from March 2014 – November 2017: annual cycles of lectures-workshops-supervisions about one month (selected as a visiting professor for a longer period in spring 2018, selected again with an increase in workload – in autumn 2019) and *Tbilisi State University*, visiting professor (appointed in spring 2018).

³ As an aside, the following very important economic aspect should be pointed out: from the position of national economy as a whole, the growth of productivity should still precede the increase of salaries. This is regarded very important in developed countries and is constantly monitored. It should be constantly followed also in the Estonian national economy.

and the related problems and possible solutions. The paper is above all based on experience and refers to the positions of both the academic staff in Estonia and certain experience from other countries.

1. General background of the problem in Estonia and certain positions of the European Union

Financing of institutions of higher education in Estonia and the resulting salaries, including for the academic staff, have been modest for decades and have not covered the actual needs and have not taken into account the contributions of the academic staff and researchers. True enough – during the period after regaining of independence of Estonia when students of institutions of higher education had to pay the tuition fee, the financing was somewhat better due to the additional funds. This, however, did not mean that the academic staff as a whole received more dignified remuneration.

Also the University of Tartu Faculty Association started to work actively on this issue, i.e. financing of the university, raising the salaries and increasing the competitiveness, already years ago. Also other Estonian institutions of higher education and authors-members of the academic staff have raised these issues.⁴ On 14 September 2020, a public meeting was held on Toompea Hill in Tallinn, in front of Riigikogu, on the subject of financing of higher education and research. This event certainly gave an important impulse to the discussion and development of the shortcomings of Estonian institutions of higher education.

This range of problems is familiar also to many other institutions of higher education of the European Union (EU) Member States and EU institutions. But these issues are broader and not just limited to institutions of higher education. It is the position of the European Commission that collective bargaining is the solution. The European Commission made a proposal on 28 October 2020 to adopt a **European Union Directive** to ensure adequate minimum wages to EU employees which would ensure decent living whenever they work. In addition, the proposal helps to ensure fair competition and protect employers who are paying decent salaries to their staff.

In countries where collective bargaining is more widespread, the proportion of employees with low salaries and inequality of salaries is usually lower and minimum wages are higher. Therefore the Commission wishes to promote with its proposals salary negotiations in all member states. The directive provides a long-term perspective for combating in-work poverty and achieving fair wages – and the Commission sees collective bargaining as the means to achieve that, assuming the existence of **strong trade unions**. The short-term perspective has not been covered, however – how to

⁴ Also Matti Raudjärv has written about issues of the Estonian wages policy (including the low salaries of the academic staff and researchers) in the issue 1-2/ 2019 of this journal: **Raudjärv, M.** (2019). Eesti palgapoliitika mõned aspektid / Einige Aspekte der estnischen Gehaltspolitik / Certain aspects of the Estonian wages policy. No. 1–2), pp. 73-79 (Estonian summary of the publication on paper); pp. 91-107 (on the CD enclosed with the journal, which contains the full paper in German, short summary in English; summary in Estonian: pp. 130-136).

alleviate the situation now when we do not have these effective salary negotiations yet and how to achieve the planned 70% coverage with collective bargaining.

2. On the activities of Estonian academic trade unions and the reform of doctoral studies

Academic trade unions sent their feedback to the Draft Study Allowances and Study Loan Act Amendment and the Related Amendments to Other Acts Act and to the reform of doctoral studies to the Ministry of Education and Research on 2 February 2021.

The purpose of the Amendment of the Study Allowances and Study Loan Act and the reform of doctoral studies is to raise the efficiency of doctoral studies and to ensure the next generation of engineers and top researchers. Organisations which represent the members of the academic staff and signed the document support the purpose of the draft act and the reform of doctoral studies to ensure motivating income to doctoral students, efficiency of doctoral studies and an employment relation and the related benefits but also point out the vague aspects of the reform and the fact that successful supervision presumes above all the existence of a supervisor who has enough time and opportunities to take the commitment. If the supervisor is overworked and has stress caused by a lack of stable salaries and a lack of job security, this impairs the quality of supervision.

One of the main aims of the Estonian Competitiveness Strategy “Estonia 2020“ is to ensure the development human resources in the research area and the next generation of engineers and top researchers. In order to have a competitive and increasingly knowledge-based economy, the number of people with doctoral degrees should be sufficient in the society, in order to ensure the next generation of the academic staff, the researchers and engineers required for further research and development activities of the business sector, and the researchers required for knowledge-based policy-making in the public sector. The objective of the Estonian Research and Development and Innovation Strategy of 2014–2020 for 2020 is to have 300 defenders of doctoral theses annually. Compared to OECD countries, there were on an average eight persons with doctoral degrees in 2016 per one thousand persons at working age, while the average indicator for OECD countries was ten persons. In Finland it was 12.6 persons.

3. Higher education is in urgent need for more financing

Academic trade unions, other organisations of top researchers and student representations have increasingly more desperately pointed out the need to increase the state financing of higher education and research to 1.5 and 1 per cent of GDP, respectively, and to ensure that way the security of jobs. The University of Tartu Faculty Association has also raised the problem of high workload of the management in the University of Tartu, often caused by the constant fight for financing. The strength and competitiveness of universities very largely depends on state support. The possible involvement of private funds in the form of tuition fees, which has been talked about a lot in the recent years, has not been planned in order to rip off students but is based on the fact that the state financing planned does not allow to ensure good quality of instruction.

The reorganisations currently planned are aimed at maintaining the security and motivation of the academic staff during their whole career. But everything is not quite clear yet. Assessment of the results of a staff member by the head of the structural unit certainly becomes an important factor for promotion. Attestation committees have currently pointed out that they have often received no assessment from managers (or from programme directors). There are different reasons for that but the high workload of the management certainly plays a role here.

According to the evaluation of the Association Universities Estonia, higher education would need about 70–100 million euros more financing. This would make it possible to invest in the academic staff and to ensure better working conditions. In the current situation the future of the Estonian system of higher education depends on the attractiveness of the academic career for younger generations. Good, stable working conditions which have future prospects at universities would also improve the prospects of the academic career.

4. On the amendments of the Salary Rules

On 01.01.2021 a new career model came into effect at the University of Tartu with the resulting amendment of the Salary Rules. In connection with the new Higher Education Act, also amendments to the job descriptions of the academic staff came into effect on 01.01.2021 and the university will implement a new structure of academic positions.

The following positions will be filled through public competition

Level I: junior researcher; junior lecturer, teacher

Level II: researcher (PhD); lecturer (PhD). *Next – promotion opportunities:*

Level III: associate professor and

Level IV: professor.

In case of complying with the requirements established by the university, *the following is possible:* professor emeritus

Implementation of this structure certainly raises issues the solution of which will take time and need some work and efforts!

The basic salary of the academic staff, i.e. basic income ensures a minimum income to ensure coping of the academic staff employed by universities and research institutions to reduce dependence on projects. Considering the relative lagging behind of the salaries of university staff-specialists from the Estonian average salary level in the recent period, the planned increase in the range of 9–15% is an important step in the right direction. The academic staff will benefit from the increase in salaries only if their salaries do not depend so much on grants any more. According to the vision of the Faculty Association, basic salary should be guaranteed to the academic staff to ensure salary and job security also in case of failed project applications, if they have an open-ended contract of employment but the working group has no budget to pay the salary.

5. Studies with or without a tuition fee?

We have had studies both with and without a tuition fee in Estonian higher education after regaining independence. The author of this paper (M. R.) has worked at the

Estonian (both public and private) universities from 1975 to 2019 (thus in total about 45 years; together with the student years the connection with institutions of higher education has lasted 50 years). The author of this paper has experience from instruction also during long-term fellowship periods above all at the universities of the Federal Republic of Germany since 1989 (Kiel, Greifswald, Frankfurt /Main/, Osnabrück, etc.) but also in Austria (Vienna University of Economics and Business). Long-term close contacts with colleagues from the universities of Ukraine (Kiev, Ternopil) and Russia (Krasnodar /Kuban/; St. Petersburg, Voronezh, etc.) have given a good idea also about the studies and research performed at these universities. The author also started teaching at Georgian universities in Tbilisi in 2014. So he has long-term and varying experience from teaching and research activities.

Tuition fee for students is probably not the only solution. The fact that large and rich countries often apply tuition fees is no argument but a paradox which we should not follow today (we are still relatively poor; taxpayers are poor, students are poor). When we become richer – we will also apply tuition fees. The state has to help with finances today (redistribution of the budget and setting education and research as the priority), instead of relying on the payment from students-parents. Increasing the financing of universities by applying tuition fees is currently not reasonable and other possibilities should be used. One additional possibility should be also sponsorship from businesses. Sponsorship-support from businesses – for instance, in Germany businesses compete for the right to provide funds to universities! Funds are not accepted from any businesses. What is the situation in Estonia? In Estonia this culture has not particularly developed yet.

Conclusion

According to the feedback received by the University of Tartu Faculty Association from several subunits, the whole process of amendment of Salary Rules is not clear to the university employees and therefore the staff has a lot of questions. The University of Tartu Faculty Association also does not know the possible impact of the new system on the number and structure of the University of Tartu staff. The above-mentioned suggestions and documents prepared by the University of Tartu Faculty Association and others are specific proposals for the solution-alleviation of the problems, and their implementation will depend above all on the Government, ministries and the Riigikogu. Discussions on whether or not to apply tuition fees are still topical and probably also controversial, also between institutions of higher education.

The University of Tartu, including the University Faculty Association, have been at the forefront of Estonian universities in the recent years together with other institutions of higher education in the initiation of reforms of institutions of higher education and calling for an increase in the competitiveness. Surely not all problems have been treated or all solutions offered in this paper. But the most important of them have been presented. Comprehensive treatment of the range of problems is certainly not in the scope of one paper or the work of one or two people, it should be treated further, for instance, in a monograph or in other papers.