



Research Article

RATES OF RETURNS TO EDUCATION AND THE DETERMINANTS OF EARNINGS IN PAKISTAN

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ABSTRACT

Education is an important part of earning. The objective of this study is that to estimate the returns to education and determinants of earning in Pakistan used primary data of 100 samples of educational sector it shows how people earn by the help of education. By surveying we estimate that many peoples are not earn at the level of its education. Many peoples spend more money on education but earning level is low. In Pakistan it is compulsory to increase the status of employment. The government of Pakistan should increase the income level in return of education the education is only determinant of income. Without education earning level is not increased. The result of this study is that education is important for every sector in Pakistan. Educational level improve the status of our economy.

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INTRODUCTION

Education plays an important role in success and improvement in economy. It is provisionally fixed evidence that earning is certainly associated to education. Various studies have find out the returns by education in growth of establishing countries. Education and earnings are related with each other. It is that rate of concession that associate the actual value of lifetime earnings of the person, appropriated as the gain of education, to the actual value of expenditures of education. Alike in situation of finance decision has simple in individual level. In natural, it is vigorous and solid logic, which suit to all.

It is universally accepted that education is the main part of rate of return; the current evaluation technique is to find out the deducted earnings superior for added term of education. This technique has been recycled effectively; among hundreds of assessment of earnings award over time, beyond countries, and beyond companion, the resulting accord on the returns to education have a powerful control on educational methods in different areas.

The reality of conclusive link among education and earning had vigorously challenged. Powerful debate for getting some grant of education to individual income goes backward to the 1st era of the actual century. Against the theoretical and industrial dispute many extrusive economists keep experimented to find out rates of return by expenditures on education. Despite the case of art had appreciably progressive there endure theoretical and industrial dispute around the approximated rates of return to education. The related concern of the act creates by allowance and income in resolving the

rate of proportion is the part of acute argument. It is consistently advised that allowances are critical; on the other hand it is simple to calculate the angle of the location that the change among the two is a “bare element”. The purpose of the act is to give wisdom in the aim of income budget flaw. Earning is totally based on educational level, if any person is well educated then its earning level is large and if a person is low educated then its earning level is small.

This article examines the aspect that resolves earnings by different methods of analyzing multifarious income functions. Equal and unequal income distribution is introduced by the economists. These two concepts are related with gender gap in Pakistan. The earning of females is low than the earning of males. The division of a single person’s income is a critical matter from the angle of all economy. The target of the actual study is to examine the aspect playing an important act individual’s income. The description of aspects cans advice to make rules not only to stable the situations of economy still also the income level. The development of our economy is directly related with inequality of income level. The levels of income, the work of the business, the governmental stratum have increased the profit of the economy. Education makes possibility to earn money in form of employment. Without education economy cannot be developed. Education is the compulsory part of human life for earnings.

This article is direct study of returns to education and finding the private earnings from all levels of education. For finding the individual’s earning use the household variables in our study. In Pakistan return from education is lower than the expenditures of education. Education levels are divided in five stages that are: primary, secondary, higher, college and university level. The estimated return to education keep a

positive corporation with these five levels of education. Education increases the capacity and ability for every single person and then produces efficiency for worker that is able to governing the society against the way of feasible growth of economy. The condition the education sector of Pakistan is never supportive. The literacy rate of Pakistan is very low in all over the world. The low investment of public is the main problem of the poor conduct of the educational sector of Pakistan. The labor of Pakistan is low educated due to low level of technical education.

Education is an economic equipment by which individual can lead his future and make his life. Every person makes its respected life by the help of education. It gives the correct way for everything and improve the ability of thinking. By education we see the reality of life. We understand the Islam by education.

REVIEW OF LITERATURE

Psacharopoulos, George (1994) investigated Returns to Investment in Education used primary data from the period of 1970s and used schooling, employment, higher education facility as key words. The study used graphical technique for estimation. The study analyzed that investment on education is greater than returns by this education.

Jessica Holmes (2003) investigated Measuring the Determinants of School Completion in Pakistan used primary data for the time period 1991 and enrollments, educational level, high illiteracy as variables. The study used OLS method and analyzed that better educational resources improve the level of Pakistan schooling. Sabir, Muhammad and Qazi Masood Ahmed (2003) investigated Macroeconomic Reforms and Total Factor productivity Growth in Pakistan used time series data for the time period 1987-88. The study used salaries of workers, age, school enrollments, and annual wage as variables and used Standard Mincerian technique for estimation. The study analyses that only expenditures are not increase the level of labor.

Khilji, B.A. (2005) investigated Education as a Factor of Human Capital Formation in Pakistan used time series data for the time period 1951 to 1998. The study used technology, education, age are used as key words and for estimation used human capital formation model. The study estimated that increase the education level and technology then increase in economy in Pakistan. Munnaza, A. (2005) investigated Rates of Return of Education by Gender in Pakistan used time series data in the period of 2002. The study used OLS technique and used rates of return and gender as variables. The study analyses that the return from education is low for females profession in Pakistan.

Patrinos, Harry A., Cristobal Ridao-Cano and Chris Sakellariou (2006) investigated Estimating the Returns to Education used time series data. The study used quintile regression analysis and OLS model for estimation and used monthly wages, schooling, and experience as variables. The study analyzed that the knowledge of every person depend on the income level.

Najeeb Shafiq, Mohammad (2007) investigated Household Rates of Return to Education in Rural Bangladesh used time series data. The study used key words as child labour, direct costs, option value, and rate of return to education and used RORE estimation method. This study estimated that

increasing the investment on education increase the earning of household. Kingdon, Geeta, and Mans Soderbom (2007) investigated Education, Skills and Labor Market Outcomes used time series data for the period 1998-99 and 2001-02. The study used real earnings of individual, age, gender and education level as variables and used OLS model for estimation. The study analyses that better skills in education increase the employment level for males and females in Pakistan.

Chaudhry, Imran Sharif, M. Zahir Faridi and Sabiha Anjum (2010) investigated The Effects of Health and Education on Female Earnings used primary data. The study used female education level, earning and human capital formation as variables and for estimation used descriptive analysis and OLS method. It is estimated that government provide better education for females then earning level is increase.

Aslam, Manazza, et al. (2011) investigated Economic Returns to Schooling and Skills used panel data for the time period 2007-08. This study used rates of return, schooling, cognitive skills, English language skills, gender as variables and for estimation used Multinomial Logic models. It is estimated that education and earnings level are same then increase the level of earning in both countries. Shah, Rummana (2011) investigated Impact of Higher Education on Earnings of Women in the Public Sector Educational Institutions in Pakistan used time series data for the period of 2004. The study used sample of the qualification level, experience and monthly salary of female teachers in Islamabad as variables. The study used survey technique and estimated that increase in educational level increase the monthly earning. Higher education increases the earning level of women in Pakistan.

Afzal Muhammad (2011) investigated Microeconomic Analysis of Private Returns to Education and Determinants of Earnings used primary data for the period of 2009 and estimated by questionnaire technique. This study estimated that the private returns of all educational levels in Pakistan showing low average share in development of Pakistan. Farooq Mohammad (2011) investigated The Returns to Education for Male and Female Workers in Pakistan and used secondary data from the survey for the time period 2004-05. This study used monthly earnings, age, schooling and profession of male and female workers in Pakistan as variables and for estimation used regression and Mincerian model. The study estimated that earning of workers is low and expenditures on education are high in Pakistan. Ashraf, Javed (2011) investigated New Evidence on Rates of Return to Education in Pakistan used time series data for the time period 2001-02. The study used education, returns, Pakistan, monthly salaries, age as key words and Oaxaca model used for estimation. The study estimated that the returns for females are higher than males in level of education.

Sarwar, Ghulam, and Maqbool Hussain Sial (2012) investigated Education and Distribution of Earnings in Pakistan used time series data for the time period 2007-08. The study used returns to education, earnings distribution, age as variables and used for estimation OLS and Heterogeneity technique. The study estimated that improve the education level then earnings are better in Pakistan. Ali (2013) investigated Employment Status and Earning Functions in Urban Informal Sector used primary source of data collected of Punjab. This study used survey technique for estimation. It

is analysed that make more industries in rural and urban areas which provide more employment then earning increased in Punjab.

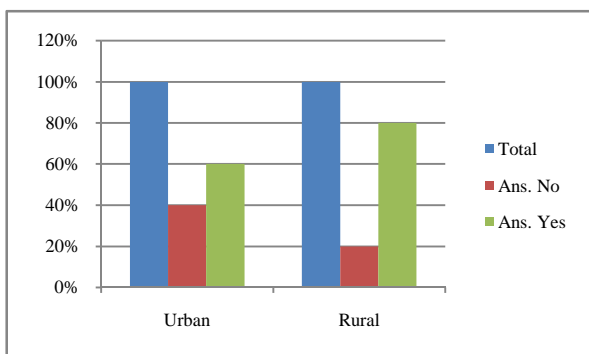
Ali, Liaqat, and NaveedAkhtar (2014) investigated An Analysis of The Gender Earning Differentials in Pakistan used time series data for the time period 2010-11. The study used province, literacy, education, occupation, industry, status of job, age, martial status as key words and used OLS method for estimation. It is estimated that female invest more on education but earning is low rather than males invest low on education but earning is high. Kavuma, Susan Namirembe, Oliver Morrissey and Richard Upward (2014) investigated Private Returns to Education for the Wage-employees and Self-employed in Uganda used panel data for the time period 2005-06 and 2009-10. The study used homogenous and heterogeneous technique for analyses and used variables as future earning, cost of education, schooling, and present value. The study estimated that returns from education in Uganda are very high.

DATA AND METHODOLOGY

This article is related with two regions urban and rural and one sector which is education. Primary data has been collected 100 samples of total population it is divided by urban and rural sectors 50 samples of urban and 50 samples of rural are included. By using questionnaire method to estimate the data. After data collecting we use graphical method from the help of tables, which are calculated by percentage method. In this article we study about factors which are included in earning. We select the bar chart for urban and rural region in each purpose.

Table1 Employed in age of 20-30

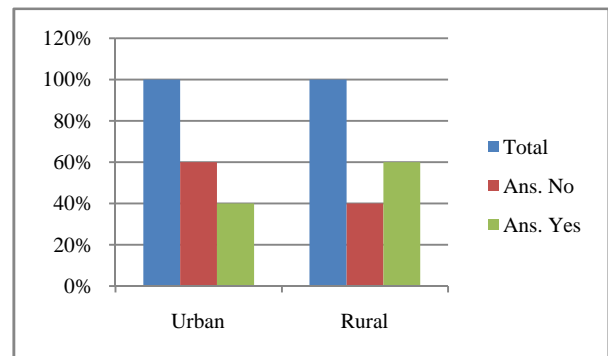
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	30	60%	20	40%
Rural	50	40	80%	10	20%
Total	100	70	70%	30	30%



In this table and bar chart we get the age level of employment in urban and rural sectors. Taking 100 samples in which 50 samples of urban sector and 50 samples of rural sector. In urban sector the people do work in age of 20-30 years, give answer is yes 30 and their percentage is 60% which give answer no are 20 and their percentage is 40%. Similarly, in rural sector response in yes 40 and their percentage is 80% and give answer is no 10 and the percentage is 20%. In over all total percentage in yes is 70% and for no is 30%. We see the 70% individuals are working in the age of 20-30 years old.

Table2 People are graduate or not

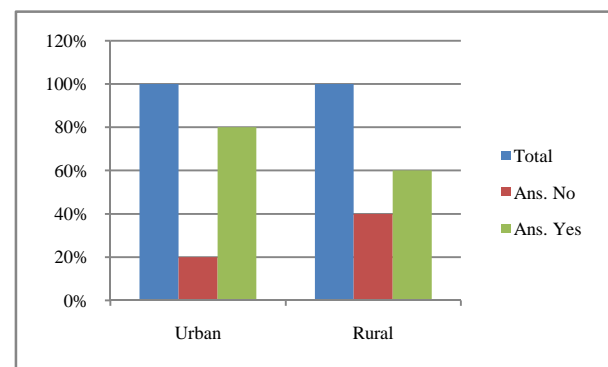
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	20	40%	30	60%
Rural	50	30	60%	20	40%
Total	100	50	50%	50	50%



The individuals which are graduate in urban and rural sectors. In urban sector which are graduate 20 and the percentage is 40%, which are not graduate 30 and the percentage is 60%. In rural sector people are graduate 30 and the percentage is 60%, which are not graduate 20 and the percentage is 40%. We see in rural sector more people graduate but in urban sector less people are graduate.

Table3 Currently employed or not

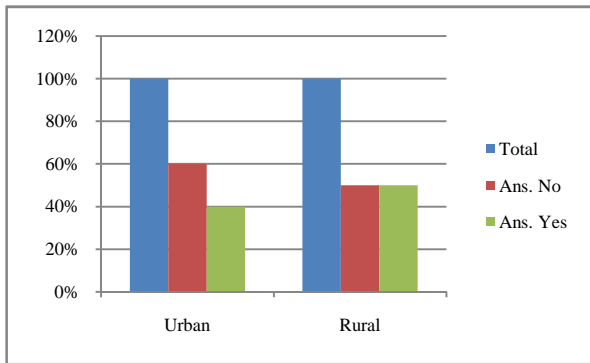
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	40	80%	10	20%
Rural	50	30	60%	20	40%
Total	100	70	70%	30	30%



In urban sector 40 individuals are currently employed and their percentage is 80% but 10 individuals are not employed their percentage is 20%. In rural sector 30 people are currently employed and its percentage is 60% and 20 people are not employed and the percentage is 40%. In over all total 70% individuals are employed and 30% are not currently employed.

Table 4 You are a teacher or not

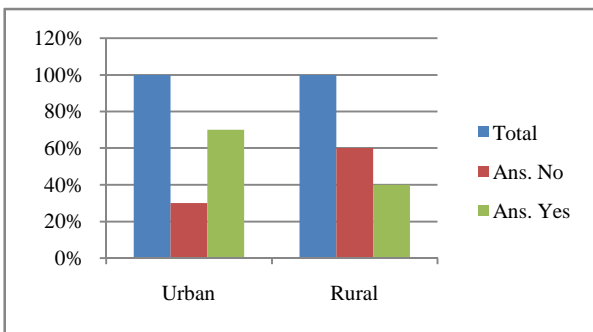
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	20	40%	30	60%
Rural	50	25	50%	25	50%
Total	100	45	45%	65	65%



In currently employed individuals total 45% are teachers and 65% are not teachers, Which are not teachers they doing another job. In urban side 20 individuals are teacher and the percentage is 40%, 30 individuals are not teachers and their percentage is 60%. In rural side 25 individuals are teachers and its percentage is 50%, 25 are not teachers and the percentage is 50%.

Table5 You are a businessman or not

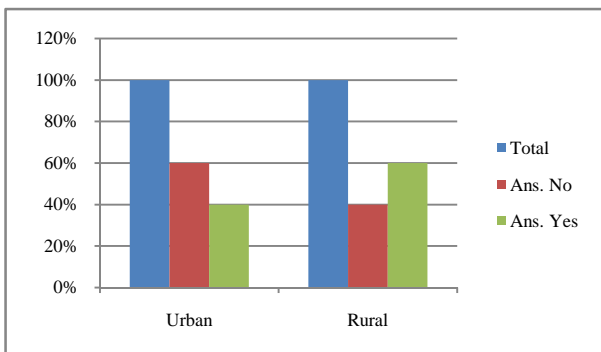
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	35	70%	15	30%
Rural	50	20	40%	30	60%
Total	100	55	55%	45	45%



Which are not working as a teacher, they are doing another job. Total businessman in the economy are 55% and 45% are not doing its own business. In urban sector 35 are businessman and its percentage is 70% but 15 individuals are not businessman and its percentage is 30%. In rural sector 20 individuals are businessman and the percentage is 40% and 30 are not doing its own business and its percentage is 60%.

Table6 Income is 10000 or above

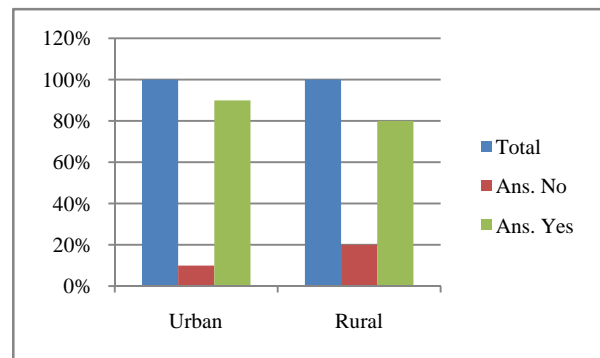
Area	Sample	Income is 10,000	%ge	Income is 10,000+	%ge
Urban	50	20	40%	30	60%
Rural	50	30	60%	20	40%
Total	100	50	50%	50	50%



The 50% individuals are earning 10,000 income and 50% are not earning 10,000 income. In urban side 20 individuals are earning 10,000 income and their percentage is 40%, 30 persons are not earn at that level and the percentage is 60%. In rural sector 30 persons response yes and their percentage is 60%, 20 response no and their percentage is 40%.

Table7 Currently married or not

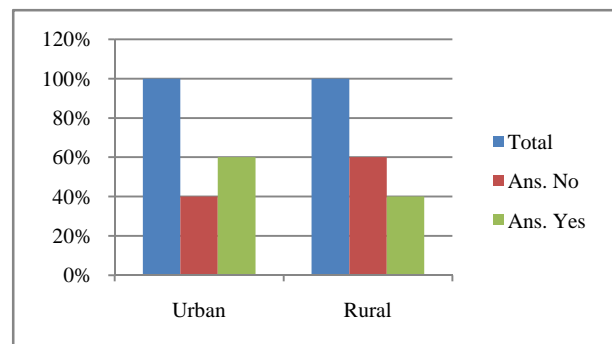
Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	45	90%	5	10%
Rural	50	40	80%	10	20%
Total	100	85	85%	15	15%



85% over all individuals are married and handling the household system but 15% are not married and all spending themselves. In urban side 45 reply yes and the percentage is 90% 5 reply no and its percentage is 10%. In rural sector 40 reply yes and their percentage is 80% and 10 reply no and its percentage is 20%.

Table8 Work load per week

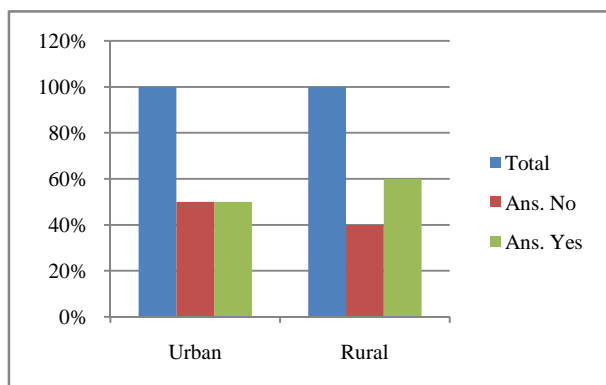
Area	Sample	More than 35 hours	%ge	Less than 35 hours	%ge
Urban	50	30	60%	20	40%
Rural	50	20	40%	30	60%
Total	100	50	50%	50	50%



The individuals which are doing more than 35 hours in a week 50% and which are doing less than 35 hours in a week 50%. In urban sector 30 feedback for doing work more than 35 hours in a week and their percentage is 60% but 20 feedback for less than 35 hours in a week and its percentage is 40%. In rural sector 40% reply that work more than 35 hours in a week and 60% reply that doing work less than 35 hours in a week.

Table9 Income include by women

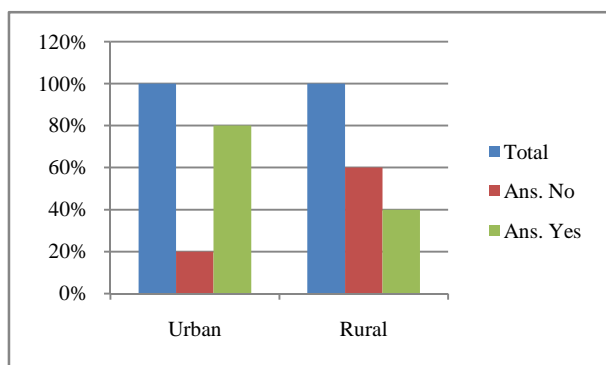
Area	Sample	Income of women's	%ge	Income of men's	%ge
Urban	50	25	50%	25	50%
Rural	50	30	60%	20	40%
Total	100	55	55%	45	45%



Women's participation in income in urban sector is 25 and its percentage is 50%, men's participation is 25 and its percentage is 50%. In rural sector women's participation is 30 and its percentage is 60% and men's participation is 20 and its percentage is 40%. Total women's participation in economy earnings is 55% and 45% participation is include by men's.

Table10 Women are educated or not

Area	Sample	Ans. in Yes	%ge	Ans. In No	%ge
Urban	50	40	80%	10	20%
Rural	50	20	40%	30	60%
Total	100	60	60%	40	40%



Womens are educated in urban sector is 40 and their percentage is 80% but 10 reply for not educated and their percentage is 20%. In rural sector 20 are educated and its percentage is 40% and 30 are not educated and its percentage is 60%. Over all 60% womens are educated and 40% womens are not educated.

CONCLUSION

The purpose of this study to determine the rates of return to education and determinants of earning in education sector of Pakistan. By this study we know that education is a basic determinant of education without education nobody can earn for spending. We collect the 100 samples which solved by the persons living in rural and urban areas. These samplless howing that our education system is not better. We should try to improve the education level of Pakistan for best economy in the world because education is an important part of the

economy which play an important act in each and every sector of life.

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