The Relationship between Different Levels of Education and Income Earnings: A Case Study of Islamia College Peshawar

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Abstract

The objective of this paper is to find out that how different levels of education effect income earnings of the people at Islamia College Peshawar. For this purpose, cross sectional data was collected from 40 respondents employed in different departments at Islamia College Peshawar. The result shows that higher education leads to higher level of income. On the basis of study it is suggested that the public expenditures should be increase on education so that the quality as well as the quantity of education should increase which will leads to higher employment level as a result the living standards of the people will also be improved.

Keywords: Income Earnings, Levels of Education, Income Distribution, Income Classification, Per Capita Income

1. Introduction

Education strengthens the growth of a country. In fact those countries having effective education system produces leaders of the world, socially as well as economically. Education plays a critical role in current labor markets, those how are more educated are getting higher income than those who are less educated or uneducated individuals.

Michaelowa, Katharina (2000) the social and economic lives of individuals are effected by education which effect economic development in different ways. Education guides the persons in everyday life to overcome any difficult situation in an effective way. The deficiency of elementary schooling has always been considered as main source for poverty.

Income earning is an important social and economic issue in the study of economic development. Income is the reward of an individual who utilize his mental or physical ability to develop specific sector or institution in which he is employed. Income earning is basically determined by education and training. A person gets income according to his qualification. The higher a person gets qualified, the more his income will be.

Baum,Sandy and Payea,Kathleen (2004) students invest their money, time and energy to build their future. Families reduce their expenditures and increase their savings for sending their children's for higher education because of more opportunities and a vision of leading a high living standard. More of the people are of the view that high earnings are linked with higher education.

Ning, Guangjie (2010) Education is considered as an important factor for individual's income education improves the skills of individuals which have a positive effect on production due to which more educated person often receives high income. To decrease poverty and income inequality in developing country investment on education is the key source.

1.1. Study Background

This topic is selected for the study to examine the financial position of the people having different level of education and observe the income level of those people. Most of the people rely on religious education only and consider it sufficient for them because they consider that the concept of modern education is taken from western education. Pakistani society is conservative which is the cause of low level of education. Majority of population lives in rural areas and they want to indulge the occupation of their forefather.

1.2. Hypothesis

H1: Higher education leads to higher income
H2: Higher education improve the living standard of the masses

1.3. Objectives

To examine the return of higher education in Islamia College Peshawar
Higher educated people have low chance of unemployment

2. Literature Review

An education shows a positive relationship with the income level. According to the theory of human capital, with the higher education, skills and abilities of the people increases due to which there productive capacity increases. In a competitive market wages are equal to labor productivity; labor with high productive capacity will get more wages. (Gary Becker 1964)

Education is the driving force of growth and progress in an increasingly interconnected and globalizing world. (Dr Anwar 1978)

The study shows positive and direct association among schooling and pay. In Pakistan most of the national surveys lack information on factors like years of school completion, starting age of education, learning, proficiency abilities and worth of education because of such constraints it is difficult to compute the effects of additional years of education on individual earnings. (Shabbir and Khan. 1991)

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From different years of schooling people get different skills due to which we prolong the study to observe the increase in earning with the additional years of education at different level that is how getting higher education affects earnings i.e from matric, intermediate and bachelor and masters (returns to investment in education by George Psacharopolose, vol, 22 1994)

Human capital is the distinctive set of skills and abilities that the people carry to the labor market. Educated human capital brings special skills and abilities which improves the workers efficiency and productivity. As a result, advance education normally leads to increase in income. Economists refers this increase in income to advance education. (card David E, 1999)

The study shows the impact of education on income inequality. The results show a negative correlation between primary education and income inequality on the other hand a positive correlation exists between higher education and income inequality. (Barrow, 1999).

The relationship between income inequality and different levels of education has been examined in the research. The researchers found a negative correlation between income inequality and a country's average education attainment. (De Gregorio & Lee 2002).

the report shows a negative correlation between govt: expenditures and inequality on education, while other reports shows positive relationships between the two variables i.e education and govt: expenditures (Sylwester, 2002).

The study starts by studying the local income level. It was found that education has an important role in cross regional differences in income, while both vocational training and higher education play important role in his inequality. (Trendle and pears, 2004).

There is strong relationship between earnings and education. In 2008 the people having bachelor's degree earned 65% more than those having High School diploma and 130% more than working uneducated or primary educated people.(Blanden,2008).

Education plays a vital role in producing efficient and skilled labour force who can lead the economy towards the sustainable economic growth. In Pakistan the condition of educational sector is not promising. The low enrolment rate at the primary level, increased gap among regions and gender, non-availability of professional teachers, deficiency of proper teaching materials and poor physical infrastructure of schools indicate the poor performance of the sector (Michael P. Todaro 11th Edition).

The government is allocating funds to education in such a way that is more benefited for the upper income class. Mostly highly educated people go abroad for getting better job. Mostly they do not return which causes a large brain drain (Zafar Mueen Nasir).

The income difference between individuals with a college education and those with only a high school education is known as "college premium (Kevin Murphy 2009).

The levels of education not only affect the income of individuals but it has also very important for policy makers. With an estimated 10% per annum rate of return, education is likely to be one of the best investment a government can make. By giving subsidies on schooling, education will be more inexpensive and easily accessible which will leads to a positive effect on economic outcomes and will increase income of low income individuals (Douglad C. Smith).

Education brings important benefits to the people through higher employment opportunities and income. Policy makers could solve different challenges faced by society by identifying the influence of education (OECD, 2012).

3. Data and Methodology

The cross sectional data was collected from the respondents through a structured questionnaire. A well-structured questionnaire was design for this purpose so that to collect the data from the respondent's according to the objectives of the study. Primary data was collected from the employees of the Islamia College Peshawar employees. The respondents have different qualification levels ranging from Middle to Higher education. Islamia College Peshawar was selected on convenience basis. The data was collected from 40 employees having different basic pay scale during 2014-15.

The secondary data in this work was collected from Economic survey of Pakistan (different issues and volumes), Higher education Pakistan (HEC) and other national and international organization. For the data analysis different Percentages, tables and graphs were derived by using MS excel 2010.

4. Analysis and Results

In the descriptive analysis the age of the people, employment base and status/designation, level of education, income distribution, family size, gender, job satisfaction, time association, monthly expense and per capita income is analyzed.

Table 1: Age wise classification of respondents

S. No	Age	No of Respondent	Percentage
1	Below 18	0	0%
2	18-24	4	10%
3	24-45	34	85%
4	Above 45	2	5%
5	Total	40	100%

It is clear from the above table that 40 respondent were interviewed to collect the required information related to educational institution i-e Islamia college Peshawar. Among these 40 respondents 10% were under the age of 18-24, 85% were under 24-45 while 5% were above 45 ages. We may analyze that the percentage of the labor force is greater than the others.
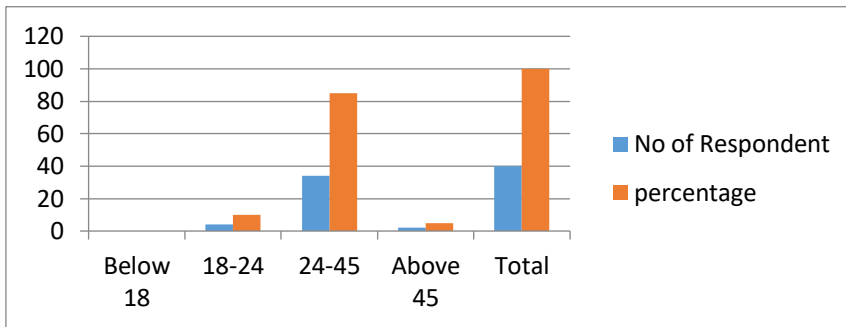
Figure 1: Age of the Respondents

Table 2: Gender Wise Distribution of Respondents

Gender	Number of Respondents	%age of Respondents
Male	32	80
Female	8	20
Total	40	100

The above result shows that major portion of sample respondents were male i-e 80% and 20% were female employed in educational institution.
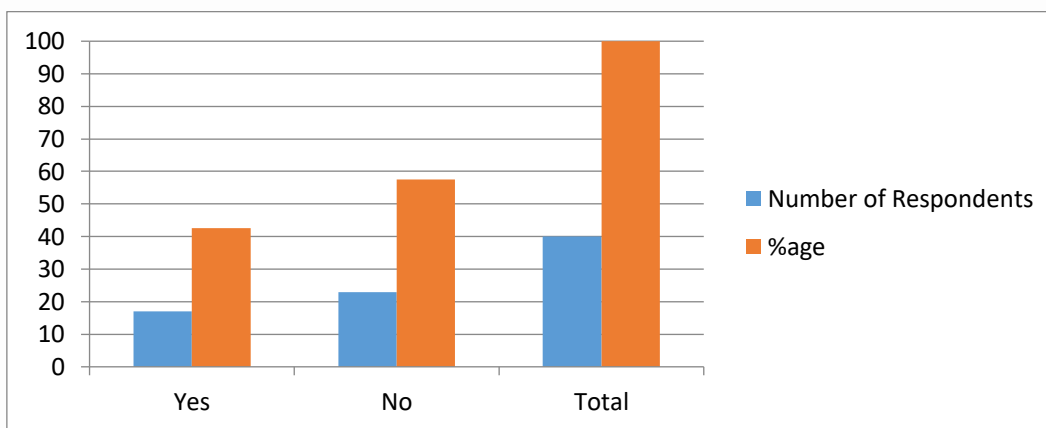

Figure 2: Total Number of the Respondents

Table 3: Classification of sample respondents by designation or status

Designation	No of Respondents	Percentage
Lecturer	23	57.5%
Assistant professor	7	17.5%
Associate professor	0	0%
Others	10	25%
Total	40	100%

The above table shows the status or designation of the employees. Out of 40 sample respondents 57.5% are lecturers, 17.5% are assistant professors while 25% are others in which peon, junior clerks, clerks, assistant chief proctor, superintendent, registrar, incharge, hostel warden etc are included.
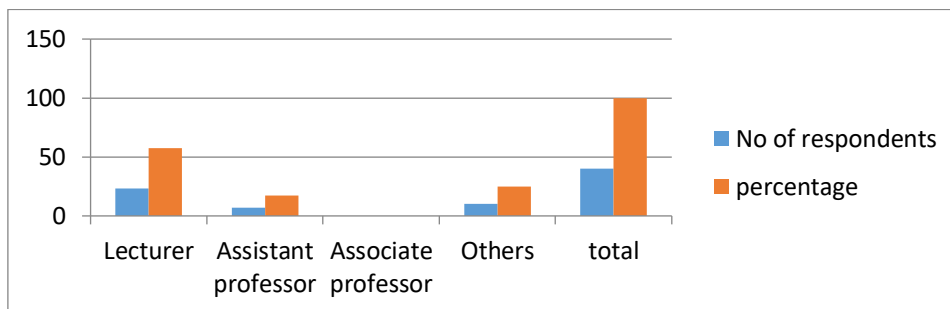

Figure 3: Designations of the Respondents

**Table 4:** Education wise classification of the respondents

Education Level	No of respondents	Percentage
HSSC	03	7.5%
Bachelor's Degree	04	10%
Master's Degree	10	25%
MS/M.phil	15	37.5%
Ph.d/post Ph.d	8	20%
Total	40	100%

The above result shows that major portion of the sample respondents are M.phil i-e 37.5% and minimum numbers of them i-e 7.5% are having High School Secondary Certificate. 10% are graduate while 20% of them are Ph.D. holder and 25% population is post graduate level.
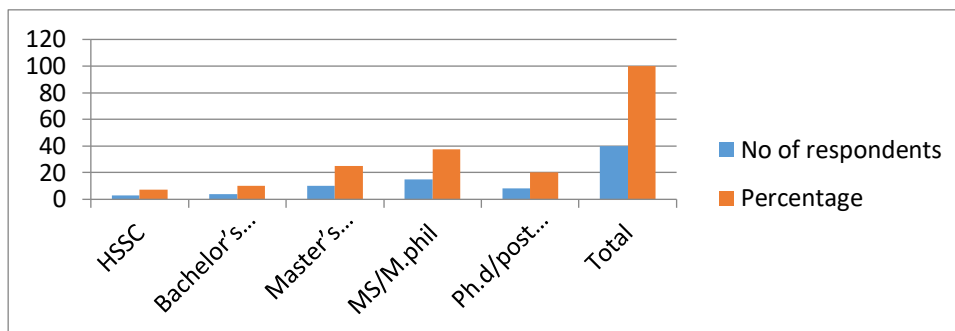
Figure 4: Education of the Respondents

Table 5: Average number of family members of the sample respondents

Qualification Level	Average family members	Percentage
HSSC	09	33
Bachlors	07	17.5
Masters	07	17.5
MS/M.phil	06	15
Ph.d/post Ph.d	06	15

From the above given table, average number of family members of different qualified individuals are analyzed. At High Secondary School level average number of family members is 9. Average family size is 7 at both Bachelor's and Masters level while highly qualified people has lower average member's i-e 6. We may analyzed that as qualification level increases the family size decreases as examined in above given data collected from educational institution.
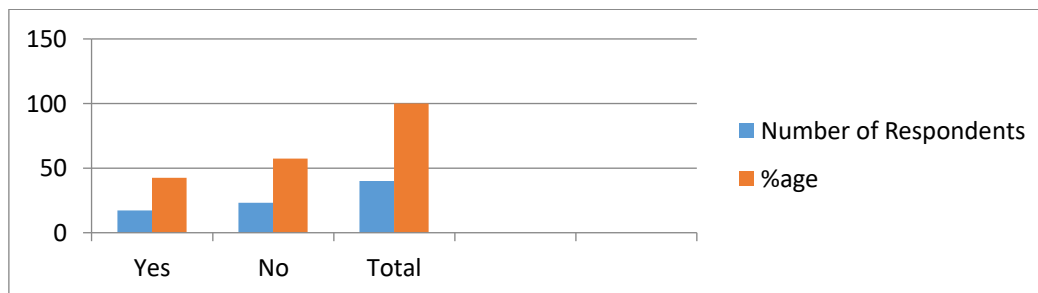
Figure 5: Percentage of the Respondents

Table 6: Income distribution according to qualification

Qualification Level	Average Income	Percentage
Metric/F.A/F.sc	13,966	7.5%
B.A/B.sc	20,091	9.5%
M.A/M.sc	44,700	21%
MS/M.phil	52,760	25%
Ph.d/post Ph.d	79,375	37%
Total	2,10,892	100%

From the above table income distribution according to education is observed. At lower education level i-e metric/F.A average income is lower comparatively higher level. As education level increases income level is also increases. 37% income is taken by the higher educated people. 25% income is taken by MS/M.phil people. 21% is taken by post graduate and 9.5% is taken by graduate people.
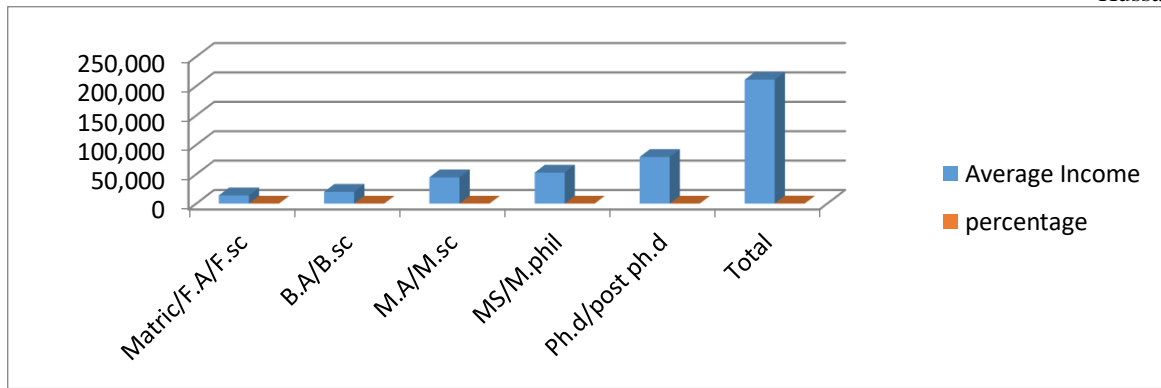
Figure 6: Education Percentage of the Respondents

Table 7: Sufficient supporting income classification

Sufficient Supported Income	Number of Respondents	%age
Yes	17	42.5
No	23	57.5
Total	40	100

Qualified people who are employed in educational institution get income of their services, but that income is not sufficient to support their families. The above given table shows the number of those individuals which are not satisfied from their salaries. Out of 40 sample respondents 17 employees could support their families while 23 people cannot support from this income. The percentage of the people which cannot support their families is comparatively high.
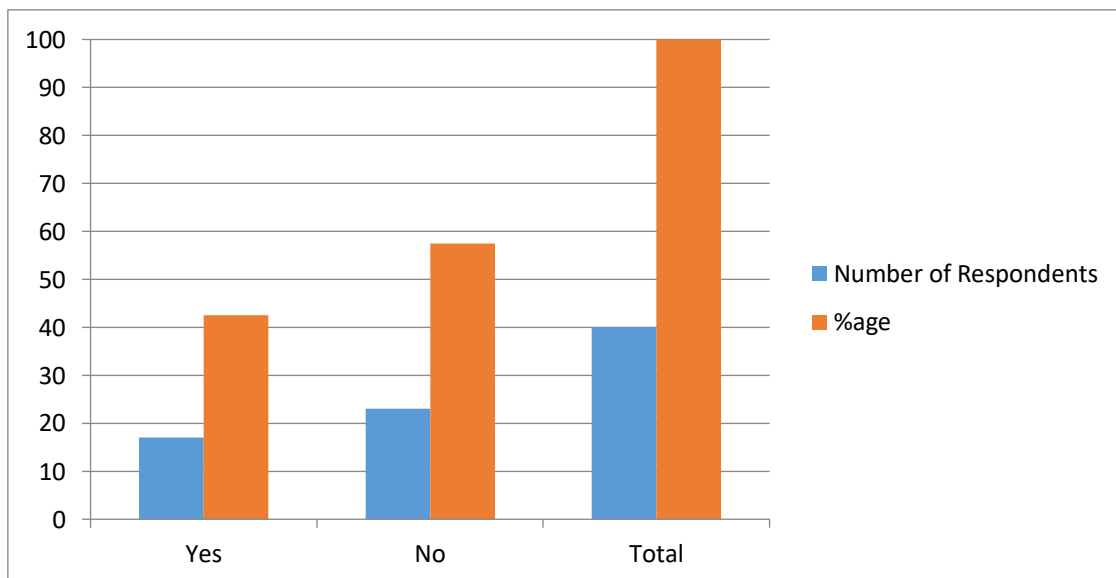

Figure 7: Yes/No with Percentage of the Respondents

Table 8: Per capita Income of the Respondents

Qualification Level	Average Income	Average PCI
Matric/F.A/F.sc	13,966	4655.3
B.A/B.sc	20,091	5022.75
M.A/M.sc	44,700	4470
MS/M.phil	52,760	3517.3
Ph.d/post ph.d	79,375	9921.875
Total	2,10,892	5272.3

In the above giventable we have the average income of the 40 sample respondents collected from the educational institution. From this average income we derive the per capita income of education sector. By dividing the total average income to the total population we may derive the required per capita income (PCI).

We may analyzed that the per capita income of the lower education level i-e metric or intermediate level is very low as compared to the higher education level i-e Ph.d or post Ph.d. we can say that education has a great effect on per capita income of the economy.
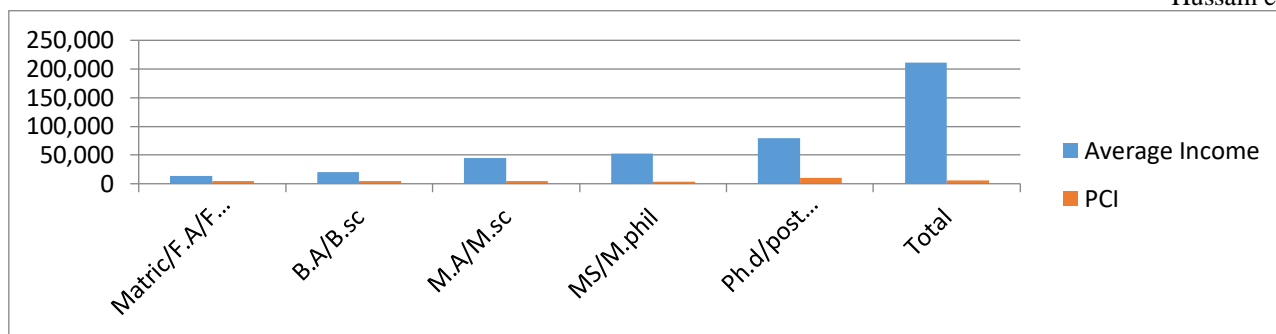
Figure 8: Average Income of the Respondents

5. CONCLUSION

Education plays a vital role in improving the living standard of people, because of the special abilities in the masses which increase their output. Higher education shows positive relation with the income earnings. Education has not only positive impact on the income earnings but it also plays an important role in policy making. We examine the income of people at different levels of education, i.e. with the different level of education how an increase in rewards occur, Such as higher secondary school certificate, Bachelors, Masters, M.Phil/MS and PhD level. The result shows that with increase in education the income of the people increases significantly.

From the tabulated data some conclusions were derived which are as follows

1.   For maximum utilization, the resources must be divert to efficient and effective type of education. It means that investment in education sector must be made in such a way which increase the quantity as well as improve quality of the education.

2.   For proper utilization of resources in education section allocation of budget need to be increase. While distinctive actions are needed to minimize the regional and genders inequality.

3.   Incentives in form of scholarships, subsidizing schooling and free education should be given to increase the higher education level.

4.   To improve the living standard of the poor people and increase the economic effects increase in budget allocation is needed in education sector.

5.   Compulsory schooling by setting a minimum school leaving age.

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