



Education and Earnings: A Review Analysis

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Abstract: There is a relationship between earnings and education and education is very crucial for equitable societal development “Mincerian” earnings function is taken as a starting point for existence of a relationship between education and earnings.

Keywords: Education, earnings, human capital inequalities, Mincerian, rate of return.

INTRODUCTION

Education has a vital place in present day labour market. The emphasis is that present cost incurred in education will lead to future earnings according to studies based on human capital. A comparison of studies based on human capital investment and returns on this investment. Studies have concluded that there is a relationship between earnings and education, and education is very crucial for equitable societal development. It's outreach to marginalized sections is crucial if demographic dividends are to be translated into incremental rates of economic growth. Inequalities in education can percolate to other dimensions of inequalities.

“Mincerian” earnings function is taken as a starting point for existence of a relationship between education and earnings. Its function is taken as a starting point for existence of a relationship between education and earnings. Its is a single equation model where wages or earnings are a function of education experiences and other socio-economic factors while this relationship can be seen in a number of ways, it remains the most powerful measure for calculation of returns to education.

INDIA'S BACKGROUND

If we look at the Indian case, there are diverse socio-economic categories of differently educated individuals showing variability in education. Studies have also indicated uneven access to higher education particularly. The so called ‘ forward and elite classes’ and possess more technical capabilities it seemed. This could be a result of their economic improvement had let to more ‘quality’ school education and higher education. This has got aggravated by gradual withdrawl of the state form education.

Taking into account all the above facts in mind. Estimating rate of return to education is important and a cost-benefit analysis of expenditure on education is important. This would help both the stake holders and the government for policy analysis. Many studies have attempted to measure rate of return to different levels of education using sample surveys. These studies have indicated that are increases in rate of return to education at higher levels of education. Many other factors also account for inequalities in rates of return, notably socio-economic classes gender and locational characteristics.

As there is drealism and segmentation in the Indian labour market, the relationship between earnings and education can be multifaceted. Studies have shown that not only are the backward classes and economic weaker sections vulnerable in terms of educational access, but also in educational outcome indications. This could be partially due to the fact that educated parents have more societal contacts which lead to their children getting highly paid jobs. So it is important to understand socio-cultural biases.

COMPARATIVE ANALYSIS OF RATES OF RETURN

Comparison can be across

i. Different socio-economic classes

- ii. Across Gender
- iii. Across religion
- iv. Across public/private sector
- v. Across Rural/urban sector
- vi. Across income quintiles

Let us start from the first one. Students coming from privileged sections of the society tend to score an edge as they have an advantage in access for ST's, SC's, OBC's and general category respectively for higher education. Another study by P. Geeta Rani (2014) based on sample surveys concluded that family endowments and connections pose huge influence on returns to education. Mitra (2019) using NSS data concluded that discriminations occur in the name of caste and people were judged on basics and prejudices. So we can conclude that while collar jobs are cornered by 'general category' of students. Through policies for empowerment of deprived groups, majority don't benefit them.

Second comparison can be on the basis of religion. P. Geeta Rani (2014) concluded that among different religions groups, 'muslims' had the lowest rates of returns to education. Singhari and Madheswaran had also reported inequality in rates of return among religions groups. Another study by Ansari (2016) also found that of all the religions minorities, 'muslim' community is the most educationally backward and economically poor. This is evident from both the overall attainments of the literacy rates and levels of participation at different education stages. As a consequence they are less likely to attain higher education.

Next we need to study variability in rates of return across gender. According to Mitra (2016) across all quintiles rates of return to females are higher than those of males. Singhari and Madheswaran (2016) conducted a study which identified a notable amount of inequality in rates of return to education across gender. For regular labour market, rates were higher for females.

Rates of return can also be differential across nature of labour and types of enterprise. Mitra (2016) has discussed this in great details. As per this study, there is an advantage present for regular workers in public corporations compared to private organizations. Regular workers pass a 15 to 18% wage advantage in the public sector.

This might be attributed to the fact that private sector is motivated by profit motive and government sector decides about the public sector employees wages. There is also a lacuna in terms of social security benefits in many private industries. In looking at types of employment, Dutta (2006) found returns were higher for higher education, a fact which was supported by Singhari and Madheswaran. Another fact was that technical jobs had a higher return due to industrialization.

Another way of comparing rates of return is across rural and urban sectors. Aggarwal (2011) finds that the returns for higher education were higher for rural areas. Further rural sector wage dispersion is found to be higher in the rural sector especially for those with higher education. So higher education substantially contributes to inter-group wage inequality. The study conducted by P. Geeta Rani (2014) also reports inter-sectorial disparity.

There was a substantial gap in returns with 24% rate of returns in urban area with 4.9% in rural area. The inequalities in earnings started from both the quantity and quality of educational facilities and employment opportunities. Lastly there was also disparity across rates of return regarding regions.

Many studies conducted mentioned that spatial concentration of investment influenced wages. There was a wage disadvantage for eastern and western compared to northern regions. This would imply that policy makers should concentrate on spatial concentration of investment.

OVERVIEW OF THE INDIAN CASE

It has been long accepted that higher education can foster social and economic development as it helps augmenting economic growth and reducing inequalities of income and wealth. In other words, an expanding system with inclusive growth will promote equity in accessing higher education. Markets may not achieve desired goals. So



state intervention may be required. Therefore it is important to grant equal opportunities for provision of higher education for more equitable distribution of income and wealth. Equity concerns are driven by social reforms and equality in education is a powerful tool to achieve equality studied have shown that opportunities are not evenly distributed, there is variability in rates of return for education. It is crucial to understand factors affecting them.

There should be emphasis on vulnerable and under privileged groups in policy making and government take affirmative action for them.

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