MONETARY RETURNS AND HIGHER EDUCATION

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Introduction

Human capital a concept introduced by Nobel laureate Theodore. W. Schultz (1961) and elaborated on by Nobel laureate Gary Becker (1972), is the notion that individuals acquire skills and knowledge to increate their value in labour markets. Education, training and experience are the three main mechanisms for acquiring human capital with education being primary for most individuals (Saxton, 2000). Education is a concept influenced by the socio-economic system prevailing in a particular age. In the past, more emphasis was laid on the social and spiritual ends of education as education was expected to generate more externalities useful to the society as a whole. But the present materialistic society lays more emphasis on the economic ends of education (Abraham, 2001). In the education pyramid, the socio-economic significance of primary and secondary education cannot be over-emphasised. It has been universally accepted that the net return from primary education is substantially higher than that of secondary or tertiary education and it has been a proven experience that a state (e.g. Kerala) which provides a strong, adequate and efficient base of primary education also does well in all the vital indicators of human development. It will be difficult to built up and sustain the edifice of higher education with a deficient base of primary education (Thangamuthu, 2000).

In the post-independence period, higher education has expanded fast. Today India ranks very high in terms of the size of the network of higher education institutions, with 8.27 million students enrolled.

Tamil Nadu is one of the largest state having a population of 62.41 million and ranks seventh in the country. With regard to sex ratio it is 986 which has improved from 974 during 1991 whereas in India it was 933. While the literacy rate of Tamil Nadu was almost comparable to all India position in 1941, the state has reached a head of all India in the decades following independence. The results of 2001 census shows that Tamil Nadu has attained third position behind Kerala and Mahastra among major states, both in terms of overall of female literacy, while the over all literacy has gone up from 62.7 percent in 1991 to 73.4 percent in 2001 and the male

literacy has increased from 73.75 to 82.33 percent. What is encouraging is that the female literacy has gone up more than 13 percent from 51.33 percent in 1991 to 64.5 percent in 2001. The ratio of male literacy to female literacy has come down from 1.42 in 1991 to 1.27 in 2001 revealing the narrowing of gender inequality in the state. International comparison are also useful to contextualize the Tamil Nadu performance against other developed countries. Tamil Nadu's position in 1991 was significantly better than that of Pakistan and Bangladesh as all literacy indicators, the state has not at attained the average level of developing countries. The gender inequality index of Tamil Nadu is lower that of Pakistan and Bangladesh and India as a whole.

The existing studies in estimating rate of returns to education in India were found to be highly conflicting. National level estimates made for urban India in 1960 by Blaug et al (1969) showed that investing in education in India is profitable. Heyneman (1980) also supported the views of Blaug et al whereas Nalla Gounden (1967), suggested that education is not an attractive form of investment in India when compared to physical capital, as returns to education were found to be low. Several other economists have also estimated the returns to education for scientific and technical education using macro-level data (Malathy and Duraisamy (1993), Shanmugham and Madheswaran (1998). But there is no studies concentrating on estimating private rate of returns to women education or non-professional education.

With this background, the study focuses on Some Impressions on Higher Education in Coimbatore with objectives of findings the age, education and earnings profile of the non-professional graduates, post graduates and doctorate degree holders among the selected samples.

- ❖ Estimate the private rate of returns to investment in education.
- ❖ Study the pattern of job satisfaction among the selected samples.
- ❖ Account for disparities in job satisfaction levels.

In the course of the study the following hypotheses were tested/

1. It is hypothesized

i. Earnings are positively correlated with education

ii. Experience is positively related to income

iii. Income tends to rise with age to a peak and then tends to fall until the retirement age.

iv. The private rate of returns for investment in Ph.D. level is higher than the returns for post graduates and in turn return for post graduates is more than the returns for graduates.

LIMITATIONS

1. The present study was conducted using cross-sectional data. Thus it did not allow to track the major trends in returns to human capital in the selected sample.
2. This is a micro-level study hence how far the results obtained in this study would be applicable at the macro level is question able.
3. The study did not include any self-employed or unemployed persons.

To carry out the study 180 both (male and female) respondents were selected from R.S. Puram area of Coimbatore city. The educational level wise distribution of the distribution is as follows:

a. Under Graduate degree holders - 60

b. Post graduate degree holders - 60

c. Ph.D. Degree holders - 30

d. Respondents with no higher education - 30

Data for the study were collected from the respondents by administering an interview schedule which was pre-tested in a pilot survey. The collect data were organized tabulated and appropriate tools were applied and the results were arrived yet.

Tool applied

MINCERIAN EARNINGS FUNCTION (MICROFIT PACKAGE)

A very important tool for research in the area of human capital was developed by Mincer. “Mincerian earnings function” has been used by researchers in numerous studies and became an important empirical tool for estimating the private rates of return to education, experience and tenure. One of the popular specification of the

earnings function (Y) is parabolic with education (ED), experience (EXP) and experience squared (EXP^2) as explanatory variables (Dougherty and Jimenez, 1991).

$$\text{Ln } Y = \beta_0 + \beta_1 (ED) + \beta_2 (EXP) + \beta_3 (EXP^2)$$

Mincer showed that the coefficient β_1 of the education variable could be interpreted as a "crude estimate of private rate of returns to schooling".

The above functional from was fitted to the data to estimate the private rate of returns of women's higher education.

The co-efficients of the educational dummies estimated using the function above do not directly provide the rate of return (Shanmugham and Madheswaran, 1998). The following formula was used to convert them into rates of return

$$\beta* = (e^{\beta} – 1) = 100$$

where β^* - rate of returns in per cent.

β^* - Co-efficient of educational dummies obtained from the Mincerian equation.

The average rate of returns (Aq) for q^{th} level of education was estimated by dividing the returns obtained for q^{th} (β^*) by the total number of years of schooling (N):

$$A_q = \frac{\beta^*}{N}$$

The marginal rate of returns to investing one year at the q^{th} level of education (R_q) was calculated. It was done by taking the difference between the estimated rates of return for q and q-1 level of education and dividing it by the number of years of schooling at the q^{th} level (n_q).

$$R_q = \frac{[\beta^* q - \beta^* q\text{-}1]}{N_q}$$

In order to prove the superiority of semi-logarithmic earnings function a comparative analysis was made between linear and semi-logarithmic earnings function. The following linear function was estimated.

$$\text{Earn} = \beta_0+\beta_1 ED_1+\beta_2 ED_2 +\beta_3 ED_3 + \beta_4 EXP+\beta_5 EXP^2$$

Where EARN denotes the monthly earnings of the sample, ED_1, ED_2 and ED_3 are educational level dummies, EXP is the years of experience, EXP^2 is square of experience term.

FINDINGS

A. GENERAL PROFILE

Majority of the respondents in the Under Graduate and Post Graduate categories earned less than Rs. 10,000 per month while 40 per cent of the Ph.D. holders earned between 20,000 and 25,000 per month.

Sector of employment positively influences the earnings of an individual. Sixty per cent of the Under Graduates were employed in the private sector while about 52 per cent of the Post Graduates were employed in the public sector. All the Ph.D holders were employed in the public sector.

B.RETURNS TO EDUCATION

Returns to different levels of education may be estimated using two alternative approaches namely the elaborate method and the earnings function method. The elaborate method requires information on the cost of education which is rarely available and hence the earnings function method is the one that is widely used. MINCERIAN SEMI-LOGRITHMIC SPECIFICATION IS THE MOST COMMONLY USED FORM OF THE EARNINGS FUNCTION (DURAISAMY, 2000). The rate of returns to education for the three educational levels was estimated and is discussed below:

Standard Mincerian Earning Function (Equation I)

The semi-logrithmic earnings function, also known as the Mincerian earnings function which is the commonly accepted functional form for the earnings function was fitted for estimating the returns to education. The analysis was done separately for the total sample and for males and females.

The mean and standard deviation of the variables used in this equation are presented in Table 1.

TABLE 1

MEAN STANDARD DEVIATION OF THE VARIABLES

Variables	Mean			Standard Deviation		
Log	8.847	8.957	8.738	0.805	0.777	03.823
earnings	0.167	0.167	0.167	0.374	0.375	9.375
ED_1	0.33	0.333	0.333	0.473	0.474	0.474
ED_2	0.33	0.333	0.333	0.473	0.474	0.474
ED_3	12.72	14.2	11.233	9.744	9.744	9.544
EXP	256.13	296	216.256	308.797	308.797	291.742
EXP^2						

When evaluating the specification of the earnings function, Doughetry and Jimenez (1991) found that the earnings equations were subject to heteroscedasticity, although this problem was largely reduced when the log of earnings, rather than earnings themselves were used in the equation. For this reason, the investigator suspected that the coefficients' variances may be heteroscedastic. But the ARCH test for heteroscedasticity presented in Table 2 proved that there was constant variance of the coefficients. Hence the ordinary least square estimation was used in place of robust OLS estimation which was used in few studies (Duraisamy, 2000; Dougherty and Jimenez, 1991).

The summary statistics of the regression results for the equation applied are provided in Table 2.

TABLE 2

STANDARD MINCERIAN EQUATION ESTIMATES (EQUATION I)

Variable	Coefficients	Standard Errors	't' ratio
Constant	7.3292	0.77618	94.4267*
ED_1	1.0580	0.10259	10.3128*
ED_2	0.75971	0.086559	8.7768*
ED_3	0.47979	0.086086	5.5734*
EXP	0.11273	0.011332	9.9483*
EXP^2	-0.0019711	0.0003505	-5.6237*
R – Squared	0.79696		
F – Ratio	136.5930*		
ARCH $\chi 2$	1.1397		

Note: ARCH is the test for heteroscedasticity; *-denotes statistically significant at one percent level.

The result presented in Table – 2 revealed that the coefficient of experience (EXP) was statistically significant. Its magnitude suggested that one additional year of experience contributed to an increase in earnings of an average 11.27 percent, while the negative coefficient of the experience squared (EXP^2) suggested that the marginal effect of experience on earnings diminished with more experience accumulated, But the rate of its change was low at 0.19 percent.

The coefficient on the educational dummies (ED_1, ED_2, and ED_3) presented in Table - 2 do not directly provide the rate of return. They were converted into rates of return using the formula.

$$\beta* = (e^{\beta} - 1)\ 100$$

Where β^* □□rate of returns in percent.

The results of this analysis are presented in Table 3.

TABLE 3

RATES OF RETURNS TO EDUCATION

Educational level	Rate of Returns
Ph.D. holders	189.71
Post Graduate	114.45
Under Graduate	61.79

The results presented in Table 3 indicate that a person with Ph.D. degree received 189.71 percent higher income than a person with no higher education. The Post Graduate and Under Graduate degree holders earned 114.45 percent and 61.79 percent of more income than those with no higher education.

Using the coefficients of educational dummies, the average and marginal rates of return per year of schooling was estimated for all the three levels of education. It was assumed that an individual spent 3, 2 and 4 additional years over the previous level of education to complete Under Graduate, Post Graduate and Ph.D. levels of education. The results are shown in Table 4 and 5.

TABLE 4

AVERAGE RATE OF RETURNS TO EDUCATION

Educational level	Average Rate of Returns
Ph.D. holders	5.04
Post Graduate	4.47
Under Graduate	3.19

TABLE 5

MARGINAL RATE OF RETURNS TO EDUCATION

Educational level	Marginal Rate of Returns
Ph.D. holders	7.457
Post Graduate	13.996
Under Graduate	15.99

The average returns to education increases with an additional level of education. The marginal rate of returns to investing one year at the level of Ph.D. was only around 7.5 percent whereas the marginal returns for Post Graduate degree was 13.99 percent and for Under Graduate degree it was 15.99 percent. This result is in line with the standard investment models, which assumes that the rate of return declines as the level of investment rises.

b. Experience – Earnings Profile

As reported in earlier studies (Tsakloglou and Cholezas, 2001), the experience – earnings profile for the present study does not show a bell – shaped curve. The reason could be that the sample does not include individuals who are more than 58 years of age which is the retirement age. And the income of an individual is found to decline with age only in the unorganized sector where the productive capacity of the individual declines with age.

The maximum return to experience is obtained at about 24 years for all the three levels of education and it is proved the absence of wage discrimination among the selected sample. The results of experience – earnings profile for different sectors of employment showns that the earnings of public sector employees are clearly ahead of private sector employees.

c. Test of Restrictions

The test of restrictions that the coefficients of the q^{th} and q-1th levels of education are equal to each other provided the following results. The tests were applied at three levels.

1. Equality of coefficients of Educational Dummies of Ph.D. level and Post Graduate levels of education

The test of restrictions that the coefficients of the Ph.D. level and Post Graduate levels of education are equal was tested using the following null hypothesis.

Ho: Coefficient of Ph.D. level is equal to the coefficient of Post Graduate level.

F ratio was calculated using the formula

$$F^* = \frac{(\Sigma e^2_R - \Sigma e^2)/2}{(\Sigma e^2/ (n-k)}$$

Where Σe^2 = sum of unrestricted squared residuals

Σe^2_R = sum of restricted squared residuals

n = size of sample

k = size of explanatory variables

c = number of restrictions

$F^* = 12.7497$

$F_{0.01}$ (1,172) = 6.63

$F^* > F_{0.01}$

Since the calculated F* exceeds the table value, null hypothesis was rejected and hence coefficient of Ph.D. is not equal to the coefficient of Post Graduation or the returns to the two educational levels are different.

2. Equality of coefficients of Educational Dummies of Ph.D. level and Under Graduate levels of education

The test of restrictions applied to test the equality of coefficients of Ph.D. and Under Graduate levels of education was tested for the null hypothesis.

Ho: Coefficient of Ph.D. level is equal to the coefficient of Under Graduate level.

The F ratio was estimated to be equal to 63.14900. This ratio was found to be greater than the table value at one percent significance. Hence, the null hypothesis was rejected.

3. Equality of coefficients of Educational Dummies of Post Graduate level and Under Graduate level of education

The test whether the coefficients of Post Graduate and Under Graduate levels of education are equal, F ratio was calculated to test the null hypothesis.

Ho: Coefficient of Post Graduate level is equal to the coefficient of Under Graduate level.

F* ratio was estimated to be 17.017. This ratio clearly exceeds the table value at one percent level of significance.

The test of restrictions revealed that the coefficients of Post Graduate level and Under Graduate level of education are not equal.

The results of test of restrictions imply that the returns obtained for the different educational levels vary.

d. Returns to Education by Gender

The estimates of standard Mincerian earnings equation for males and females are reported in Table 6.

TABLE 6

RETURNS TO EDUCATION BY GENDER

Variables	Coefficients		t - ratio	
	Male	Female	Male	Female
Constant	7.5600	7.1655	61.0505*	74.8272*
ED_1	1.1653	1.0899	6.7037*	8.8272*
ED_2	0.78351	0.83378	5.5675*	7.7139*
ED_3	0.58729	0.43051	4.4046*	3.9608*
EXP	0.070600	0.13605	3.5307*	10.1843*
EXP^2	-.0008673	-0.0025848	-2.5100*	-5.9026
R – Squared	0.76120	0.85083		
ARCH $\chi 2$	0.056317	5.5790		
F – Ratio	53.5505*	95.8195*		

Note: ARCH is the test for heteroscedasticity; *-denotes statistically significant at one per cent level.

From the results presented in Table 6, it can be concluded that the experience (EXP) contributed to an increase in earnings of an average of seven percent for

males and 13.6 percent for females, while the coefficient experience squared (EXP2) suggested that the marginal effect of experience on earnings diminished with more experience accumulated for both males and females at the rate of 0.08 percent for males and 0.2 percent for females. At the experience front, there was a clear difference between the sexes. The experience variable was found to affect the male earnings more than that of males.

The coefficients of educational dummies (ED1, ED2 and ED3) presented in Table 6 were converted into rate of returns and the results are presented in Table 7.

TABLE 7

RATE OF RETURNS BY GENDER

Educational level	Marginal Rate of Returns (%)	
	Male	Female
Ph.D. holders	220.69	197.39
Post Graduate	118.91	130.20
Under Graduate	79.91	53.80

The results presented in Table 7 suggest that males receive higher earnings than females at the Ph.D. level and Under Graduate level of education. This result is fully consistent with the world evidence on wage discrimination. But at the Post Graduate level females seem to have an edge over the males in their earnings.

e. Extended Mincerian Earnings Function with Gender (Equation 2)

The standard Mincerian function presented in Equation 1 does not include gender as an explanatory variable to estimate the returns to education. To test whether the gender variable is significant in influencing the earnings of an individual, the variable gender was included with the Equation 1 and the results arrived out of this regression are presented in Table 8.

TABLE 8

MINCERIAN EARNINGS FUNCTION WITH GENDER (EQUATION 2)

Variable	Coefficients	Standard Errors	't' ratio
Constant	7.3127	0.080595	90.7341*
ED_1	1.0633	0.10294	10.3295*
ED_2	0.76293	0.086760	8.7936*
ED_3	0.48252	0.086258	5.5939*
EXP	0.11165	0.011430	9.7680*
EXP^2	-0.0019485	0.0003521	-5.5337*
Gender	0.043149	0.055851	0.77257
R – Squared	0.79766		
F – Ratio	113.6633*		

Note: *-denotes statistically significant at one percent level.

The coefficient of gender presented to Table 8 was statistically insignificant. This result contradicts the world evidence that gender is an important variable influencing the earnings of an individual. Gender discrimination is a feature of developing countries. The variables used in standard Mincerian function namely education, experience and experience squared were statistically significant. Hence, the influence that can be drawn from the results presented in Table 8 is that there is absence of wage discrimination among the selected sample and the gender of the individual does not affect his or her earning potential.

f. Extended Mincerian Earnings Function with Age (Equation 3)

Mincerian earnings function was estimated using age as an explanatory variable in addition to education, experience and experience squared. The results of various studies that used age as a variable to determining returns showed that those in the 45-85 age cohorts receive higher returns to college education than the younger age groups (Duraisamy, 2000). To test whether this result was applicable to the selected sample the age variable was included.

The results indicated that the age is not a constraint in determining the income of an individual. The age variable was statistically insignificant, indicating that age does not influence earnings of an individual for the selected sample.

TABLE 9

MINCERIAN EARNINGS FUNCTION WITH AGE (EQUATION 3)

Variable	Coefficients

	Both sexes	Male	Female
Constant	7.3408 (38.065*)	7.9257 (26.242*)	6.8600 (27.8095*)
ED_1	1.0581 (10.283*)	1.1437 (6.5798*)	1.0619 (8.5200*)
ED_2	0.75967 (8.751*)	0.7617 (5.4001*)	0.81638 (7.5345*)
ED_3	0.47912 (5.511*)	0.5386 (3.9112*)	0.42215 (3.8960*)
EXP	0.11330 (7.9197*)	0.8529 (3.7441*)	0.11839 (6.3304*)
EXP^2	-.0019744 (-5.5607*)	-0.000898 (-1.5698)	-.002439 (-5.4328*)
AGE	-0.0004854 (-.06572)	-.01398 (-1.3264)	.013943 (1.3426)

Note: Figures in parentheses gives t-ration.

(*) denotes statistically significant at one percent level.

g. Interaction of Educational Dummies with Experience (Equation 4)

Dougherty and Jimenez (1991) argued that interaction of the effects of schooling and experience on earnings should not be neglected when estimating returns to education. Table-9 presents the OLS estimates with interactions of educational dummies with experience and experience square.

TABLE 10

MINCERIAN EARNINGS FUNCTION WITH INTERACTIONS (EQUATION 4)

Variable	Co -efficient	Standard Error	t- ratio
Constant	7.1294	0.12301	57.959*
ED_1	1.1683	0.25721	4.542*
ED_2	1.0504	0.16742	6.2741*
ED_3	0.070531	0.17052	4.1362*
EXP	0.16423	0.02953	5.5605*
EXP^2	-0.00329	0.000869	-37767*
ED_1*EXP	-0.0563	0.041993	-1.3402
ED_1*EXP^2	0.00174	0.0012332	1.4115
ED_2*EXP	-0.06702	0.034802	-1.9256
ED_2*EXP^2	0.00175	0.001051	1.6637
ED_3*EXP	-0.0455	0.035558	-1.2812
ED_3*EXP^2	0.00867	0.001074	0.80775

Note: (*) denotes statistically significant at one percent level.

The Interaction of educational dummies (ED_1, ED_2 and ED_3) and the experience (EXP) and experience squared (EXP^2) variable were statistically insignificant. The rationale for inclusion of the interactive effects was the

argument of Dougherty and Jimenez (1991) that the age- earnings profile of individuals with different educational levels have not only different intercepts but also different slopes curvature. To account for these differences, the interaction of educational dummies with experience and experience squared should be introduced into the earnings equation. The results from Table – 10 proved that experience allowances (increases in wage after a certain number of years spent in the labour force) differed for different occupations rather than among same professional groups and thus were not correlated with an individuals' education level. Hence, the interactive terms were excluded from the earning s equation.

h. Comparison of the various Equations

To evaluate the validity of each of the equations used in the study, a comparative analysis was done. The results of this analysis are presented in Table 11.

Table 11

ARISON OF THE VARIOUS EQUATIONS

Variable	Equation 1		Equation 2		Equation 3		Equation 4	
	Coefficient	t-ratio	Coefficient	t-ratio	Coefficient	t-ratio	Coefficient	t-ratio
Constant	7.3292	94.4267*	7.3127	90.7341*	7.3408	38.065*	7.1294	57.959*
ED_1	1.0580	10.3128*	1.0633	10.329*	1.0581	10.2283*	1.1683	4.542*
ED_2	0.75971	8.7768*	0.76293	8.7936*	0.75967	8.751*	1.0504	6.2741*
ED_3	0.47979	5.5734*	0.48252	5.5939*	0.47912	5.5111*	0.070531	4.1362*
EXP	0.11273	9.9483*	0.1165	9.7680*	0.11330	7.9197*	0.16423	5.5605*
EXP^2	-0.0019711	-5.6237*	-0.00195	-5.5337*	-0.00197	-5.5607*	-0.00329	-3.7767*
GENDER			0.04315	0.77257				
AGE					-0.000485	-0.06572		
ED_1*EXP							-0.0563	-1.3402
ED_1*EXP^2							0.00174	1.4115
ED_2*EXP							-0.06702	-1.9256
ED_2*EXP^2							0.00175	1.6637
ED_3*EXP							-0.0455	-1.2812
ED_3*EXP^2							0.00867	0.80775

(*) Denotes significance at one percent level.

The coefficients of variables used in the standard Mincerian equation (Equation 1) are statistically significant whereas the extended Mincerian functions presented in Equation 2 and Equation 3 using gender and age showed significant coefficient only for the standard variables. Gender and age were statistically insignificant. Similarly, the results of Equation 4 also presented insignificant coefficients for the interaction variables. Hence, it can be inferred that of the four equations used in the study, Equation 1 or the standard Mincerian equations used in the study, Equation 1 or the standard Mincerian equation gave the best results. Thus, educational level, experience and experience squared are the variables that significantly influence the income of an individual.

i. Linear and Semi – Logarithmic Function

To illustrate the superiority of semi-logarithmic function as an ideal form of the earnings equation, a comparative analysis of linear and semi – logarithmic functions was made. In the semi – logarithmic function, the natural logarithm of the earnings was used as the dependent variable, while in the linear function, absolute income was used as the dependent variable. The results are reported in Table – 12.

TABLE 12

REGRESSION RESULTS FOR SEMI-LOGARITHMIC AND LINEAR EARNINGS FUNCTIONS

Variable	Coefficients	
	Semi-log	Linear
Constant	7.3292 (94.4267*)	701.4095 (-0.63716)
ED_1	1.0580 (10.3128*)	927.0824 (10.7267*)
ED_2	0.75971 (8.7768*)	782.2019 (5.1524*)
ED_3	0.47979 (5.5734*)	777.9262 (2.0005**)
EXP	0.11273 (9.9483*)	102.3993 (6.2150*)
EXP^2	-0.001971 (-5.6237*)	3.1673 (-2.3657**)
R-Squared	0.79698	0.76318
F-ratio	136.5930*	112.1446*
ARCH x^2	1.1397	14.6742*

Note: ARCH is the test for heteroscedasticity
(*) denotes significance at one percent level
(**) denotes significance at five percent level.

The coefficients of the explanatory variables show a higher significance in the semi – logarithmic function. The result implied that the appropriate regress is the natural logarithm of earnings, and not the absolute income. Besides, the semi – logarithmic function also confirms the basic assumption of homoscedasticity. This is proved in the ARCH x^2 test for homosocedasticity. Since the coefficients of ARCH x^2 test for insignificant, the semi –logarithmic function was homoscedastic. The test also implied the presence of severe heteroscedasticity (unequal variances) in the liner specification of the earnings equation. Hence, the semi – logarithmic earnings equation is the appropriate one.

Conclusion

The present study on Some Impression on Higher Education in Coimbatore concentrated on estimating the private rate of returns of higher education in a selected area of Coimbatore city. Standard Mincerian earnings function and extended earnings function were used to investigate the education – earnings relationship among selected sample and test the hypothesis of positive returns to education. The findings suggested that the private rates of return to education of selected sample were positive at virtually all educational levels. The rates of return to education were found to be higher, the higher the educational level, the result inconsistent with the findings of other researchers in this area.

Suggestions

1. The private of returns to general education increases with the level of education. Hence, efforts have to be made to increase the enrolment of students in general education.

2. The government should provide more employment opportunities for students of general education.

3. Employers can recruit candidates with general education and provide them with the necessary skills through on-job training rather than recruit specialists.

AREA FOR FURTHER RESEARCH

1. A comparative analysis can be made between the return to general education and professional education could be considered as an area for further research.

2. The socio-economic background of the individual namely parents' education and income influences of educational level of an individual. Further research can be done to test the validity of these variables.

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