

ABSTRACT

Education is considered the most important factor in development of human capital. Becker (1975) developed an earning function to estimate the share of different levels of education, and other human capital factors to the earnings of individuals. Mincer (1976) used these models to calculate the rate of return to investment on education. Later, these models were extensively used by many economists for different countries, regions, ethnic groups, gender, races etc, and their cross comparisons triggered the importance of education. Expenditures on education were considered as investment because, according to these studies, different levels of education contribute differently to earnings of individuals.

In Pakistan, many studies have been conducted to examine the contribution of education, and other human capital factors to earnings. These studies are primarily focused to secondary education level.

During the last one and a half decade, there has been observed a rapid growth of a new area of education at tertiary level i.e. business education. Master in Business Administration (MBA) emerged as the most preferred education, during this period. Since then, many private business education institutes have been established, mostly in the private sector, which have produced a substantial number of MBA graduates.

Increasing number of business schools has increased the supply of MBAs, whereas, slow economic growth, in the second half of 1990s, has reduced the demand for MBAs. Business firms have become very selective in hiring, which has increased the competition for getting jobs. MBA program of different institutions differs in quality and other features because the syllabi for MBA program is not prescribed by any single authority. In order to investigate that whether the market considers graduates of different institutes as different products and value them differently, this study was initiated. The primary objectives of this research were; one, to examine the differential between institutes, and second; to find out the contribution of other human capital factors to earnings of these graduates.

Five business schools (IBA, LUMS, ILM, Pak-AIMS, and TIU), in Lahore were selected to investigate the above mentioned objectives. This was field study based on primary data about MBAs of these institutions graduating in 1995-96 or later. The data was collected through mailed questionnaire. Regression technique was applied to estimate the earnings functions. The study finds that, on the average, LUMS graduates are paid highest salary packages among all the sample institutes. On the other hand, average monthly earnings of ILM and TIU graduates are significantly less than the rest. Although IBA attracts the most intelligent students, its graduates do not make highest-salary group because most of these students belong to lower socio-economic classes. Hence, there is evidence of social discrimination in job opportunities. It is also found that other factors, such as, experience, job satisfaction, and academic credentials contribute to earnings of these graduates. The study also finds that, on average, males are paid 15% higher than females on same jobs. Acquisition of IT and other professional skills besides MBA, also contribute significantly to income of these graduates.