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WAGE DIFFERENTIAL BETWEEN PUBLIC AND PRIVATE EDUCATIONAL INSTITUTIONS: A CASE STUDY OF WAH CANTT

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ABSTRACT

This study has tried to analyze the wage differential between public and private educational institutions and concludes that the public sector workers tend to have both higher average wage and education levels as compared to their private sector counterparts. The study used the primary data source. The data is collected through questionnaire that is filled by the teachers/employees working in both the public and private educational institutions in Wah cantt. The entire surveying process consists of 19 private schools, 16 public schools, 2 public colleges, 6 private colleges, 2 vocational training institutes and 4 universities. The sample for the present analysis consists of 154 teachers/employees in which 81 questionnaire are filled from public institutes whereas 73 are filled from private institutes. 4 to 6 questionnaire are filled from each school. The analysis is restricted to age group between 15 and 60 years of age. The finding of this study concludes that the employees working in public sector has large income level and they are more satisfied than private sector employees because in private institutions the wages are not according to qualification. Education has a great influence on the income level, teachers/employees who have higher education are getting more income as compared to those who are not much educated, but the workers of both the public and private sector think that their wages are not according to their education. Hence, it is also concluded that the variables like education, experience, skills, training and good environment affect the wage level.

Keywords: Wage differential, public and privare sector, educational institutions

INTRODUCTION

Many studies have attempted to compare wages between the public and private sectors, under the premise that similar workers should be paid similar wages, regardless the sector of employment. The majority of these studies are based on human capital models, expanded to account for some productivity related characteristics of the workers, although more recent papers have paid more attention to the selection bias problem. This paper is based on "wage differential between the public and private educational institutions: A case study of wah cantt''. The general literature usually concludes that there exist a positive wage premium, or rent, paid to public sector workers, that increases with the level of government. Such a rent has been attributed to either the differences in the structure of the wage- setting system between the two sectors, or as the result of methodological problems. The public sector is not a profit maximizing agent, and therefore its wages are not determined by the forces driving the labor market as happens in the private sector. Besides, the public sector is subject to political influences, which could lead the government to pay wages higher than those paid to similar workers in the private sector. It is because this lack of information provided by the market that the public sector applies the prevailing wage principle that states; similar workers, performing similar jobs, should be paid similar wages, regardless the sector of employment. However, since not all jobs in the public sector have a similar counterpart in the private sector, the comparison should examine comparable workers.

In case of Pakistan, the income gaps attributable to education level were significant. Income gaps between educated and uneducated workers in first time employment also tend to increase with

experience. Women earn significantly less than their male counterparts. These differences may be interpreted as the maximum possible effect of discrimination against women[6]. As in many other countries, public sector workers in Pakistan tend both to have higher average pay and educational levels as compared to their private sector counterparts. In addition, the public sector in Pakistan has both a more compressed wage distribution and a smaller gender pay gap than that prevailing in the private sector. The existence of inter-sectoral wage differentials can create problems for the disadvantaged sector. For instance, large pay differential, in favor of the private sector may constrain the public sector's ability to recruit and retain high quality workers with implications for public sector productivity and efficiency[7].

This paper examines that the employees working in public sector has great income level and they are more satisfied than private sector employees because in private institutions the wages are not as much. Only the private institutions like university there is high pay level existing but in school and colleges, the wages are very low. As the age of the person increases there income also increases that shows that the highly age persons are satisfy with their income level. Education has great influence on the income level, teachers who have higher education are getting more income as compare to those who are not much educated, but the workers of both the public and private sector interested more in working in public institutions because they link that in public sector there is a job security for them, whereas some prefer private sector because they think that in this sector the employees are free for doing jobs according to their own choice.

The objective of this paper is to observe the difference between public and private educational institutions with respect to wage rate. Knowledge of the magnitude of the public sector wage gap and how it varies across the wage distribution has important policy content. The purpose of this paper is to investigate the public sector wage gap in Wah Cantt using primary data drawn from the survey in public and private educational institutions. This study differs from previous work that has explored the magnitude of the public-private wage gap in Pakistan in a number of distinct ways.

- First, the analysis is based on the specific sector that is the educational sector.
- Secondly, using descriptive analysis the study decompose the overall pay differential between public and private sector workers.
- As the main elements or the main variables that affect the wage level are sectors: public and private), age factor, experience, education, gender, environment, facilities, incentives and accommodation. But the paper focus more on sector wise, education and age factor as an important variable for the determination of wages in the public and private educational institutions.

The rest of the paper is organized as follows; section 2 presents the review of literature; section 3 presents data and variables, while the descriptive analysis is discussed in section 4. Finally section 5 concludes the study.

LITERATURE REVIEW

The paper wants to look out the differences of wages in public and private educational institutions. Many empirical studies have used the human capital framework to analyze the wage between public and private sectors. Wong. Q (2008) argues that disparities between private sector and public administration wages are persistently high. It shows that not enough attention has been paid by public

[6] Masood Sarwar Awan and Zakir Hussain,(winter 2007)PP.49-68.

[7] Asma Hyder and Barry Reilly,2005 working paper no.33

employers to ensure appropriate balance and comparability. In many cases, the threat or initiation of disruptive job action by government employee unions is enough to ensure that short-term labor peace is given higher priority over longer-term cost considerations. Disney.R (2007) analyzes differences in pay between public and private sector workers and the econometric methods used to measure these effects. Result finding that the public sector wage literature has picked up on some of the statistical issues that have motivated econometric studies of the union wage effect-notably endogeneity and self selection-some of the other issues that have motivated union wage studies (such as the use of more sophisticated panel data methods, and "seeking treatment" in labor markets that might generate testable hypotheses are less well developed in the literature on public sector pay. Sarwar. M and Zakir Hussain (2007) argue that education is one of the most important factors in human development. The data from two household surveys were used to estimate the return to education and gender disparities in wages in Pakistan. The result revealed that income gaps between educated and uneducated workers in first time employment also tend to increase with experience. Women earn significantly less than their male counterparts. Perazzi.J (2006) examines the importance of controlling for the comparability of the units in a sample when examining wage differentials of various types. They use U.S CPS data for the period 1992-2000 to compare estimated wage differentials between public and private sector workers obtained using two different methodologies: suggest that federal workers are paid a premium, while state and local workers are underpaid compared to private sector workers. Jaffry.S, Ghulam .Y and shah. V (2006) examined the inter industry wage differentials in Pakistan, and has utilized the data drawn from the Pakistan labor force surveys. Long. N (2006) examines public administration wage differentials and state owned enterprises (SOE) Private wage differentials for males and females. For men, Public workers are paid lower than private workers. For women, Public administration wages are lower than private wages. Education is the most important element accounting for wage differentials. Andrabi.T, Das.J and Ijaz Khawaja (2005) argues that achieving universal primary education has largely ignored the role of the private sector. Yet private schools play an increasingly significant role in several low income countries by offering an affordable schooling option for even the rural poor. Hyder.A and Barry Reilly (2005) examines the magnitude of public/private wage differentials in Pakistan using data from the 2001-02 Pakistan labor force survey. As in many other countries, public sector workers in Pakistan tend both to have higher average pay and education levels as compared to their private sector counterparts. Dustman. C and Arthur van Soest (1997) investigate pay structures in the private and public sectors for West Germany. They use micro data from the German Socio-economic panel for the years 1984-93 to analyze developments and differences in public and private sector wag distributions for both male and females. They find that although mean wages are higher in the public sector for males and females, conditional wages are higher in the private sector for all educational groups for males, but higher in the public sectors for females.

DATA AND DESCRIPTION OF VARABLES

The study used the primary data source. The data is collected through questionnaire that is filled by the teachers/employees working in both the public and private educational institutions in Wah Cantt. The entire surveying process consists of 19 private schools, 16 public schools, 2 public colleges, 6 private colleges, 2 vocational training institutes and 4 universities. The sample for the present analysis consist of 154 teachers/employees in which 81 questionnaire are filled from public institutes whereas 73 are filled from private institutes. 4 to 6 questionnaire are filled from each school. The questionnaire consists of 24 questions with yes or no option and also with 1-5 scales. The educational institutes and employees are selected randomly. In order to examine the relationship between earnings and age from the perspective of human capital theory, age and its quadratic are used in the specifications. The analysis is restricted to age group between 15 and 60 years of age. This facilitates a more worthwhile comparison between public and private sector workers. The spending pattern of the employees also shows the differences in the wages. The study analyzed whether the spending behavior is affected by the marital status or not. The job satisfaction between public and private sector is also analyzed in this study. Education is one of the most important variables that affect the wage differential within public and private institutes. The education of the employees/teachers is categorized into five levels (Matriculation, F.A/F.S.C, B.A/B.S.C, M.A/M.S.C and higher education). Training, skills and

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experience also take important part to show the differences in wages. Female labor force participation in educational institutions is high in Wah Cantt. Female can prefer to join educational sector more both in public and private institutes because of suitable timings, better physical surroundings and better security in education departments than others. It is obvious that employee feel more satisfaction in public sector because of benefit packages, future incentives and job security.

DESCRIPTIVE ANALYSIS

Wage differential between public and private sector in educational institutions in the present study is measured by observing respondent's opinions towards the differences in wages in educational institutions in Wah Cantt. Respondent opinion about wage differential between public and private sector in education institutions are recorded and thoroughly analyzed. The analysis shows that people preferred more public sector rather than private sector because of many future incentives and security of jobs, whereas some preferred private sector because of high salaries and imparting many jobs at the same time. The analysis is based on many variables that affect the wage differential but the paper focused more on the variables like sectors (private and public). education and age. The results of the respondent opinions are shown below in form of tables.

Sector Wise (Public and Private)

Table 4.1.1 shows that the income level of the employees working in educational institutions in both the public and private sector. As many studies have referred that the employees working in public sector has high income level than private sector. " As in many other countries , public sector workers in Pakistan tend both to have higher average pay and educational levels as compared to their private sector counterparts"[8].

In private institutions like university, there is a high pay level existing but in school and colleges, the wages are very low. Therefore, it is concluded that the wages are higher in public sector than private sector.

Table 4.1.1: Distribution of respondent's opinion for their income level by sector wise.

sector	Income level					
	100-1000	1000-3000	3000-5000	5000-10000	10000 and above	total
public	1(1.23%)	9(11.12%)	4(4.94%)	29(35.80%)	38(46.91%)	81
private	7(9.59%)	9(12.33%)	12(16.44%)	23(31.51%)	22(30.13%)	73
Total	8(5.19%)	18(11.69%)	16(10.39%)	52(33.77%)	60(38.92%)	154

Note: Values in parenthesis are percentages from the row total.

table 4.1.2 The respondent opinion about the satisfaction of income in both public and private sector

	Income satisfaction		
sector	yes	No	Total
Public	41(50.62%)	40(49.38%)	81
private	27(36.99%)	46(63.01%)	73
Total	68(44.15%)	86(55.85%)	154

Note: Values in parenthesis are percentages from the row total.

[8] Asma Hyder and Barry Reilly(2005)

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It is clear that overall the employee are not satisfy with their income. In public sector the percentages regarding satisfaction of income give the same result, but in private sector mostly employees are not satisfy with their income. So, it is concluded that the employees get better pays in public sector than private sector or in other words the wages are high in public sector that shows the satisfaction of employees with their income. Table 4.1.3 shows that the income of the teachers is not according to their education. In both sector the trend shows almost same result. Therefore, it is concluded that mostly the teachers are not satisfied with their income because they think that their income is not according to their education.

Table 4.1.3: Distribution of respondent's opinion for income satisfaction according to education by sector wise.

sector	Income satisfaction according to education		
	yes	No	Total
public	27(33.33%)	54(66.67%)	81
private	26(35.62%)	47(64.38%)	73
total	53(34.42%)	101(65.58%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.1.4 shows that sector differences play a very important role for the satisfaction of employees. The trend shows that teachers or employees working in public sector still prefer to work in public sector more as compared to private sector and the employees working in private sector also prefer to work in public sector and feel satisfaction. Therefore it is concluded that the public sector have greater influence on the satisfaction of employees or in other words the employees feel more satisfaction in public sector.

Table 4.1.4: Distribution of respondent's opinion for satisfaction of job by sector wise.

sector	Job satisfaction		
	yes	No	Total
public	70(86.42%)	11(13.58%)	81
private	52(71.23%)	21(28.77%)	73
total	122(79.22%)	32(20.78%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.1.5 show that in both the public and private sector, education is one of the reasons of wage differential. The trend shows that in public or government educational institutions and in private educational institutions the teachers/ employees think that the difference in wages exists more due to education. Therefore it is concluded that employees working in private sector as well as public sector have strong believe between education and determination of wages.

Table 4.1.5: Distribution of respondent's opinion for education cause wage differential by sector wise.

sector	Does education cause differential?		
	yes	No	Total
public	64(79.01%)	17(20.99%)	81
private	65(89.044%)	8(10.96%)	73
total	129(83.77%)	25(16.23%)	154

Note: Values in parenthesis are percentages from the row total.

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Table 4.1.6 shows that the employees working in private sector counts that the training and skills effect the wages level. As people gets more training and skills, their wages increases more. The same trends prevail in public sector but with less intensity than private sector.

Table 4.1.6: Distribution of respondent's opinion for training and skills affect wage differential by sector wise.

sector	Does training and skills affect wage differential?		
	yes	No	Total
public	61(75.31%)	20(24.69%)	81
private	65(89.04%)	8(10.96%)	73
total	126(81.82%)	28(18.18%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.1.7 does not show any consistency among the result in both the sectors regarding experience. The trend shows that most of the employees working in public educational institutions have opinion that the experience does not cause wage differential and the wages are not increasing with an increase in experience. But most of the employees working in private educational institutions have opinion that as the work experience increases, the wages also increase.

Table 4.1.7: Distribution of respondent's opinion for experience cause wage differential by sector wise.

sector	Does experience cause wage differential?		
	yes	No	Total
public	35(43.21%)	46(56.79%)	81
private	65(89.04%)	8(10.96%)	73
total	100(64.93%)	54(35.07%)	154

Note: Values in parenthesis are percentages from the row total.

As opinion about the gender in determination of wages according to public and private sector was considered, shown in table 4.1.8, it is clear that in both the sector the gender does not affect the wage level very much.

Table 4.1.8: Distribution of respondent's opinion for gender affect wage level by sector wise.

sector	Does gender affect wage level?		
	yes	No	Total
public	15(18.52%)	66(81.48%)	81
private	30(41.10%)	43(58.90%)	73
total	45(29.22%)	109(70.78%)	154

Note: Values in parenthesis are percentages from the row total.

If we consider about the preferences of women for suitable timing and good environment, table 4.1.9 shows that in both the public and private sector the women will prefer to work with suitable timing and good environment.

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Table 4.1.9: Distribution of respondent's opinion for women prefers suitable timings and good environment by sector wise.

sector	Does gender affect wage level?		
	yes	No	Total
public	73(90.12%)	8(9.88%)	81
private	68(93.15%)	5(6.85%)	73
total	141(91.56%)	13(8.44%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.1.10 shows that in public educational institutions, the fluent English spoken teachers do not get more salaries than other but in private education institutions; the spoken English teachers get higher salaries. However it is conclude that, there is a difference of wage exists in private sector regarding their fluent English speaking power.

Table 4.1.10: Distribution of respondent's opinion for fluent English spoken teacher is paid better by sector wise.

sector	Does fluent English teacher is paid better?		
	yes	No	Total
public	28(34.57%)	53(65.43%)	81
private	41(56.16%)	32(43.84%)	73
total	69(44.80%)	85.20%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.1.11 shows that the future incentives affect the selection of job very much in both the public and private sector. But it is observed that in private sectors the future incentives like pension, old benefits allowances etc. are less, so the employees working in private sector response positively that the future incentives affect the selection of job.

Table 4.1.11: Distribution of respondent's opinion for future incentive by sector wise.

sector	Does future incentive affect selection of a job?		
	yes	No	Total
public	59(72.84%)	22(27.16%)	81
private	64(87.67%)	((12.33%)	73
total	123(79.87%)	31(20.13%)	154

Note: Values in parenthesis are percentages from the row total.

The satisfaction of employees with their present job regarding job security shown in table 4.1.12, shows that the employees of both he sectors are fully satisfy with their present job regarding security of job. Few employees working in private sector do not think that present job are secure.

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Table 4.1.12: Distribution of respondent's opinion for good job security by sector wise.

sector	Does present job have good job security??		
	yes	No	Total
public	62(76.54%)	19(23.46%)	81
private	42(57.53%)	31(42.47%)	73
total	104(67.53%)	50(32.47%)	154

Note: Values in parenthesis are percentages from the row total.

Education

Education is another most important variable that affect the wage differential. The survey is conducted by teachers having different level of education. And their response regarding wage differential is shown in table form given below. Table 4.2.1 shows that the teachers who have higher education are getting more income as compare to those who are not much educated. Therefore, it is concluded that the education has a great influence on the income level. The most of the employees/teachers are not satisfy with their income level but the teachers who have higher education (M.phil, PhD level) are satisfied with their income, as shown in table 4.2.2, but overall the employees think that their income in not reasonable according to their education shown in table 4.2.3.

Table 4.2.1: Distribution of respondent's opinion for their income level by education.

Education level	Income level					
	100-1000	1000-3000	3000-5000	5000-10000	10000 above	total
Matric	1(33.33%)	0	0	2(66.67%)	0	3
F.A/F.S.C	2(50%)	2(50%)	0	0	0	4
B.A/B.S.C	3(5.28%)	10(17.54%)	8(14.03%)	21(36.84%)	15(26.31%)	57
M.A/M.S.C	0	8(9.76%)	8 (9.76%)	30(36.58%)	36(43.90%)	82
Higher Education	0	0	0	1(12.5%)	7(87.5%)	15
Total	6(3.89%)	20(12.98%)	16(10.39%)	54(35.07%)	58(37.67%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.2.2: Distribution of respondent's opinion for satisfaction of income level by education.

Education level	Income Satisfaction		
	Yes	No	Total
Matric	1(33.33%)	2(66.67%)	3
F.A/F.S.C	1(25%)	3(75%)	4
B.A/B.S.C	26(45.61%)	31(54.39%)	57
M.A/M.S.C	34(41.47%)	48(58.33%)	82
Higher Education	6(75%)	2(25%)	8
Total	68(44.15%)	86(55.84%)	154

Note: Values in parenthesis are percentages from the row total.

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Table 4.2.3: Distribution of respondent's opinion for satisfaction according to education by education.

Education level	Income Satisfaction according to education		
	Yes	**No**	**Total**
Matric	3(100%)	0	3
F.A/F.S.C	1(25%)	3(75%)	4
B.A/B.S.C	21(36.84%)	36(63.16%)	57
M.A/M.S.C	21(25.61%)	61(74.39%)	82
Higher Education	5(62.5%)	3(37.5%)	8
Total	51(33.12%)	103(66.88%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.2.4 shows that employee feel satisfaction in public sector more as compare to private sector more because of job security, future incentives and other reasons. When opinion about the reasons of wage differential, the respondent having different level of education, training, skills and experience all are the reasons that affect the wage differential as in table 4.2.5, 4.2.6 and 4.2.7.

Table 4.2.4: Distribution of respondent's opinion for satisfaction of job by education.

Education level	Job Satisfaction		
	Public	**Private**	**Total**
Matric	3(100%)	0	3
F.A/F.S.C	3(75%)	1(25%)	4
B.A/B.S.C	51(89.47%)	6(10.53%)	57
M.A/M.S.C	57(69.51%)	25(30.49%)	82
Higher Education	5(62.5%)	3(37.5%)	8
Total	119(77.27%)	35(22.73%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.2.5: Distribution of respondent's opinion for wage differential by education.

Education level	Does education cause wage differential?		
	Yes	**No**	**Total**
Matric	3(100%)	0	3
F.A/F.S.C	3(75%)	1(25%)	4
B.A/B.S.C	48(84.21%)	9(15.79%)	57
M.A/M.S.C	66(80.49%)	16(19.51%)	82
Higher Education	7(87.5%)	1(12.5%)	8
Total	127(82.47%)	27(17.53%)	154

Note: Values in parenthesis are percentages from the row total.

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Table 4.2.6: Distribution of respondent's opinion for training and skills affect wage differential by education.

Education level	Does training and skills affect wage differential?		
	Yes	**No**	**Total**
Matric	2(75%)	1(25%)	3
F.A/F.S.C	4(100%)	0	4
B.A/B.S.C	43(75.44%)	14(24.56%)	57
M.A/M.S.C	70(85.36%)	12(14.645%)	82
Higher Education	6(75%)	2(25%)	8
Total	125(81.17%)	29(18.83%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.2.7: Distribution of respondent's opinion for experience cause wage differential by education.

Education level	Does experience cause wage differential?		
	Yes	**No**	**Total**
Matric	3(100%)	0	3
F.A/F.S.C	1(25%)	3(75%)	4
B.A/B.S.C	32(56.14%)	25(43.86%)	57
M.A/M.S.C	54(65.85%)	28(34.15%)	82
Higher Education	7(87.5%)	1(12.5%)	8
Total	97(62.99%)	57(37.01%)	154

Note: Values in parenthesis are percentages from the row total.

Whereas table 4.2.8 shows that gender gap do not affect wage level as much. So, it is concluded that the variables that are related to education like experience, training, skills affect the wage level more.

Table 4.2.8: Distribution of respondent's opinion for gender affects wage level by education.

Education level	Does gender affect wage level?		
	Yes	**No**	**Total**
Matric	1(25%)	2(75%)	3
F.A/F.S.C	1(25%)	3(75%)	4
B.A/B.S.C	18(31.58%)	39(68.42%)	57
M.A/M.S.C	26(31.71%)	56(68.29%)	82
Higher Education	2(25%)	6(75%)	8
Total	48(31.17%)	106(68.83%)	154

Note: Values in parenthesis are percentages from the row total.

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The respondent having different level of education gibe the same result that woman prefer suitable timings and good environment rather than higher wages because they also look over home management as shown in table 4.2.9

Table 4.2.9: Distribution of respondent's opinion for women prefers suitable timings and good environment by education.

Education level	**Does women prefers suitable timings and good environment?**		
	Yes	**No**	**Total**
Matric	3(100%)	0	3
F.A/F.S.C	4(100%)	0	4
B.A/B.S.C	51(89.47%)	6(10.53%)	57
M.A/M.S.C	73(89.02%)	9(10.98%)	82
Higher Education	8(100%)	0	8
Total	139(90.26%)	15(9.74%)	154

Note: Values in parenthesis are percentages from the row total.

Table 4.2.10 show almost equivalent result regarding the question whether the English spoken teachers gets high pays than others. The highly qualified teachers very positively think that the teachers with fluent English speaking power get more salaries.

Table 4.2.10: Distribution of respondent's opinion for fluent English spoken teacher is paid better by education.

Education level	**Does fluent English spoken teacher is paid better?**		
	Yes	**No**	**Total**
Matric	2(75%)	1(25%)	3
F.A/F.S.C	2(50%)	2(50%)	4
B.A/B.S.C	22(38.60%)	35(61.40%)	57
M.A/M.S.C	43(52.44%)	39(47.56%)	82
Higher Education	5(62.5%)	3(37.5%)	8
Total	74(48.05%)	80(51.95%)	154

Note: Values in parenthesis are percentages from the row total.

AGE

The age of the employees are distributed in three sections. Age 1 (15years -30 years), Age 2 (30 years-45 years) and Age 3 (45 years -60 years). Table 4.3.1 shows that as the age of the person increases there income also increases. The employees/ teachers who lie in Age 3 are getting higher wages. So it is concluded that there is a strong relationship between the age and income level.

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Table 4.3.1: Distribution of respondent's opinion for their income level by age.

Age years	Income level					
	100-1000	1000-3000	3000-5000	5000-10000	10000 and above	total
Age 1 (15-30)	5(5.95%)	13(15.48%)	12(14.28%)	33(39.29%)	21(25%)	84
Age 2 30-45)	1(1.82%)	4(7.27%)	2(3.64%)	20(36.36%)	28(50.91%)	55
Age 3 (45-60)	0	3(20%)	1(6.67%)	1(6.67%)	10(66.66%)	15
Total	6(3.90%)	20(12.99%)	15(9.74%)	54(35.06%)	59(38.31%)	154

Note: Values in parenthesis are percentages from the row total.

CONCLUSION

This study approaches the public/private wage comparison issue and concludes that the public sector workers tend to have both higher average wage and education levels as compared to their private sector counterparts. In Wah cantt as there are many institutes both the public and the private but the ratio of private institutes are more than public institutes and mostly female teachers are engaged with teaching profession. The wages are also different in educational institutions. The employees working in public sector has large income level and they are more satisfied than private sector employees because in private institutions the wages are not according to qualification. Only some private institutions (like university) are paying high income but most of the schools and colleges are paying very low salaries. As the age of the person increases there income also increases. Education has a great influence on the income level, teachers who have higher education are getting more income as compared to those who are not much educated, but the workers of both the public and private sector think that their wages are not according to their education. The teachers or employees working in public sector still prefer to working in public sector as compare to private sector, and most of the employees who are working in private sector also prefer public sector and feel satisfaction. Few employees think that the private sector is better than public sector because they think that in private institutions the wages are high and people are not bounded. Hence, it is also concluded that the variables like education, experience, skills, training and good environment affect the wage level. The employees work in both the public and private sector interested more in working in public institutions because they think that in public sector there is a job security for them. And in public jobs the facilities and incentives in the form of residence , medical treatment, transport etc are valuable, whereas some prefer private sector because they think that in this sector the employees are doing their jobs according to their own choice. Therefore it is concluded that people prefer more public jobs in educational institutions and the differences in the wages affect the employment choice.

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DETERMINANTS OF INVESTMENT IN PAKISTAN

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ABSTRACT

The existence of perfect mobility of capital the saving increase, in one country will increase investment in many other countries. The present study by using co-integration technique with data set of the period from 1970-2009 tests presence of capital mobility and fails to find one to one relation between domestic investment and domestic saving .Trade openness is found to be one of the determinants of investment.

INTRODUCTION

Saving and investment play significant role in the stability of economic growth in any country. Investment is the most volatile component of Gross domestic product. Domestic saving nourishes the domestic investment more crucially than any other source of income.

The country makes world wide relations of saving to impede the foreign capital to enter in their country. But for that issue matter is whether economy is close or open. Close economy refers to situation in economy which does not allow for the mobility of capital and vice versa for the open economy. In a closed economy domestic savings is the only stimulus for domestic investment to raise the income level.

The existence of perfect mobility of capital the saving increase in one country will increase investment in many other countries. The domestic savings will leave the home country if it is already a capital exporter and foreign capital will invest in home country if it is a capital importer. In perfect mobility of capital the investor will receive only the net-of –tax return not any pre-tax marginal product of capital. Foreign government collects the additional tax revenue if capital is invested abroad.

Saving and investment relationship can be studied to find out the presence of mobility as Feldstein and Horioka (1980) analyzed that the extent of higher domestic saving in a country associated with the higher domestic investment whether was due to immobility of capital. And with perfect world capital mobility there is no relationship with country's saving and investment.

Despite of the fact that international capital flows are the major influential variable on GNP to our knowledge there are not many studies related to topic is found in Pakistan. Its capital markets are not so crucial to make large investment and saving not even has enough, to allocate in country. So it needs foreign capital mobility. Like many other developing countries it looks for the foreign direct and portfolio investment. But due to many structural and institutional problems foreign investors ignore Pakistan to invest their capital goods here. The less mobilization of domestic capital in foreign and foreign in our country has also some determinants.

The present study will empirically analyze the presence of perfect mobility of capital and domestic saving in Pakistan. The mobility of capital will be checked using aggregate data. The results will be compared by incorporating different variables.

The study has been organized in following order. The second chapter discusses the literature on the topic. Methodology and variables are elaborated briefly in the chapter third. In chapter forth empirical results are discussed with reference to the tables given for results variables tested. Conclusions and suggestions are recommended in the last section of the study.