

# Higher Education Impact on Employer Preference

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## Abstract

The purpose of this research was to investigate the relationship between higher education and employer preference. Convenience sampling strategy was used to select the participant. Self-administered survey questionnaires were distributed among 110 employers of different business and commercial entities based in Lahore, Pakistan, 90 questionnaires were returned back in useable form. For the analysis of the data software SPSS.16 was used. The results indicated that three dimension of employer preference (recruitment, compensation and promotion) are positively and significantly associated with the higher education. The findings signified that “higher education is a positive and significant influence on the decision making of the employer during recruitment process, compensation and promotion”. This study has vital importance for students as well as employer to understand the significance of the higher education in their career life and organization respectively.

**Keywords:** Higher Education, Employer Preference, Recruitment, Compensation, Promotion

## Introduction

Education is contributing largely in the social benefits for human beings. An education provides more years to be lived better. The primary thing becomes the earning base for any individual. They can live a better life than non-educated persons can't. The Govt. should take into consideration about providing quality education to its citizens. Education teaches the individuals to interact socially with others and to improve living standards of their own and of those who are dependent on them as well (Co- operation and Development 2013).

There are two types of employers' mindset in the context of productivity. The first types of employers argue that education is justified as to increment in the productivity in the labor market with higher education. It means that higher education has higher productivity and lower education has slower productivity (Mincer 1958). The second mindset argues that higher education has no relationship with the productivity. It is just the sign of unobservable abilities that only indirectly able to productivity (Arrow, 1973).

Higher education is becoming most popular phenomenon in this world now days. It cast many benefits on young individuals socially and economically. It is the primary source for making the jobs eligibility for young persons. Higher education has too much wider areas and specializations. It increases the income level and living standards of individuals. The private sources for higher education are increasing rapidly and are providing quality education to the society (Baum et al., 2010).

In today's competitive market, higher education plays an important role in the selection process for the job. It is a key factor for the employers based on which employers give weight-age to candidate to recruit for a job. The question arises why we should get higher education. The simple answer to this question is that higher education creates job opportunities in the market. The higher education creates difference in the job between those who have got lower level of education. When the students are in secondary level of education, they just have bookish knowledge and theoretical knowledge. However, when they are in graduate still they have the opportunity to get practical knowledge along with new ideas and visions. These contents the candidates can apply in the job and are many chances to not only sustain in the job but also get promotion (McGuire, 2011)

Researcher found that there are many graduates or/and undergraduates students in educational institutes who are confused what to do with their degree (Tara et al., 2013). Perhaps to answer this question we have to evaluate the employer preference. What do hiring managers seek in prospective candidates?

Rose (2015) conducted a research to address the correlation between the academic qualification and employer preference. There are different assumptions in different minds. Now a day it is required by the educational institute to teach the students, the material that will enhance their knowledge, skills, attributes and abilities while at the same time empowering them as a lifelong, critical learner.

Di Stasio (2014) has structured such a mechanism in which she could easily analyze that how education features impact employers' assessments of job applicant at different stages of hiring process. The employers' preference in hiring an applicant on the basis of education can have following reasons are perceptions in their mind: that such candidate is easy to train; he/she can be good fit with the corporate culture of the organization; will give better

output or progress in the job.

Di Stasio (2014) made a research on the topic why education matters to employers. In his research, he has made a comparative research among three different countries names: Italy, England and the Netherlands. The focus of the study was on “why education matters to employers during the hiring process”. There can be various reasons behind this logic. However, the most three aspects are: Education is a provider of productivity; education is a signal of expected trainability; education is a legal closure practice.

### **Research Objectives:**

The main objective of the research is to identify the educational contribution in the career life further the research objectives are:

- To measure the impact of higher education in recruitment process.
- To check the impact of higher education in compensation as well as promotion process.
- To measure the impact of control variables such as gender, age and number of employees in the organization on the employer preference.

### **Significance of the Study**

The significance of the study is that after this research both the students and the employers will be able to understand the importance of education in the organization. The research contributes in all sectors and areas like education, companies, NGO's etc. After studying this research, the students will be able to know that how much their degree possesses worth in the market. They will come to know that education has a great importance not only getting their desired job but also getting handsome salary and easy promotion because of their qualification. On the other hand, the employers or hiring managers will use this study in selection process, compensation and promotion giving a standardized weight age to the higher qualification.

### **Literature Review**

#### **Higher Education**

Today not only in Pakistan but also all over the world, the idea prevail that, it is extremely essential for the person to get higher education. The most important and key benefit of higher education is that it creates job opportunities and bright future for the candidates. Beside this, the higher education also builds some basic skills in the person such as maturity, to be social, manners and how to deal with others. In the most Americans point of view, higher education has taken much importance than as compared to high school education. The reason is that it has become the key factor for a bright future and comfortable lifestyle (Immerwahr, 2002).

#### **Recruitment:**

We look many companies that produce large number of products. Everyone is surprised only by the production. In this regard, we forget the most important factor that is the staff of the company. It is the staff only who produces in such large number of quantities of products. The staff of the company work very hard in order to achieve their given target. This is only possible if you the company recruit the staff that is best suitable for the post. Although new recruitment is costly for the organization but when the company starts growing, new recruitment become necessary for the organization. Because company pays cost in orientation and training of a new employee so the recruiter should be most vigilant in recruitment process so that he/she select only suitable candidates for the organization (REDDY, 2014).

#### **Compensation:**

In any organization, compensation plays an important role, for the wellbeing of not employee but the organization as well. It is one of the significance factor of the employment relationship, being critical important for both organization and the employee. On employee perspective, he/she has to fulfill needs to survive in the society like residence, food, clothes, social network etc. to fulfill his/her needs the employee depends mostly on the salary. For employer or organizational perspective compensation decisions impact the cost incurred by the business, consequently it disturb the competitive price of the product to sell it in the market. Beside these facts, compensation decisions affect the organizational capacity to compete for the employees in the market. It means that how company should make better compensation decision in order to attract and retain capable employees, as well as their attitude and behavior in the relationship with the organization (Gerhart et al., 1995).

#### **Promotion:**

When an employee is promoted from one position to another he position, higher salary range, senior job title and new upper level responsibilities are associated with new position. Every employee is willing to get more and more promotions. The reason is that, it has direct impact on salary, authority, power of decision-making and job responsibilities. Each content is increased with the promotion. It cannot be achieved only by will. The employee

must have capabilities to get promotion e.g. he have completed his/her targets always, perform duty very well, played a role for the development of the business etc.(Heathfield, 2015).

### **Higher Education and Recruitment:**

It has been proved by the research that the education plays an important role to improve the individual life and the society as a whole. For individual, it can be helpful to earn better livings, have definite direction to move forward, better choices amongst different life needs and how to lead a successful life. For society, it is helpful to create peaceful, high living standards society (Baum et al., 2005).

If we evaluate the relationship between higher education and the employer preference in the recruitment process the literature reveals that the current scenario is different from the past. In the past the higher education has a significance impact in the recruitment process. Employers and HR managers preferred education on other factors. But current situation is different. Beside education referral-base recruitment also prevail in the organizations.

Due to change in organizational culture and system with increasing in the number of graduates, the impact of higher education has decreased accordingly. Although the jobs for graduate are increasing but the output of graduates is increasing more than that. As mentioned earlier, due to change in organizations systems the employers are considering other factors important in recruitment process. Therefore, higher education doesn't guaranty success in selection process but act as a base ladder to reach in a job interview. Also the employer prefer having dual degree qualification candidate because of vast research, enhanced skills and additional experience. Increasingly, "candidates attitude" are more essential in the selection phase than the candidates education concern. (Harvey, 2000). Personality and overall look of candidate matters as well in recruitment process now a days.

### **Higher Education and Compensation:**

The famous slogan is spread all around, "the more you learn the more you earn." This slogan is used by the different people who are in favor of education. The main theme or conclusion of the slogan is that the longer you will remain in school, the more chances you earn to be employed and to get more salary. This is not mere a slogan. A lot of research and survey are conducted to check the reality of the message. US Census Bureau has recently done a study to find the relationship between the level of education and the income level. The results of the study are similar as of previous researches. They found that college graduates who have higher educational qualification earn more as compare to those who are never went to college level. The data collected during study showed that the people who have never attended the high school earn around 4000 dollars in one year. Whereas the person who holds master degree earns more than six times income as compared to those who never attended high school(Graham, 2010).

A survey was conducted in order to check that whether higher education has an impact on salary or not in 2011. The different levels of educational qualification revealed different results. If we start from the initial level, first of all we count those employees who don't have high school diploma. When survey was conducted the results showed that the candidates with no high school diploma have total earning 23,452 dollars per year. They are employed in different restaurant as waiter, dishwasher in a hotel etc. high school diploma holders earning was 33,176 dollars per year. They were employed in police or petrol officers or loan officers. The person who got the associated degree was earning 39,756 dollars per year working as a dental hygienists, paralegals, and diagnostic medical sonographers. Bachelor's and master's degree holders were earning 54,756 and 65,676 dollars annually. The candidates who have professional degree were earning 86,580 per year. The person possessing doctoral degree was earning average salary 80,652 dollars in a year.

One can say that if someone has higher educational degree, there are maximum chances for him to get high salary and other monetary benefits. But if we seek it in detail we will come to know that higher education has also non-monetary benefits. These non-monetary benefits include get white collar job, job safety, having better retirement plan, status in the society according to the level of education etc. (Trostel, 2015).

In the past where employee was working on the admin job with only high school degree, today for the same position the candidates having master degree is easily available. But on the other aspect if employer demands higher education in the field, he/she has to pay accordingly. So education is important factor even today while negotiating salary (Rawlinson, 2012).

### **Higher Education and Promotion:**

To get a promotion in an organization is not so easy. There is biasness and discrimination as well as favoritism in the organization. Although it is not found in every organization but most of the culture in an organization face such kind of barriers in the organization. There are a lot of factors that affect promotion but here it is discussed gender discrimination. Promotion is an essential activity for the progress of the organization (Winter et al., 1997).

In the current study results, the relationship between the higher education and the promotion are of special attention. The results indicated that it is more complex for the job holders to take into consideration the education

during job. But they consider it most important while getting their first job. The research showed that there are some specific jobs in the organization that require minimum level of education to reach them. The posts are high level posts which also demands higher education to approach them. If the employee has the higher education, there are a lot of chances to get promotion quickly. But in case of less education, although the worker salary will increase according to experience and targets achieved but there are fewer chances to get promotion. Therefore education has a significant impact to get promotion in the organization (Bognanno et al., 2012).

### Conceptual frame work:

In this research we have to find that does or not higher education has influence on the decision making of employer in recruitment process, compensation and promotion. So there are three dependent variables and one independent variable. The dependent and independent variables are

1. Recruitment (dependent variable)
2. Compensation (dependent variable)
3. Promotion (dependent variable)
4. Higher education (independent variable)

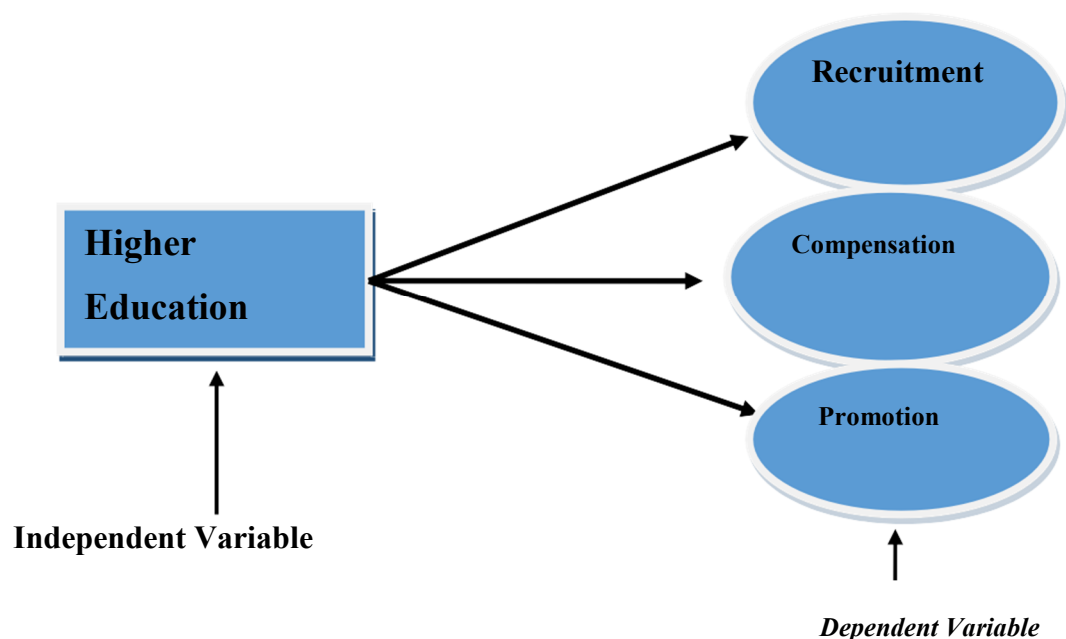


Fig 1: Conceptual frame work

### Hypotheses of the Study:

- H1: Higher education has positive impact in recruitment process.
- H2: Higher education has positive impact in compensation.
- H3: Higher education has positive impact in promotion.

### Research Methodology:

The present research study is a descriptive research designed based on formal hypothesis. The current study is quantitative by its nature. In order to conduct the quantitative research, the researcher collect the desired data from the target population in numeric form and applies statistical tools to get the desired results.

### Population of the Study:

The employers of companies located in Lahore city of Pakistan is selected as population of this study. More specifically all those employers were from manufacturing, trading and service sector of Lahore city.

### Sample and Sampling Technique/Strategy:

From the given population 110 employers were accessed in order to acquire their valuable responses.

### Data Collection Method:

In this research study questionnaires are used for the purpose of collecting desired data. Several published research articles were used to develop initial questionnaire draft. Later first draft was refined by discussing it many senior

professionals both from industry and academia so that it gets aligned with the scope of our work and context. The questionnaire used is based on five point Likert scales to measure the preferences of the employers in recruitment process, compensating and promoting the employees. This scale ranges from strongly disagree=1 to strongly agree=5 about their attitude towards the preferences.

**Response Rate:**

110 questionnaires were floated to the employers of different companies in Pakistan. 90 questionnaires were returned which could be used for the purpose of data analysis. Therefore, we can say that our response rate was 82 percent.

**Data Analysis Techniques:**

In present research, study the software of Statistical Package for Social Sciences (SPSS) in order to generate the best results. As the nature of our data is quantitative, therefore 16<sup>th</sup> version of SPSS is utilized

**Data Analysis:**

Skewness of the data indicates that the data is randomly distributed or normally distributed. In order to check how far the value is from mean we take the help of kurtosis.

If the values of skewness and kurtosis fall between -2 to +2, then these are considered normal values. After applying normality test if the values fall between -2 to +2, then it is stated that data is distributed normally.

**Reliability Analysis:**

**Table 1: Reliability Statistics**

Variable	No. of items	Cronbach's
Recruitment	4	.72
Compensation	5	.77
Promotion	5	.74
Higher Education	10	.87

It is clear from the above table the value of Cronbach's alpha is greater than 0.70 for all the variables therefore the data gathered for the research is reliable and we can perform further analysis.

**KMO and Bartlett's test:**

**Table 2: KMO and Bartlett's Test**

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>	<b>.766</b>
<b>Approx. Chi-Square</b>	1.461E3
<b>Bartlett's Test of Sphericity</b>	<b>Df</b> 276
	<b>Sig.</b> .000

The value of KMO can be differing in range from 0 to 1. A higher value that is close to 1.00 shows that the factor analysis will be useful for the data. If value is lower that close to 0.0 or even less than 0.5 indicates that, the data may not be useful factor analysis.

The second part is called Bartlett's test of sphere city. The purpose of this test is to check the homogeneity of variances. Small values i.e. less than 0.05 of significance level shows that the factor analysis can be useful for factor analysis.

**Correlation Analysis:**

**Table 3: Pearson Correlations**

Variable	Mean	SD	1	2	3	4
<b>1.Recruitment</b>	3.57	.76	1			
<b>2.Compensation</b>	3.48	.71	.368**	1		
<b>3.Promotion</b>	3.85	.81	.404**	.550**	1	
<b>4. Higher Education</b>	3.25	.79	.366**	.603**	.537**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There is positive but at some what extent relationship between recruitment and compensation as value is .368 having (r= .368, p= 0.000). There is strong positive relationship between recruitment and promotion having (r=.404, p= 0.000). There is positive but somewhat extent level impact of higher education in the recruitment process as having (r=.366, p=0.000).

There is positive and strong relationship in between compensation and promotion as we have (r= .550, p= 0.000). Similarly there is strong as well as positive relationship in between higher education and compensation as we have (r=.603. p=0.000). This table also indicates the strong and positive relationship between higher education and promotion as we have (r= .537, p=0.000). Three dimensions of employer preference are named recruitment, compensation and promotion in this study. These three dimensions have a positive and significant relationship

with higher education.

**SEM (Structural Equation Modeling):**

**Table 4: SEM**

Hypothesis	Relations	Estimate	p-value
H1	Higher Education → Recruitment	.354	0.000
H2	Higher Education → Compensation	.544	0.000
H3	Higher Education → Promotion	.553	0.000

In the structural model made, H1 Higher Education has a significant impact on Recruitment ( $p=0.000$ ,  $p < 0.05$ ). H2 Higher Education has a significant impact on compensation ( $p=0.000$ ,  $p < 0.05$ ). H3 Higher Education has also significant impact on Promotion ( $p=0.000$ ,  $p < 0.05$ )

**Table 5: SEM**

Goodness of fit Indices	Acceptance Criteria		Initial Structural Model	Final Structural Model
<b>(CMIN/DF)</b>	Poor	Fit:	Above 5	13.908
	Acceptable:		3-5	Poor fit
	Best Fit:		1-3	<u>Acceptable</u>
<b>(GFI)</b>	Poor	Fit:	<0.90	0.822
	Acceptable:	Best	>0.90	Poor fit
	Fit:		>0.95	<u>Best Fit</u>
<b>(AGFI)</b>	Poor	Fit:	<0.80	0.467
	Acceptable:	Best	>0.80	Poor fit
	Fit:		>0.90	<u>Acceptable</u>
<b>(CFI)</b>	Poor	Fit:	<0.80	0.776
	Acceptable:	Best	>0.80	Poor fit
	Fit:		>0.90	<u>Best Fit</u>
<b>(RMSEA)</b>	Poor Fit:		>0.1	0.294
	Acceptable:	Best	0.06-0.08	Poor fit
	Fit:		<0.05	<u>Poor Fit</u>
<b>(NFI)</b>	Poor	Fit:	<0.80	0.768
	Acceptable:	Best	>0.80	Poor Fit
	Fit:		>0.90	<u>Best Fit</u>
<b>(TLI)</b>	Poor	Fit:	<0.80	0.521
	Acceptable:	Best	>0.80	Poor Fit
	Fit:		>0.90	<u>Acceptable</u>
<b>(IFI)</b>	Poor	Fit:	<0.80	0.781
	Acceptable:	Best	>0.80	Poor Fit
	Fit:		>0.90	<u>Best Fit</u>

In the final structural model values for five model fit indices were IFI=0.974, TLI=0.836, NFI=0.964, RMSEA = 0.171, CFI = 0.973, AGFI = 0.805, GFI = 0.981 and CMIN/DF = 3.611. Values are improved as compared to initial structural equation model, we draw covariance's between error terms e1, e2 and e3, that help in improving the values.

**Hypothesis Testing:**

If we study the above SEM table we found that the p value for all three hypothesis is  $p=0.000$  which is less than 0.05. It indicates that our all three hypothesis are accepted.

**Conclusion:**

The results showed that the independent variable higher education has a significant impact on the dependent variable recruitment. The results indicate that when employers negotiate the salary and other benefit, they take higher education as a key factor. Higher education has also significant impact on employer preference while promoting the employee.



## **Implications of Study:**

### **Theoretical Implications:**

In Pakistan, there may be any research on this topic that has conducted direct research on these dimensions. There is lack of research that has highlighted the importance of higher education in the context of employer point of view. Therefore, this study is a contribution to the existing literature on employer preference. This is a good source of knowledge and understanding for the researcher, employer and students to make good understanding about the importance of higher education. This is also source of reference for the future researches on employer preference.

### **Practical Implications:**

After this research, the students will be able to know that how much their degree possesses worth in the market. They will come to know that education has a great importance not only getting their desired job but also getting handsome salary and easy promotion on the basis of their qualification. On the other hand, the employers or hiring managers will use this study in selection process, compensation and promotion giving a standardized weight age to the higher qualification.

To put it briefly, it can be concluded from the study that the higher education has strong influence on employer preference. The basic relevant higher education is necessary not only to get the job, but also to earn higher earnings and get promotion in the organization.

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