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## QUALITY OF LIFE IN THE CONTEXT OF THE LEVEL OF EDUCATION AND THE RATES OF PAY

### ЯКІСТЬ ЖИТТЯ В КОНТЕКСТІ РІВНЯ ОСВІТИ ТА РІВНЯ ОПЛАТИ ПРАЦІ

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Political changes, economic transformation and integration into the European Union meant that interest in the issues of standard of living and quality of life in the changed economic reality turned out to be the main point of reference in many speeches and scientific articles. Both in the transition period and now, after the accession to the European Union, are conducted numerous studies and research projects which attempts to identify the determinants of quality of life. A large role is assigned pointer enrollment in the society on the basis of which tries to detect the correlation between level of education and the level of wage rates. Wage rates largely because they will determine the satisfaction with life and the level and quality of life of individual citizens in the region. Improving the quality of life and reduce excessive differences in financial and social situation of different population groups is the primary goal of modern concepts of socio-economic development. Aligning wider disparities in living standards and eliminating the phenomena associated with social exclusion is also a priority of social policy in the European Union and individual member states. This article attempts to present the impact of education on the level of rates of pay in the labor market and improve the quality of life of employees.

#### The main part

##### 1. Quality of life in economic sciences

Modern economic theory include the quality of life for some of the most important economic problems. Quality of life is combined because of economic growth, socio-economic development and social welfare. This category has undergone a huge evolution with the development of quantitative methods and socio-economic analysis. In the literature you can find many definitions of quality of life, which gives the opportunity to its multifaceted approach. A multitude of concepts and definitions stems from the fact that quality of life is a category occurring at the interface of economic sciences, psychology, sociology, medicine. A literature review on research into quality of life reveals a lot of ambiguity both in terms of, as well as in defining the concept. This situation stems mainly from researchers focus on different aspects of quality of life and the

*Єж Р. Якість життя в контексті рівня освіти та рівня оплати праці. Оглядова стаття.*

Якість життя відіграє важливу роль у сучасному світі. Детермінанти, що впливають на якість життя, постійно змінюються. Дослідження показують, що освіта відіграє важливу роль у визначенні ситуації на ринку праці та у формуванні ставок заробітної плати.

В останні роки якість життя стала для неї особливою важливою випуском, описаною в економічних науках. Є багато факторів, які впливають на життєве задоволення. Ці фактори можна розділити на економічні, психологічні, культурні. Ця стаття намагається показати вплив освіти на рівень заробітної плати і, як наслідок, на якість життя в економічних умовах.

Ключові слова: якість життя, освіта, рівень оплати праці, заробітна плата, кваліфікація

*Jeż R. Quality of life in the context of the level of education and the rates of pay. Review article.*

Quality of Life plays an ever know the importance in the modern world. Determinants affecting the quality of life are constantly changing. Studies show that education plays an important role in determining the situation on the labor market and in generating wage rates.

In recent years, the quality of life has become a particularly important issue described in economic sciences. There are many factors that affect life satisfaction. These factors can be divided into economic, psychological, cultural. This article attempts to show the influence of education on wage levels and consequently on the quality of life in economic terms.

Keywords: quality of life, education, rates of pay, salary, qualifications

interdisciplinary nature of this concept. In the social sciences is consistent position with regard to the fact that the description of the concept of quality of life is important to both the analysis of the objective factors and subjective. On the basis of a variety of definitions for quality of life distinguished by some constant elements, such as the objective factors, social factors and subjective factors. Objective factors most often reflect material prosperity, social factors are measured by social services and facilities available, and in the framework of subjective factors is as difficult to measure characteristics, such as: mental feelings of individuals, satisfaction, contentment and happiness.

In the literature we can find many definitions of quality of life, which in turn creates the possibility of a multifaceted examination of the issue. One of the first definitions formulated in 1972 by Dalkey and Rourke argued that the quality of life consists of life satisfaction and happiness. According to Campbell on quality of life consists degree of satisfaction in predetermined areas of your life: marriage, family life, health, neighbors, friends, chores, professional work, life in the country, residence, leisure, housing, education and standard of living. As part of welfare economics at the turn of the century, the doctrine of utilitarianism – which is the basis of its deliberations – found that the basic element is to establish rules for dividing the product produced by the individual and by society. The classic representation of the doctrine of utilitarianism in economics was the work of A. Smith's 1776 *Wealth of Nations*, which describes the principle of "invisible hand", proclaiming that each unit, selfishly seeking only to satisfy their own interests, it is rumored - as if by an invisible hand – to achieve the highest good for all. Welfare theory derives from two main currents: the neoclassical economics Marshall and Pigou's and mathematical school for Lausanne-down mainly by Pareto and Barone's. Economics prosperity enjoyed a period of renaissance in the 60s of the twentieth century. This involved the extension in the period of state intervention policy. Samuelson and Galbraith argued that the market mechanism does not provide an adequate supply of public goods and services in so far as: education, health, public transport, natural human environment and therefore human intervention is necessary in these areas. Among the many concepts of quality of life deserves attention, also the concept of Nobel Prize winner A. Sen, according to which quality of life is conditioned by political liberties, the presence of the free market and economic and social opportunities.

Category quality of life appeared in the second half of the twentieth century as economic concept and still arouses much interest. There are three extreme recognition of the quality of life:

- Traditional importing quality of life for its material equipment,
- Extremely spiritualist, highlighting the spiritual dimension (non-material) quality of life,

- Linking approach emphasizing comprehensive understanding of quality of life (multifaceted) and functionally, as the abolition of restrictions, and the achievement of freedom (appropriate choices).

Considering the theme of development and making life satisfaction level of the economic aspects of quality of life, on the set of the first, as the main factor affecting the satisfaction of society, it should be pointed income. Revenue impact on the level of consumption in society. The level of income reflects the financial situation of individuals and their amount and origin are the result of the behavior of households adaptation to market conditions. Consumer income is the sum of income from paid work or social benefits, savings and various types of income from capital and material resources, such as real estate, art, durable goods, less financial burden. Changes that may occur in the sense of life satisfaction as a result of changes in the level of income is not distributed equally in all layers of society. The distinction between socio-economic groups can observe the system of inequalities in the understanding of satisfaction as a result of macroeconomic changes. This provides both opportunities to observe dissemination of certain individual behavior patterns of society, mainly in the field of consumer behavior. The amount of income that can be achieved in the economy, with the level of prices of goods and services decide about life activity and allocation of labor resources, and thus also about the structure of the income of individual households. The higher the average wage in the economy, the greater should be the activity of the poorest consumer groups to find new and better paid jobs at the same time.

## 2. Wage rates and level of education in Poland

The distribution of income as well as the structure of income translate into the quality of life of the society. The economic transformations of the nineties had a significant influence on the financial situation of all sectors of the economy, including the household sector, in many national economies, including Poland.

Indicators of dependence between wages and the level of education it is based on the wage equation proposed by J. Mincer in 1958. Analyzing the distributions of income of the J. Mincer society as the basic factors affecting this distribution indicated the level of education (measured by the number of years spent in schools) and professional experience of employees (measured by the number of years spent at work). In the Mincer model some assumptions are made to obtain a relatively simple wage equation.

In the context of gender payroll analysis, it is worth pointing to two main differences in the behavior of women and men in the labor market:

- lack of continuity in investing in human capital (training, courses) in a group of women related to motherhood and childcare,
- shorter time spent on women in the labor market (maternity leave) and the resulting lower investment in their own qualifications.

It is also assumed that there are no global changes affecting labor productivity and they result only from the increase of skills possessed by employees. Professions with a longer period of education must directly result in higher earnings in the future. Investment costs in human capital related to raising qualifications you can measure the value of lost benefits during the course of education.

The systematic increase in income stratification in society is a consequence of systemic changes in the economy. Analyzing the impact of the level of education on wages is good to start from the location of the problem in a slightly broader context, that is, against the background of profound structural and technological changes taking place in the Polish labor market. Over the last several years there has been a strong increase in wage disparities in society. These changes are explained very often based on the theory of technological progress in promoting high qualification (skill based technological change), according to which technological change relatively stronger impact on overall performance better educated, which leads to an increase in their wages, increases the demand for highly skilled workers and may too, especially with a relatively rigid wages, increase unemployment for low-skilled labor force. It highlights the increasing diversity both as a premium for experience and occupation and the increasing return to education as one of the effects of the processes of transformation. Some authors refer in this context also to the argument liberalization of trade and the opening of the Polish economy, which may affect the wages in export-oriented sectors or competing with imports, and in sectors where there has been a large inflow of foreign direct investment. The transition to a market economy has also been associated with the increased importance of the private sector, which is characterized by a greater differentiation of wages due to the smaller role of trade unions and the greater role of market mechanisms that allow for the formation of wages in greater dependence on individual productivity.

The study does not clearly show which factor is most important. The vast majority of attempts to explain the phenomenon of wage inequalities, however, refers to the theory of human capital and include at least the level of education and occupation. It appears that the natural consequence of the transformation of a starting educational premium increases (ie, increase in salaries of people with a better education) as a result of an earlier undervaluation of education in the centrally planned economy, while in subsequent years greater importance was the increase in demand for qualified by their lack of supply. Boom education and entering the labor market increasingly better educated cohorts also affected the expansion of the income inequality due to the increasing heterogeneity in the same group of people with a university degree.

Research shows indeed that this diversity within groups with different levels of education, and no

differentiation between the groups was significant. Newell and Socha estimated that wage differentials among groups of people with higher education and basic explains about 52% of the total variance in wages in 1998-2002, although these groups are only 25% of total employment. A possible explanation for this phenomenon is a consequence of increasing diversification of the quality of education at universities. The increase in the share of people with higher education took place in significant part by the increase in the proportion of students and graduates of evening and weekend public universities, as well as an increase in the number of students, largely part-time studies, private universities. In addition, increasing the number of students in these fields, the creation of which does not require significant expenditures, such as education, management and marketing, which resulted from the possibility of a relatively quick start directions, or rather not associated with the assessment of actual demand for graduates of these courses work. As a result, an increase in the number of students and graduates in tertiary education was held partly at the expense of the quality of education. There was also an increase in the diversity of skills and competencies of graduates, leading to the increase of wage differentiation of the higher education. This does not change the fact that even simple statistics show that the higher the education received person, including higher wages can count on. For years, it is also seen stable trend in wage individual groups in relation to the average wage in the whole economy, which is shown in fig. 1.

Differences in the amount of earned wages in Poland between people with the lowest and highest level of education were expanding steadily in transition. In 1988, the remuneration of persons with higher education were on average 37% higher than the wages of workers with primary education, and in 2004 these differences reached almost 120%. The last few years have, however, slowed down these processes – in 2008, noted the difference order of 106%. If the point of reference will be adopted at a higher level the average of ISCED, and the working population will be restricted to persons aged 25-64, the relative wages of people who have completed higher education in Poland, in 2006, were among the highest in the OECD (73% difference compared to the people in secondary education). Higher disparity occurred only in Hungary (120%) and the Czech Republic, Portugal and the United States (about 76-83%). On the other hand, the wages of people with the lowest qualifications were in Poland, only about 16% lower than the wages of people with secondary education. In this respect, in most OECD countries the difference was clearly higher and leading positions in the ranking occupy the United States, Austria and Portugal with a difference of the order of 32-34%. These results testify to the fact that in most OECD countries analyzed economies remained strong need for highly qualified and the labor market pays for them to obtain a high price in the form of wages.

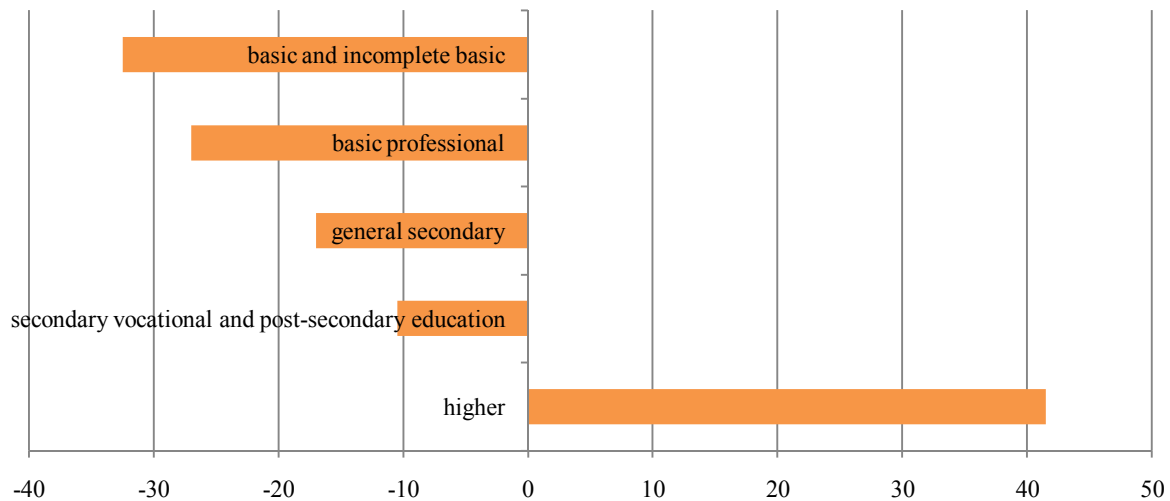


Fig. 1. The relationship between the average monthly gross wages according to education levels and average wage in the national economy in 2015 (%)

Source: own study based on surveys on the structure of remuneration, women and men in the labor market, GUS, Warsaw, 2016

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The remuneration can be interpreted as an indicator of the education system fit the needs of the labor market. If the labor market lacks highly qualified employees, it is probably the wages of this group will be relatively high. If, over time wages of this group grow in relation to the remuneration of other groups, it can be assumed that the disproportion between the demand for high skills and the number of university graduates are getting better. With just such

a situation probably we have to do, bearing in mind that at the said imbalance composed of two effects - still relatively low level of education of all employees and Skills mismatches in the labor market among people with higher education. Another important element in analyzing the impact of education on wages is, how it affects wage developments in the life cycle, so that with increasing experience and seniority increasing the prospect of wage increases. Completion of higher education in this context is the most cost-effective, even if they enter the job market and first professional experience associated with obtaining relatively low wages.

In contrast, people with lower education, salaries of people with a university degree are characterized by high dynamics, ie. Increase with successive years of professional work and stabilize until about 40 years of age. Growing with age, salary levels may also indicate an increase in the skills and knowledge of these persons in the course of their careers. This is confirmed by statistics adult participation in various forms of learning throughout life, in which we observe the highest share of people working with higher education among learners, often also among younger people. The observed increase in average wages of people over 50 years old can again point to the inactivity of people with lower wages and remain in the labor market those who have higher earnings constitute a factor encouraging them to remain in the labor market.

### Conclusions

Increasing the gap between rates of remuneration for persons with higher education and people with lower qualifications in an increasingly older age groups is typical for the OECD countries and only a few of them (including the UK and Australia). This relationship is especially the case for men. The data



so far seem to be so clearly indicate that higher education increases the probability of being employed at an older age and conducive to obtaining higher wages, increases the productivity during their working life. This is a very important observation in the context of demographic change, the growing needs of

a modern economy based on knowledge and generally low economic activity in Poland. Differentiation of remuneration depending on the level of education is also an important incentive for making learning motivating and also in this context should be examined this relationship.

### Abstract

Quality of Life plays an ever know the importance in the modern world. Determinants affecting the quality of life are constantly changing. Studies show that education plays an important role in determining the situation on the labor market and in generating wage rates. Wage rates, in turn, correlate very strongly with standard of living, quality of life and satisfaction of individual residents. People with primary education and basic vocational education are exposed to much greater fluctuations in the demand for labor than other groups. Instability is manifested also by frequent interruptions and shorter work experience less educated people. Please also note that the level of education affects not only the probability of hitting to unemployment. As a result of the processes of modernization of the economy, there was unusually large increase in wages of skilled people, which results in a large increase in wage disparities in the society.

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