

Language skills, the labour market, and socioeconomic integration

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The study of the relationship between individuals' language skills and outcomes on the labour market is a classic theme in language economics. According to the overview of Gazzola, Grin and Wickström (2016), there are 153 papers dealing with this issue out of some 500 publications in language economics reviewed in 2016, making up roughly one third of the existing references in the field. Economists have focused on two central labour-market outcomes, that is, individual's income and employment. The former has been operationalised in terms of earning differentials. The question, therefore, is whether certain language skills are associated with a positive or negative impact on labour income with respect to other individuals who share similar personal and social characteristics, such as the level of education and marital status, but differ in terms of their linguistic repertoire. The latter variable has been operationalised in terms of occupational status, that is, whether individuals who know certain languages are more (or less) likely to be employed rather than non-employed.

Studies have been carried out for different populations and different countries. Most existing references focus on immigrants. They examine the relationship between the acquisition and/or the use of skills in host country's national or official language(s) and immigrants' income and employment status, e.g. English for Spanish-speaking immigrants in the US or German for Turks in Germany. Some papers extend the analysis to regional or minority languages that are co-official in some regions of the host country, e.g. Catalan in Spain. A second group of papers, numerically smaller than the first one, examine the relationship between knowledge and/or use of foreign languages and individuals' income in countries in which such languages are not official or national (e.g. Russian in Spain). To this group, studies belong in which the term "foreign language" is used to denote languages that may be official at the national level but that are not the first language of the population examined, e.g. French in the Italian-speaking part of Switzerland, or English in Québec.

It is not the goal of this introduction to provide a detailed review of the literature¹ Rather, we recall some general trends that emerge from existing studies in order to clarify how the papers of this special issue fit the existing literature. Finally, we point out some directions for future research.

As regards immigrants, the literature shows that, in general, knowledge and (more importantly) proficiency in the national or official language(s) of the host country has a positive effect on immigrants' labour income and employment status. Language skills, therefore, significantly contribute to the integration of immigrants in the labour market. As employment and economic status are important dimensions of social inclusion, language skills in the dominant language(s) of the host country also facilitate social integration. Therefore, language-education policies aimed at promoting and spreading the knowledge and the use of the language(s) of the host country can significantly contribute to a better socio-economic integration of immigrants. However, two important issues must be emphasised. Language proficiency is a necessary but not a sufficient condition for integration, as cultural (such as religion and customs) and political variables (e.g. attitudes more or less favourable to immigration) clearly play an important role in explaining the complexity of integration processes. Second, empirical analyses in the literature report results that hold in general and on average. This

¹ For this purpose the reader can refer to the references listed in the articles contained in this special issue, in addition to existing overviews, e.g. Chiswick and Miller (2007), Zhang and Grenier (2013), Chiswick and Miller (2015), Isphording (2015), Adserà and Pytliková (2016), Gazzola et al. (2016), and Coray and Duchêne (2017: 49-51).

does not mean, however, that the effects of language skills on income or on the employment status are the same for everyone. Hence, equity issues must not be underestimated. For example, significant differences may exist between men and women, or between immigrants belonging to different ethnic communities.

As regards the relationship between foreign language skills and outcomes on the labour market, the results of the literature tend to converge towards the same general conclusions. First, earning differentials associated with language skills are positive and substantial, and such skills often result in a higher probability of being employed rather than non-employed. Second, a very good level of language knowledge is rewarded more than basic or intermediate skills. This result has clear implications for educational policy, that is, learning foreign languages is a good investment for individuals and society, especially if the level achieved is high. Third, the range of languages bringing about benefits to individuals in the labour market and their magnitude depends on the country. English, for example, has an undisputed economic usefulness in Continental Europe, but it is not the only linguistic asset worth investing in; in some contexts, skills in other languages may be better rewarded.

The majority of the articles of this special issue enrich these two areas of research. The paper of **Budría, Colino and Martínez** de Ibarreta deals with immigrants in Spain, and it uses advanced econometric techniques to study the impact of proficiency in Spanish on their probability of being employed. Consistently with the existing literature, they show that proficiency in the host country official language raises the probability of being employed. The effect is estimated at about 15 and 22 per cent among men and women respectively. The article by Yao and van Ours explores an original and under-researched topic, that is, the effect of speaking dialect (instead of the official or national language) on individuals' income. The authors investigate whether a difference exist between the hourly wage of native speakers of Dutch who use the standard language on the workplace in comparison to those who use dialect. Their results reveal that dialect speakers tend to earn 8 to 10 per cent less than speakers of the standard language. The penalty associated with the use of dialect by native speakers of Dutch resembles to some extent the disadvantage suffered by immigrants who do not master the official language of the host country.

Three articles deal with foreign languages. The paper by Di Paolo and Tansel studies the conditional correlation between, on one hand, the knowledge of English as a foreign language, and, on the other hand, wages and occupational status of Turkish women in Turkey. The authors find that skills in English increases women's participation in the labour market and their earnings, but it does not substantially affect their occupational position defined according to the International Socio-Economic Index of occupational status (ISEI). Recall that ISEI is an index that scores occupations in relation to their average education and income levels. Liwiński's article deals with earning differentials associated with foreign language skills in Poland, focusing on English, French, German, Italian, Russian and Spanish. Using data from three waves of the Human Capital Balance survey (2012-2014), the author shows that intermediate and advanced levels of skills bring about an average wage premium of 5 per cent and 11 per cent, respectively. Advanced levels of proficiency in Spanish, French in Italian are better rewarded (by 32, 22 and 15 percent, respectively) than equivalent skills in English and German (by 11 and 12 percent, respectively), the two most commonly known foreign languages in Poland together with Russian. Fluency in Russian, however, is not rewarded. Earning differentials, therefore, tend to be higher for advanced skills in languages that are demanded in the Polish labour market but whose knowledge is less common. This is consistent with what the theory predicts (see below). A similar conclusion emerges from Gazzola and Mazzacani's article. Using data from Eurostat's Adult Education Survey 2011, this article studies the conditional correlations between knowledge of English and French as foreign languages, and the probability of being employed of men and women in Germany, Italy and Spain. Results reveal that skills in English increase the probability

of being employed for men in the three countries by 3.4, 4.3 and 5.2 percent, respectively. Knowledge of English increases the probability of being employed for women in Germany and Italy – by 5.6 and 5.7 percent, respectively – but not in Spain. The conditional correlation between knowledge of English and employment status for men is larger in countries where skills in this language are less common among the population, and where employment rate is lower. Results also show that very good skills are associated with a higher probability of being employed than sufficient or good skills. Estimates for French are not statistically significant.

The last two articles in this special issue are somewhat distinct from the other five, because they do not deal with labour market outcomes. Budria and Swedberg use econometric techniques to estimate the effect of immigrants' foreign language skills acquired before migrating to Spain on the probability to learn the official language of the host country, that is, Spanish. Results reveal that every additional foreign language learnt by the immigrant increases by 10.7 per cent the probability of he/she being proficient in Spanish, all other things being equal. In other words, a higher degree of multilingualism of immigrants in Spain, measured in terms of languages belonging to their repertoire, facilitates the acquisition of Spanish and therefore the inclusion in the host country. It is well-known that foreign language acquisition helps further language learning, but this question was not addressed empirically in the economics of languages so far. Finally, Civico's article adopts an innovative approach based on complex theory, and in particular on agent-based modelling, to discuss how language skills impact the process of knowledge creation and sharing among employees in multilingual corporations or organisations. His analysis is based on computer simulations of multiple interactions among agents. The article shows what is the effect of different initial distribution of language skills in the population on the final distribution of knowledge. This paper, therefore, does not focus on labour market, but on the question of inclusion and knowledge sharing in the workplace.

The last part of this introduction critically addresses some issues related to the literature, and it discusses some directions for future research. A first question concerns the dynamics of economic benefits accruing to multilingual people. The vast majority of studies on the value of language skills on the labour market refers to the theory of human capital, thereby following the tradition of studies in education economics. Language skill can be viewed as a form of human capital because "it satisfies the three requirements: It is embodied in the person; it is created at a cost (in time or money) to the individual or to others; and it is productive in labor market, consumption or other activities" (Chiswick and Miller 2018). According to the human capital theory, language skills can bring about benefits to individuals in terms of earning differentials or employment status because they increase an individual's productivity on the job by making him/her more efficient in performing certain tasks (e.g. accessing and processing information) and by reducing communication costs. There are also other reasons explaining why language skills can bring about benefits to individuals. Multilingual skills are associated with better cognitive capabilities; they contribute to expanding individuals' social network, and therefore potential job opportunities. Finally, according to the signal theory, language skills can be perceived by employers as a signal of good education and talent.

It is very important, however, to keep in mind that wage premia or employment opportunities due to language skills are the result of interactions between supply and demand in the labour market. The resulting equilibria have not been enough studied in the economic literature. Most studies are based on empirical analyses of quantitative data, and they employ more or less sophisticated econometric regressions techniques to estimate the causal relationship or the conditional correlation between language skills and earnings and/or employment status at a given moment of time. However, there is a lack of studies on the dynamics of such outcomes. It is important to distinguish between short-term and long-term perspectives. In the short term, an increase in the demand for skills in a certain language on the labour market, for instance because of a growing importance of trade relations with countries where that language is spoken or because it is required by multinational companies, can be expected

to result into a wage premium in the trading enterprises for employees knowing the language in question. This would, in a well-functioning economy, create incentives for other potential employees to learn the language in question, thus altering the supply. However, as learning is a long process, the supply will change very slowly. In the long run, however, many people will realise that learning certain languages is worthwhile, and the number of people with adequate skills will increase. This will gradually reduce the premium, and earning differentials will eventually fade away. Strictly speaking, this is only the case if the costs of learning are comparable for all languages. If this is not the case, a premium would rest for speakers of languages needing higher investment.

This ideal situation, however, is far away from the realities of today's world. Languages are learnt in different ways, in schools or in private courses, by spending time in another country, by watching movies, or by any combination among those. Language education policy, what sociolinguists name acquisition planning in the public sector, however, plays by far the most important role in determining the supply of language skills. This has two important effects: first, the direct influence on the supply of certain language skills directly influences the equilibrium in the market, determining the wage premium or employment opportunity. Second, if a language is offered in school, this reduces the individual learning costs considerably, which *ceteris paribus* will lead to higher earning differentials in favour of languages acquired at a higher cost. The current trend of concentrating almost exclusively on teaching English in European schools at the cost of other languages can hence result in a higher wage premium for other languages in demand in the labour market, unless the demand for English skills increases sufficiently.

Whether a long-term equilibrium is achieved at all, of course depends on the velocity of the different underlying processes. Significant changes in the supply, the linguistic repertoire of a population, take several decades, while significant changes in the demand, due to altering trade patterns or a changing economic structure, occur more rapidly. Hence, a sequence of short-term equilibria with different premia for different linguistic repertoires is more likely, and for this reason we can expect the magnitude of such premia to change continuously. More research is clearly necessary to better understand these dynamic processes.

The learning costs of different languages vary due to the linguistic distance between the target language and the mother tongue of a learner. Here, the heterogeneity of the population resulting from immigration can become a big asset for a country if trading patterns increase the demand for skills in "exotic" languages, and if there is no ethnic discrimination against immigrants.

As noted above, the language policy is very important in determining the linguistic environment and the value of language skills in the labour market. An individual's linguistic repertoire is determined both by early education in the family and conscious choices made in his or her adult life. Public policy plays a crucial role here, since an important part of language policy is language acquisition planning, that is, languages taught in the educational system.

Language policy, however, influences not only the educational curricula, but also the linguistic environment in general, especially through what is known as status planning (Johnson 2013, Ricento 2015). For example, a regulation that certain services are to be offered in a minority language or that access to top position in public administration requires specific language skills, increases the demand for people with these skills on the labour market. We can hence conclude that language-related individual productivity in the labour market depends on early education, individual choices, and public (language) policy. The market value of language skills, therefore, is not something absolute and definitive since it is the result of the interaction between language policies, individual choices and economic dynamics. There is a lack of theoretical contributions that address this issue.

A related problem concerns the availability of data. Existing empirical studies tend to focus on languages that are already widely spoken and/or taught because more statistical observations are available. As a result, authors tend to study the economic benefits associated with languages that people already know (precisely because they have learnt them in school), but little is known about the potential economic value of languages that are (still) not widely spoken. This piece of information, however, could significantly contribute to the design of better language policies for the future.

In concluding, it is worthwhile emphasising that, contrary to what some applied linguists argue, adopting the theory of human capital to study the value of language skills on the labour market does not imply endorsing a neoliberal ideology according to which “decisions about language choice and use to functional or material gain considerations” (Holborow 2018: 523) or accepting the view that languages have been turned into commodities by capitalism (Heller 2010). Economists use the term of human capital in a technical way to explain theoretically what applied research has shown empirically, that is, that language skills are rewarded on the labour market. Human capital is a concept used to describe the stock of knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances. It is not a normative theory suggesting that languages must be reified, sold and bought. Quite simply, languages are neither produced nor traded, and therefore they cannot be commodified. Human beings can learn languages in order to develop and use linguistic skills to do many things, including working. *These* skills can be rewarded, and obviously people can invest time and resources to improve them (e.g. by paying a teacher). Just like physical capital, also human capital is the result of an investment, that is, is an outlay of resources (e.g. time and money) that entails an initial cost that one hopes to recoup over some period of time. The theory of human capital allows us to study the effects of such investment. This, however, does not imply that languages must be taught only if they bring about material benefits. Economists have clearly shown that the notion of “economic value of languages” depends on the subjective preferences of individuals and their willingness to pay to learn and use a language for whatever material or symbolic reason they think is worthwhile (see Grin and Vaillancourt 1997, and Wickström *et al* 2018 for an in-depth discussion).

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