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Knowledge of English as an asset of human capital

Abstract

The article is devoted to the study of the relationship between the knowledge of English (as a foreign language) and the level of wages. The purpose of this paper is to confirm or refute the claim that there is a correlation between these two categories. Value/originality. The authors proved that English proficiency has the potential to increase workers' earnings. Factors such as work experience and organizational size were included in the study. Moreover, the paper suggests that learning English develops qualities valued by employers and increases employee competitiveness. The empirical base is the reports of EF (Education First), Cambridge English and QS. In particular, EF provides its annual reports summarizing the relationship between English and the various categories. The Cambridge English and QS report showed the percentage of employers who offer the best packages to applicants with good English skills. In Ukraine this figure is 83%. This study proved the existence of a correlation between the knowledge of English and the level of wages. The expected salary growth of a potential employee may well range from 8.5% to 34.1%, which was studied on the example of vacancies for marketers. Such wage differences exist not only because of the need to incorporate linguistic knowledge into the job, but also because of the skills that can be acquired through training. Good memory, better cognitive skills, the ability to stay focused and organized while performing tasks – these are the qualities that define a person who is most likely to handle all his/her responsibilities properly. In addition, it is determined that B2 (Upper-intermediate) is the most sought-after level of English among Kyiv marketers. One of the conclusions of the study is that people with no work experience but with linguistic skills have a chance to get a job, although the percentage of such vacancies is small.

Keywords

Human capital, assets of human capital, competitiveness in the labor market, level of English proficiency, pay rate

JEL: I20, J40, J60

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1 Introduction

The age of globalization and digitalization favors those people who have linguistic knowledge. Today such people have access to the world's information, which is mostly in English. Having such a great communication tool allows workers not only to make decisions faster, but also to develop their labor potential, and thus to build up human capital assets, increase competitiveness, and obtain higher incomes in the labor market. The purpose of this paper is to prove or disprove the claim that there is a correlation between two categories – knowledge of English (as a foreign language) and the wage rate. English language skills have been shown to have the potential to increase employee earnings. Factors such as work experience and organization size were included in the study. Moreover, we hypothesize that learning English

develops qualities valued by employers and increases employee competitiveness. Several methods were used in the study to achieve the objectives. Classification and analytical methods were used to determine the qualities that employers may pay attention to when choosing a candidate. Grouping and comparative – to compare vacancies that require linguistic skills with those that do not. Survey method – to study students' opinions on the role of linguistic knowledge in the labor market. Graphical, mathematical and statistical – to calculate wage growth, correlation coefficient for EF EPI and Gender Gap Index. The empirical base is the reports of EF (Education First), Cambridge English and QS. In particular, EF provides its annual reports summarizing the relationship between English and various categories, such as English and work, English and gender inequality, etc. Thus, it is argued that higher English proficiency leads to lower

gender inequality, greater international mobility of residents, and a higher chance of being promoted. The report Cambridge English and QS showed the percentage of employers who offer the best packages to applicants with a good command of English. In Ukraine the figure is 83%, in Lithuania it is 32%, and in Russia it is 54%.

2 Reasons why bilingual employees get more career benefits

Ratwatte H. V. examined employers' views on this issue, particularly their attitudes toward bilingual workers. It is argued that employers believe that candidates with a good command of English are able to communicate more effectively both with each other in multinational workplaces and with foreign parties (Ratwatte, 2016). Analyzing the above information, we can conclude that while learning languages a person develops "soft" skills as well. For example, well-developed communication skills and the ability to listen effectively.

According to Forbes, 94% of recruiters believe that an employee with stronger soft skills has a better chance of being promoted to a management position than an employee with more seniority but weak soft skills (Forbes, 2017).

Scientists also claim that learning languages has a positive effect on the cognitive abilities of bilingual people. Improved memory function (long-term and short-term), more flexible and creative thinking, improved verbal abilities – all these personal improvements a person can acquire through learning (ACDFL Language Connects). Moreover, it is likely that having well-developed linguistic skills is an indicator of natural abilities that help a person accelerate their intellectual and creative development and, consequently, succeed in the professional sphere.

Thus, English does have an impact on the personality of those who learn it, making them much more attractive to potential employers.

3 Salary increases

By using the data taken from the site for finding work rabota.ua, we have discovered the correlation between linguistic knowledge and a pay rate. The article (Ukrinform, 2017) has provided its readers with the comparative analysis of vacancies from different spheres for May 2017. The analysis was able to show the difference in pay depending on the availability of linguistic knowledge. When working with these statistics, attention was paid to economic jobs such as marketers, financiers, top managers, and sales managers (Figure 1) (Ukrinform, 2017).

Jobs for marketers that require linguistic knowledge are paid on average 34% more; for sales managers, 40.6% more; for top managers, 52.4% more; and for financiers, 84.2% more. It is important to note that this study shows only a general trend, as it did not take into account factors such as work experience and professional skills (Ukrinform, 2017).

Thanks to Niklas Kutat's article, where the author examines wage growth depending on the level of English proficiency, it is possible to estimate wage growth at each stage of language learning. In particular, people who start their career with zero language skills will be paid 13.9% more if they reach the entry level. If they reach the intermediate level, the rate can increase to 28.4 percent. Similarly, if they reach the advanced level, an employee can earn 45.3 percent more (Figure 2) (Niklas Kutat, 2018).

Salary increases are different when it comes to an employee who begins to realize his or her burning ambition from as early as the entry level of English. Once they reach the intermediate level, the potential

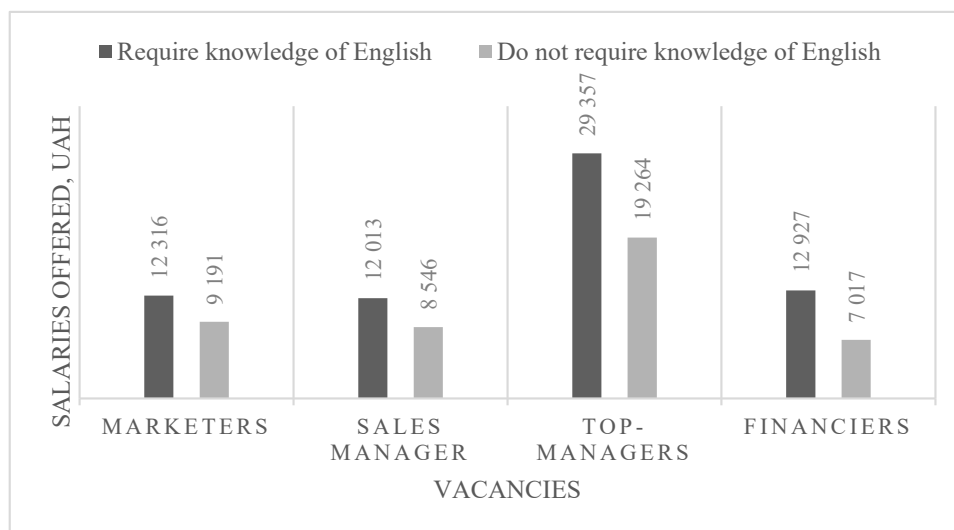


FIGURE 1 Comparison of salaries for jobs that require English proficiency with those that do not, for 2017.

Source: Ukrinform, 2017

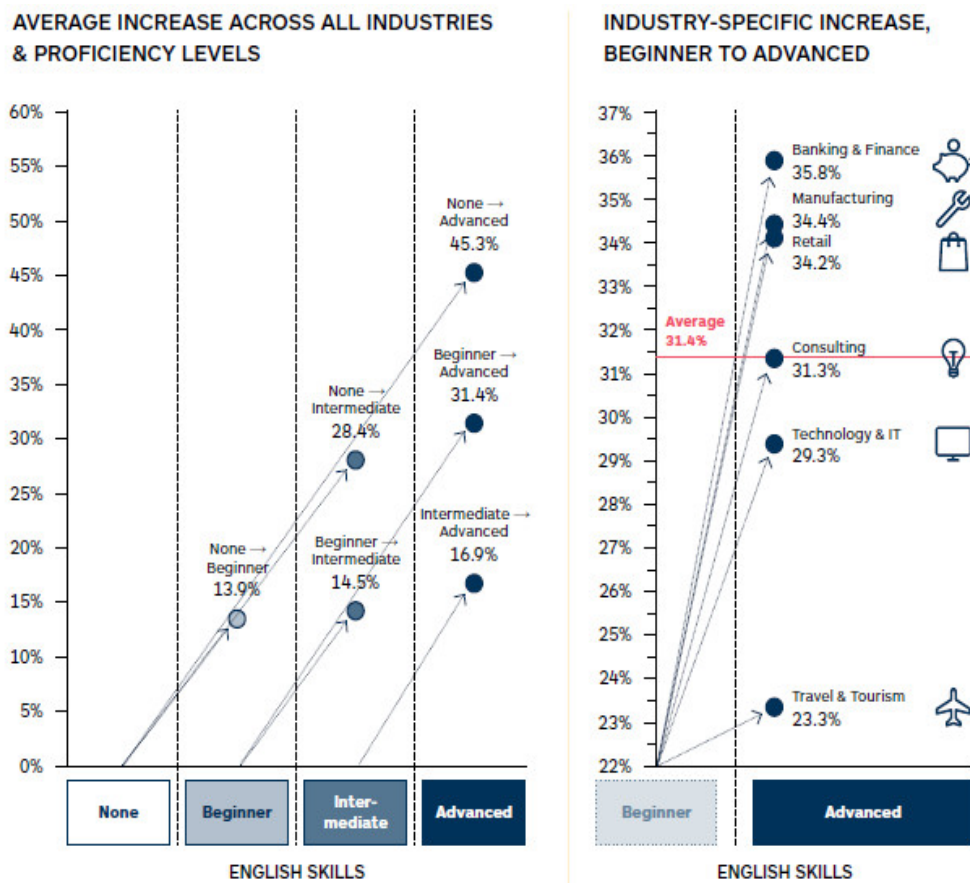


FIGURE 2 Salary increase from improved English skills
 Source: Niklas Kutat, 2018

raise can be as much as 14.5%. Moreover, if they manage to reach an advanced level, they may well earn 31.4% more (Figure 2) (Niklas Kutat, 2018).

For an employee who already has an intermediate level, the wage increase is not as significant, because when he or she reaches the advanced level, the employee will be paid only 16.9% more (Fig. 2) (Niklas Kutat, 2018).

Having compared the growth of salaries in different spheres, Niklas Kutat found out that the lowest rate is in travel and tourism (23.3%). Next comes IT (29.3%), consulting (31.3%), retail (34.2%), manufacturing (34.4%), banks and finance (35.8%). The average wage growth is 31.4% (Fig. 2) (Niklas Kutat, 2018).

The authors conducted their own study to examine the relationship between English proficiency and the salary of a Ukrainian marketer. In studying the topic, the authors took into account such factors as work experience and the size of the organization.

To understand the impact of English proficiency on salaries, we compared salaries offered for jobs that require linguistic proficiency to those that do not, for September-October 2021. The first phase of the study created a classification principle to sort all job openings (Figure 3).

First, all vacancies were divided into four groups: small enterprises (10-50 employees), medium-sized

enterprises (50-250 employees), large enterprises (250-1000 employees) and microenterprises (less than 10 employees). The secondary distribution then gave each group 4 subgroups. These are the following subgroups: 1) work experience + English, 2) work experience + no English, 3) no work experience + English, and 4) no work experience + no English.

The sample consists of 500 jobs that were collected from job search sites (rabota.ua, work.ua and jobble). The structure of the primary distribution of vacancies gave the following results: the share of small enterprises is 46%, medium-sized enterprises – 26%, large enterprises – 9%, microenterprises – 19%.

The job structure after the secondary distribution (work experience + English, work experience + no English, no work experience + English, no work experience + no English) is shown in Figure 4.

According to this study, the largest wage increases (34.12%) due to English language skills occur in medium-sized enterprises (50-250 employees). In contrast, the lowest rate (8.5%) is expected in small businesses (10-50 employees). The most in-demand level of English proficiency is B2. The rest of the results are presented in Table 1.

In addition, the most in-demand level of English language skills among Kyiv marketers was also studied. Micro enterprises mostly need B1 (the percentage of

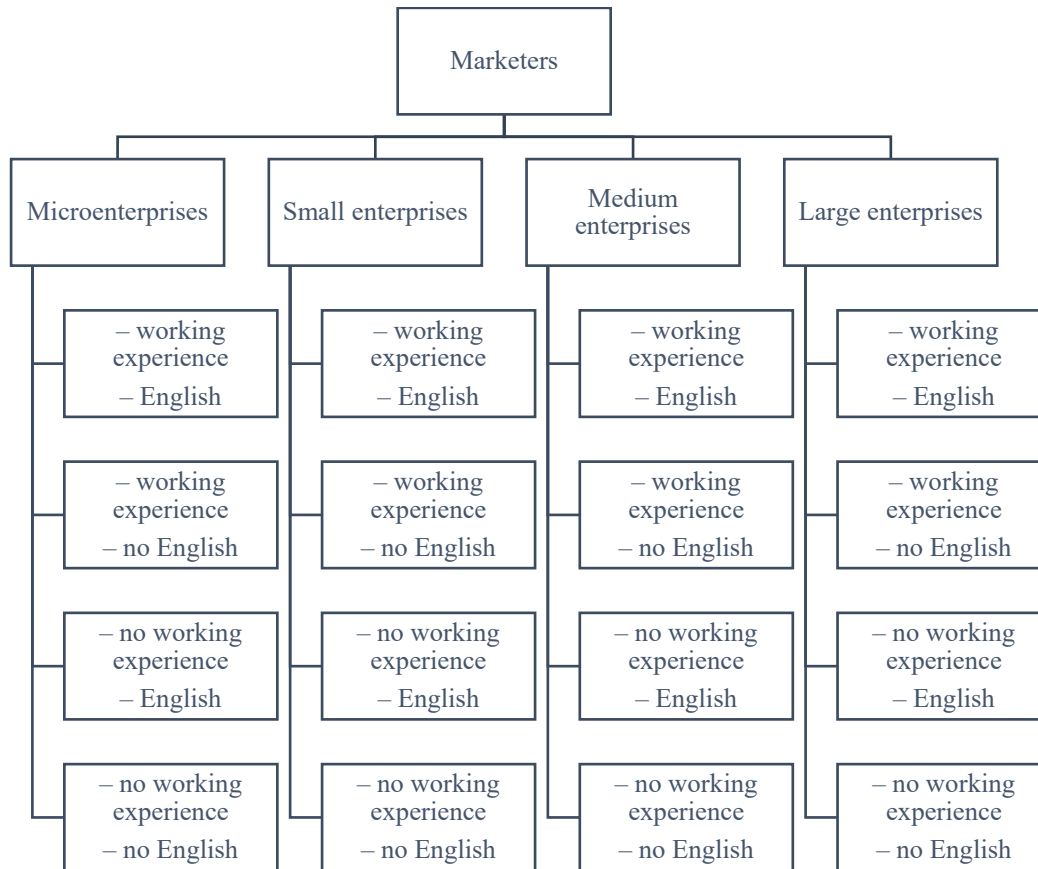


FIGURE 3 The classification principle that has been used to sort the vacancies

vacancies that require this level is 43%) and B2 (40%), small enterprises – B2 (47%), medium enterprises – B2 (48%), large enterprises – B1 (46%) and B2 (33%).

4 Findings

One of the goals of this paper is also to examine the extent to which students' expectations and actual

skills apply to the reality of the job market. In order to accomplish this task, a survey was conducted among students from different universities (Taras Shevchenko National University of Kyiv, National Technical University of Ukraine “Igor Sikorsky Kyiv Polytechnic Institute”, NTU “Kharkiv Polytechnic Institute”, V. N. Karazin Kharkiv National University, Zaporizhzhia National University, "Zaporizhzhia

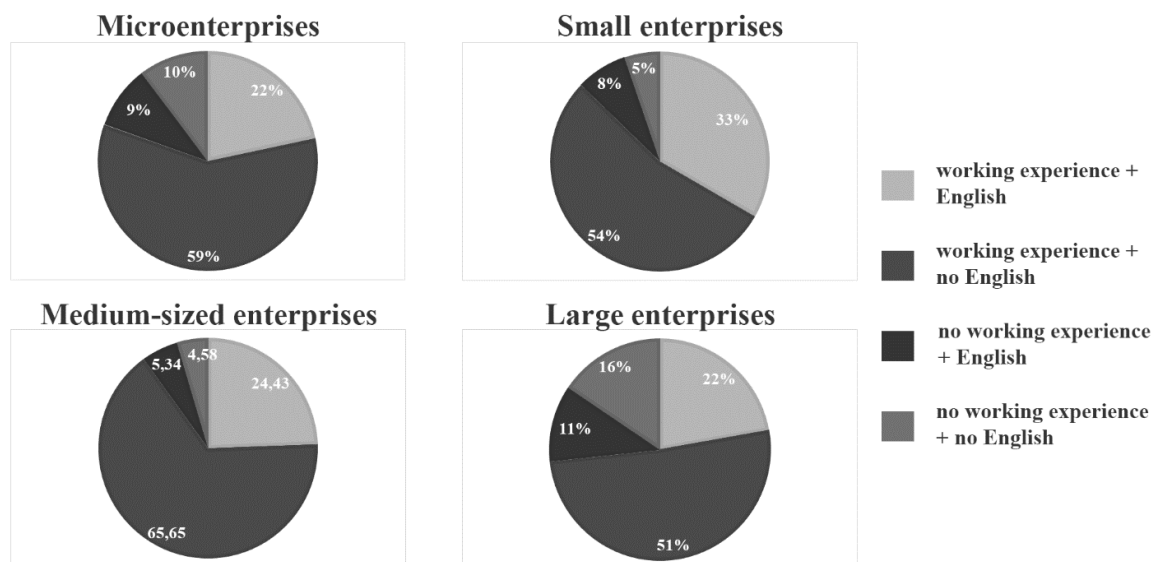


FIGURE 4 Results of secondary distribution for small, medium, large and micro enterprises, %

TABLE 1 Salary increase due to knowledge of English (Depending on such factors as working experience and organization size)

	Micro	Small	Medium-sized	Large
Shares of companies of different sizes in the sample of vacancies	19%	46%	26%	9%
Salary increase (work experience is mandatory) due to English, %	22,25%	8,5%	34,12%	14,4%
Salary increase (work experience is required) at the expense of English, UAH	4 880	1 807	7 523	3 587
Salary increase (no work experience required) at the expense of English, %	15,63%	9,78%	17,57%	17,06%
Salary increase (no work experience required) due to the English language, UAH	1 922	1 384	2 167	2 900
The most in-demand level of English	B1, B2	B2	B2	B1, B2

Polytechnic" National university and so on so forth) with the help of Google forms. In addition, the students surveyed represented different departments (economics, law, sociology, technology, and psychology).

The sample consists of 220 students, 97.3% of whom agreed that knowledge of English positively affects their opportunities in the job market, although there were dissenters (2.7%).

When analyzing the data obtained, the most sought-after level of English according to the surveyed students was B2 (Upper-intermediate) (57.3%), although the majority estimated their actual level as B1 (Intermediate) (39.1%) (Figure 5, Figure 6). Moreover, the vast majority (95.4%) gave an affirmative answer regarding their plans to improve their language skills. In general, most students understand the importance of language learning regardless of the field of education.

To understand why so many students see English as a valuable asset to their human capital, we turned to a study (Cambridge English Language Assessment, 2016) that looked at the benefits workers can gain from their language skills. According to the data, 57% of surveyed employers (from countries where English is not the official language) offer better career packages to job seekers with good English proficiency.

These career benefits include quick promotions (50% of employers surveyed offer such career benefits), salary increases (49%), and higher positions (21%) (Cambridge English Language Assessment, 2016).

EF (Education First) is an organization that studies the impact of English on various categories through its own EF EPI index. The purpose of the index is to rank countries in terms of equality of English proficiency among those who take the EF online test. The answers to the questionnaire create a database that is used to compile reports. According to the EF EPI Report 2020 (2.2 million test participants from 99 countries), it can be assumed that companies in Europe have a kind of "English glass ceiling" when moving from junior to executive positions, in which employees are not promoted if they are not fluent in English. This rule does not apply to top managers, where selection is stricter and other leadership qualities are given more attention (EF EPI Report 2020).

According to the EF EPI Report 2020, adult English proficiency is a strong proxy for societal openness. Where adults have learned to speak English, they are also generally more internationally mobile, more politically active, and more progressive in their views on gender roles. This is not to say that there is a clear causal relationship. On the contrary, it seems likely

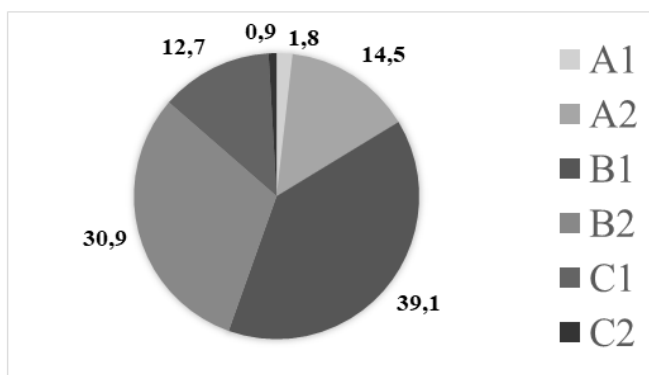


FIGURE 5 The structure of the respondents by their level of English proficiency

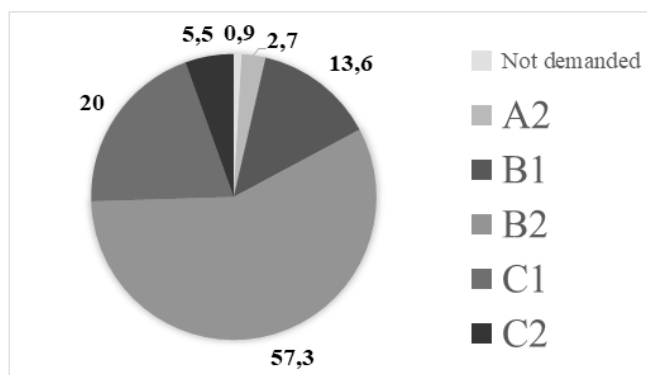


FIGURE 6 The most in-demand level of English proficiency

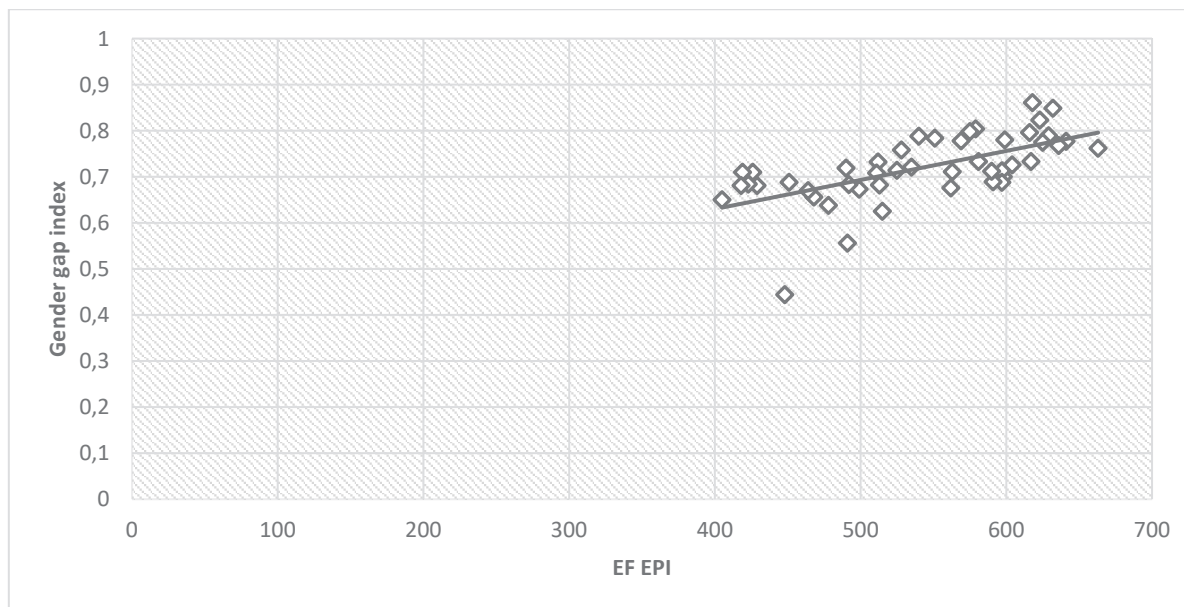


FIGURE 7 The correlation between Gender Gap Index and EF EPI

Source: the EF EPI Report 2021 and the World Economic Forum Report 2021

that the same forces that make people adopt English as a global communication tool also increase openness and reduce inequality.

Using data from the EF EPI Report 2021 and the World Economic Forum 2021 report, we examined the correlation between categories such as the EF EPI and the Gender Gap Index (Figure 7). The principle of the EF EPI is that a high index value corresponds to a high level of English proficiency in a country. In contrast, the Gender Gap Index works like this: a high index value means a low level of gender inequality in the country.

After analyzing the statistical data, a correlation coefficient was calculated. The coefficient is 88.3%, which means that 88.3% of the variation of the gender gap index correlates with the variation of the EF EPI. The influence of other factors is 11.7%. Overall, the correlation is strong.

An article by Benny Lewis was used to explain the correlation. It argues that when learning a new language or visiting a new country, one of the things one has to get used to is the perception of oneself as the "foreigner" in the room. Suddenly becoming a person who is different from others changes the way a person thinks about what it means to not fit in. As one experiences the difficulties of being in a different environment, surrounded by people with whom one may not quite identify, one learns to empathize with those who are also experiencing these difficulties (Benny Lewis). The paper strongly believes that tolerance and progressive views will be an important criterion in the hiring decision.

As for language achievements in European countries, in particular, in Ukraine since 2019 there is a positive trend towards an increase in the level of English proficiency. Moderate proficiency

is the average level of English proficiency among Ukrainians. In contrast, Latvia and Poland show a high level of language proficiency since 2020. As of 2021, Poland has reached the highest position among the represented countries (position in Europe 14 out of 35), while Latvia is 22 out of 35 and Ukraine is 30 out of 35 (EFI, Latvia, Poland, Ukraine 2021).

Moreover, the Cambridge English and QS report showed the percentage of employers who offer the best packages to applicants with a good command of English. Ukrainian indicator is 83%, Lithuanian – 32%, and Russian – 54% (Cambridge English Language Assessment, 2016).

5 Conclusions

To summarize, the authors argue that there is a correlation between English proficiency and salary, although it depends on work experience, the size of the organization, and professional skills. The expected salary growth of a potential employee may well range from 8.5% to 34.1%.

In addition, people with no work experience but with linguistic skills have a chance to get a job, although the percentage of such jobs is small.

B2 (Upper-intermediate) is defined as the most in-demand level of English among Kyiv marketers, which coincides with the opinion of the surveyed students.

According to the Cambridge Assessment of English, level B2 proves that you have the language skills to live and work independently in an English-speaking country, express your own opinions and give arguments. Moreover, it is enough to write a simple report using a limited range of expression (vocabulary, grammatical structures).

As for the surveyed students, we concluded that their expectations regarding the demands of the job market are realistic. However, their linguistic skills still need improvement.

Perhaps employers are trying to find people with knowledge of English not only to realize the linguistic

skills of employees in the workplace, but also because of the skills that can be acquired through training. Good memory, better cognitive skills, a more progressive outlook, and the ability to multitask are qualities employers may well be looking for when selecting a candidate to work for a modern company.

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