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English proficiency as a labour market determinant:
South African Black males

By

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DECLARATION

I declare that “*English proficiency as a labour market determinant: South African Black males*” is my own work, that it has not been submitted for any degree or examination in any university, and that all the sources that I have used or quoted have been indicated and acknowledged by complete references.

Tina Fransman

Signature:

Date: 24 November 2014

ABSTRACT

Communication is vital in all aspects of life, and language is the foremost manner in which people communicate with each other on a daily basis. English is considered to be a universal language, implying that it may be viewed as a dominant language that is widely spoken. This study explores English language proficiency as a labour market determinant. It investigates whether South African Black men who are English proficient have a comparative advantage in the labour market. The sample analysed represents Black African men aged between 15 and 65 years. The methodology in this study firstly estimates a probit model on labour force participation likelihood and then a Heckprobit model on employment likelihood, followed by a Heckman Ordinary Least Squares regression model on log monthly earnings, using data from the third wave of the National Income Dynamics Study 2012 data. This study defines English language proficiency as the ability to read and write English well. The results show that South African Black men who are English proficient do have a comparative advantage within the labour market. The empirical findings indicate that high levels of English language proficiency are associated with greater labour force participation likelihood, greater employment likelihood and higher earnings. In order of importance, the results suggest that reading ability is deemed to be more important than writing ability.

KEYWORDS: Language proficiency, labour force participation, employment, unemployment, earnings, South Africa, probit, Heckprobit, Heckman

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LIST OF ABBREVIATIONS

EAP	Economically Active Population
ELP	English Language Proficiency
LF	Labour force
LFPR	Labour Force Participation Rate
LFS	Labour Force Survey
LWC	Language of Wider Communication
MT	Mother Tongue
NIDS	National Income Dynamics Study
OHS	October Household Survey
QLFS	Quarterly Labour Force Survey
Stats SA	Statistics South Africa

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CHAPTER ONE: INTRODUCTION

1.1 Statement of the problem

Communication plays a vital role in day-to-day living. Language is often an indicator of an individual's origin, social status or background. The use of language in particular can be deemed as the foremost means of communication as it is used within a working as well as social context. The impact of language proficiency within the context of the labour market is often underestimated. The proficiency an individual possesses in a particular language is accompanied by both social and economic benefits. In the context of the South African labour market, language proficiency in particular, English language proficiency to a large extent plays a key role in the attainment of social and economic benefits. It could play a crucial role in an individual's employment prospects. In another sense, if a worker lacks the required knowledge and proficiency of the language that is dominantly used within the production process, this lack places a restriction on the worker in terms of the options they have when it comes to being able to access various employment opportunities (Alexander, 1989:3).

In the case of South Africa having numerous languages that were given official and equal status, the English language is still viewed as the leading language or medium of communication that is used within the South African labour market. In this context, it can be referred to as a language of wider communication (LWC). As a result, it can be viewed in terms of being a labour market determinant. Good communication skills within the workplace are required in order for competitive employment markets to exist. In particular, English proficiency as a communication skill in the light of globalisation, has led to increased emphasis being placed on the crucial role that English actually plays within employment (Rosid & Chowdhury, 2013:69).

South Africa is a very diverse country, often described as being a country rich in minerals and raw materials as well as being culturally rich. South Africa is also diverse in linguistic terms. Political rule over South Africa in the past consisted of Dutch and British colonial rule and the apartheid regime after which South Africa became a democratic country in 1994. The colonial rule as well as the apartheid regime had impacted many facets of the country but in

this context, particular attention is paid to its influence on language. The apartheid regime was accompanied by policies related to language where English and Afrikaans were classified as the official languages that were used by businesses and the government of the country (Casale & Posel, 2010: 3). In 1996, 11 languages became official. These official languages consisted of nine African languages along with English and Afrikaans.¹

Even though this had occurred, English was still viewed as the predominant language within business and social contexts (Casale & Posel, 2010: 4). However, while English was deemed to be the language of business or politics, the largest proportion of the population still spoke an ethnic language (Casale & Posel, 2010:7).

Despite the emphasis being placed on English as being the dominant language or being referred to as the universal language, it was highlighted that most South Africans speak an African language as their home language. Approximately 80% of the population in South Africa are Africans², where less than 1% of this population speaks English as their primary home language (Casale & Posel, 2010: 3).

In the context of this study, the terms Black and African should not be viewed on racial grounds. It is not a term used to belittle any racial group or to deem other racial groups as superior. These terms are dealt with the utmost sensitivity, in a non-biased and neutral manner. It should be noted that there has been no formal agreement in terms of which terms are suitable. Furthermore, in the context of this study, the main reason for making reference to the Black population group is to honour their ability to speak various African languages that are indigenous to South Africa which in turn make them the best group to examine in relation to the English language being a labour market determinant as English is often only their third or fourth language generally. As a result of this examination, it is more likely to produce a meaningful conclusion about the importance of being English language proficient within the context of the South African labour market.

¹ There are 11 official languages in South Africa: English, Afrikaans, isiXhosa, isiZulu, Sepedi, Setswana, Sesotho, Xitsonga, SiSwati, Tshivenda and isiNdebele.

² There are four race groups in South Africa, namely: Blacks, Coloureds, Indians and Whites. The first three groups are however generally classified as 'African'. For the purpose of this study, the focus will be on the black adult males only.

Bearing this in mind, a platform is formed which provides the basis to explore whether Black workers who are English proficient do in fact have a comparative advantage in the labour market. One of the major issues that the South African economy to date seems to be grappling with is unemployment. South Africa is known for its persistent problem of unemployment. The problem is considered to be serious with various effects ranging from social instability, crime, the erosion of human capital, social exclusion and having a negative impact on economic welfare and production (Kingdon & Knight, 2004:391). Unemployment is considerably high for the Black race when compared to other racial groups. Thus, it will be useful to establish whether Black South African males who have better English proficiency would perform better in the labour market. In particular, the research problem is focused on the comparative advantage in terms of employment and earnings.

1.2 Objectives of the study

The aim of this study is to examine the labour market outcomes for adult Black South African males in terms of English language proficiency (ELP). To elaborate, the study investigates whether Black adult males with good English proficiency perform better in the labour market in terms of labour force participation likelihood, employment likelihood and earnings (if they are employed).

Females are more likely to drop out of the labour market due to reasons such as pregnancy and related family and child-caring responsibilities. Some females may decide to re-enter the labour market while others may not. This brings about difficulties in estimating their years of work experience correctly. Due to this, for the purpose of this study, Black South African females will not be included in the examination of labour market outcomes in relation to their English language proficiency ability.

1.3 Outline of the study

The study is divided into four chapters. The main source of data used for this research will be sourced from the National Income Dynamics Study (2012) data conducted by the Southern African Labour and Development Research Unit (SALDRU). Chapter One presents a statement of the problem, poses the research question and outlines the structure of the study.

Chapter Two presents both a conceptual as well as a theoretical framework. The conceptual framework is done by presenting a discussion on labour market status, types of unemployment and defining the concept of ELP. The theoretical framework presents a discussion of various theories that can be viewed in relation to ELP. These theories include the human capital theory, human capital externalities, the transaction costs theory, theories of discrimination and lastly, labour market equilibrium. Literature of the past studies is also discussed. This is followed by Chapter Three, which looks at the methodology and data, before the empirical findings are presented. Chapter Four concludes the study.

CHAPTER TWO: CONCEPTUAL AND ANALYTICAL FRAMEWORK

2.1 Introduction

This section consists of two parts, a conceptual framework and a theoretical framework. The conceptual framework firstly provides an overview of labour market status derivation. Aspects in this regard are related to the employed, the unemployed, discouraged workseekers and the labour force as a whole. Secondly, the four main types of unemployment are explained but it can be noted that the focal point of this discussion is on structural unemployment as it can be associated with poor ELP. The last element of the conceptual framework looks at how language proficiency is defined.

The theoretical framework presents an overview of the economic theories related to English language proficiency. First, an augmented version of the human capital theory in relation to language proficiency is presented, by defining language proficiency and examining the how language proficiency can be viewed as a form of human capital. This section then highlights English language proficiency in relation to human capital externalities which relate to social capital and its role in the accumulation of human capital. Third, transaction costs theory is discussed. Fourth, this section reviews language proficiency or rather the lack thereof as an enabler of discrimination. Lastly, the impact of English language proficiency on earnings is reviewed in relation to labour market equilibrium. To emphasise the importance of language proficiency, the demand for labour in relation to wages and employment is illustrated. To conclude this section, a short overview in terms of what was discussed throughout the chapter is given, accompanied by general remarks in terms of the labour market outcomes linked to the various levels of English language proficiency.

2.2 Conceptual Framework

2.2.1 Labour Market Status

The labour market is made up of many facets. When examining the labour market it is important to note that the total labour force is also defined as the economically active population (EAP). Formally defined, the EAP refers to the total number of people aged 15-65

years who present their labour for production of economic goods and services, regardless of whether they are employed or not (Barker, 2007:9). To elaborate furthermore, the labour force is therefore made up of all workers in the formal sector, the informal sector including workers who are self-employed, employers and those persons who are unemployed.

Table 2.1: Derivation of labour force participation rates and unemployment rates in South Africa

<p>Labour market status</p> <p>(1) Employed</p> <p>(2) Unemployed</p> <p>(3) Discouraged job seeker[#]</p> <p>(4) Inactive</p>
<p>Narrow labour force participation rate</p> <p>= Labour force^{##} / Working-age population^{###}</p> $\frac{(1) + (2)}{(1) + (2) + (3) + (4)}$
<p>Broad labour force participation rate</p> <p>= Labour force / Working-age population</p> $\frac{(1) + (2) + (3)}{(1) + (2) + (3) + (4)}$
<p>Narrow unemployment rate</p> <p>= Unemployed / Labour force</p> $\frac{(2)}{(1) + (2)}$
<p>Broad unemployment rate</p> <p>= Unemployed / Labour force</p> $\frac{(1) + (2)}{(1) + (2) + (3)}$

[#] These people were defined as inactive and unemployed under the narrow and broad definitions respectively, in the OHS/LFS labour market status derivation methodologies.

^{##} Labour force (LF), also known as economically active population (EAP), stands for the total number of people in the working ages (15-65 years) who are willing and able to work.

^{###} Working-age population stands for people aged between 15 and 65 years.

Even though it is possible to determine the EAP, it is important to note that not everybody within the working-age population wants to work or is able to work. It is therefore possible to determine the proportion of the total population of the working-age population who work or is actually willing to work. The proportion that wants to work or does work is defined as the labour force participation rate (LFPR). In formal terms, the LFPR is defined as the percentage of the population of working age that furnishes its labour for the production of economic goods as well as services, whether employed or not (Barker, 2007:12). Table 2.1 above indicates how the LFPR can be calculated under the narrow and broad definitions.

Discouraged workseekers refer to those individuals who do not take active steps to find employment (Barker, 2007:176). Reasons why workers are classified as discouraged workseekers could be based on a number of reasons. An example of this would be in the case where an individual has been trying very hard to find employment for a very long time and has lost hope or in the case where nothing has materialised in terms of attaining a job. As a result, the job-search process is deemed to be too expensive to continue. Finally, inactive refers to those who are unable to work due to disability or retirement.

With regards to South Africa, it is important to note the difference between the narrow (strict) and broad (expanded) definitions of unemployment. The official definition of unemployment is referred to as the narrow definition. It refers to all those who have made an effort to actively look for work in the last 4 weeks and who are able to accept a job within the next week. In this case, discouraged work seekers are not classified as being economically active. The broad definition on the other hand refers to the unemployed as all individuals who would like to work even in the case where they have not made active attempts to find employment (Leibbrandt *et al.*, 2010:9). It can therefore simply be said that the broad definition of unemployment includes discouraged work seekers while the narrow definition on the other hand does not.

Formally defined, employment refers to persons who are employed in market production activities. According to Stats SA, persons are considered to be employed even if they have only worked for one hour during the reference week (2008: 5). They are those individuals aged between 15 and 64 years old, who during the reference week:

- worked for a wage, salary, commission or any type of payment in kind

- managed any type of business of any size, individually or with a one or more partners
- individuals who assisted in any business who is managed by a household member, without being paid
- who were absent from work on a temporary basis but would with certainty return to their jobs such as seasonal workers for example within the agricultural sector (Stats SA. 2008: 7).

The term employment however is not straight fold. Other types of employment also exist such as self-employment where an individual starts his or own business and includes persons who have for the time being, been absent from work but still have a formal job attachment. Another form of employment is referred to as atypical employment. This refers to the situation where an individual is employed but this is however not on a full time basis or if he or she is employed on a full time basis, it is only for a certain time period (Barker, 2007: 43). In other words, this type of employment refers to part-time, contract or temporary employment.

When studying the South African labour market, it is important to note that unemployment does not simply refer to an individual that does is currently out of work. Two definitions of unemployment exist in which certain conditions have to be fulfilled before a person can be declared as unemployed. Both these definitions must be taken into account.

Unemployment can therefore be defined according to the narrow definition and broad definition. Burger and Woolard (2005: 456) firstly refer to the broad definition as those persons who have worked for less than one hour in the preceding week and will be willing to accept a job offer that is considered to be suitable to the person who is unemployed. Secondly, in the narrow definition, unemployed persons refer to those persons who have worked for less than one hour in the preceding week and will be willing to accept a job offer that is considered to be suitable but these persons must also have actively sought work in the preceding four weeks. It can be noted that the key difference lies in the second definition where the additional aspect of active work seekers are accounted for. As indicated by table 2.1, discouraged work seekers do not form part of the narrow definition of unemployment but they do form part of the unemployed in the broad definition.

Figure A.1 in the Appendix presents the unemployment rates under the narrow definition in South Africa from 1995, it is evident that there have been many fluctuations. The unemployment rate is reflected as being the lowest in 1995 and increased until it fell in 1999 to the level of 23.32% after which an increase occurred once again. The level of unemployment in South Africa reached its peak in 2002 at a level of 30.41%. The unemployment level for 2013 stood at 24.68%.

Table A.1 also indicates that although employment increased by almost 50% between 1995 and 2013, unemployment more than doubled during same period. This occurrence seems to suggest that the absorption of labour force entrants was too slow which resulted in persistently high unemployment. In other, an upward trend in unemployment occurred. Increases in the unemployment level leads to a number of negative consequences for the country as a whole such as an increase in poverty levels, crime, violence, increased inequality and a decrease in the standard of living of South Africans (Barker, 2007: 172). This all goes against what the South African government has been trying to achieve since it become a democratically elected country in 1994. As indicated previously, there has been an increase in the working-age population. Figures indicate that this increase is 39.23%. The table also reflects increases in both the labour force and the labour force participation rate of 61.91% and 7.76% respectively.

It is evident that the labour market is very complex and cannot simply be viewed from an employed or unemployed perspective. Many other factors must be taken into account and the way in which unemployment is defined plays a key role when conducting economic analysis. Based on this, it can be noted that the reason for unemployment is just as complex as many types of unemployment exists.

2.2.2 Types of Unemployment

Unemployment could be either voluntary or involuntary. Laing (2011: 756) defines voluntary unemployment as the case where an individual is unwilling or indifferent with regards to being employed at the market related wage. Here, individuals chose to stay away from employment. Reasons include them being particularly well of, thus there is no need for them to be employed or for instance, preferring to be a stay at home mom after giving birth. In contrast, involuntary unemployment is defined as the situation in which individuals have a

firm desire to be in employment and earn the going rate. Four main types of unemployment can be identified, as discussed below.

Frictional unemployment according to Laing (2011:756) is the situation in which people are temporarily out of jobs and are searching for a new job. Alternatively, Borjas (2013:506) argues that frictional unemployment takes place as a result of the worker and the firm needing time to find each other as well as digest the information that becomes available about the value of the job match. An example of this can be people leaving their jobs to find new employment in a better paying job or a more challenging and exciting job.

In technical terms, Laing (2011: 758) highlighted that this type of unemployment can be attributed to informational imperfections that condense the actual process of finding employment and filling posts to be both time consuming and expensive. Due to this, short unemployment spells occur which is why policymakers are not too concerned with this particular type of unemployment. This type of unemployment surprisingly has a positive connotation attached to it, in that it can be viewed as being productive due to the fact that the search process undertaken by both employers and employees eventually bring about a more efficient allocation of resources (Borjas, 2013: 506).

Seasonal unemployment is also a common type of unemployment attributed to normal and expected changes with regard to economic activity that occur within the period of one year (Barker, 2007: 177). It is common to certain sectors such as the retail trade and agricultural sector. When elaborating on the agricultural sector, this type of unemployment will occur during periods when workers will only be employed during the harvest period after which they will become seasonally unemployed for the remainder of the year. Like frictional unemployment, this type of unemployment does not pose a serious threat to the problem of unemployment as workers are employed during peak periods, making this type of unemployment predictable.

Cyclical unemployment can be associated with the business cycle. According to Barker (2013:177), it occurs during periods of recession where the aggregate demand has declined causing a decline in the demand for labour as well. As a result, there is an excess supply of workers but the market does not clear. This is due to the fact that wages become sticky

causing it to be unable to adjust downward (Borjas, 2013: 507). Eventually firms close down or down-scale the number of employees. Cyclical unemployment can be seen as more serious due to the fact that it is more complex in nature and difficult to alleviate. Policy makers pay more attention to this type of unemployment. Borjas (2013:507) recommends that to alleviate this type of unemployment, government needs to stimulate aggregate demand so as to restore the market equilibrium at the sticky wage.

The last type and most serious type of unemployment is structural unemployment. Barker (2007:177) states that structural unemployment is more difficult to define but in essence relates to the economy being unable to provide employment for the entire labour force even when the business cycle reaches its peak. This is due to structural imbalances, which are related to a various reasons such as an inflexible labour market, rapid growth of the labour force or the use of capital or skills intensive technology (Barker, 2007: 177). Also, structural unemployment is mainly related to skills mismatch. This means that the skills employees possess and the skills required by the employer do not correspond on the one hand or there is a geographical mismatch on the other hand as the location of the employee is not in the same region where relevant job vacancies are.

Structural unemployment is the type of unemployment that causes the most concern (Borjas, 2013: 507). In the South African context, as indicated by Barker (2013:177), the problem of unemployment in South Africa is structural rather than cyclical. The South African economy is characterised as having a shortage of skilled workers and an oversupply of unskilled and semiskilled workers. According to Pauw et al (2008:45), South Africa's unemployment is viewed as being structural mainly because of the fact that the unemployed usually possess skills that are lower than what is required by the economy. A mismatch exists between the skills that are in demand and the skills that are required by the labour market. There has been an increase in demand for highly skilled workers. This can be attributed to the fact that the emphasis has moved to capital-intensive as well as technologically more advanced production processes. Thus, it is worthwhile to note that the unemployed mostly consist of unskilled workers who do not possess high levels of educational attainment (Yu, 2012: 2).

Structural changes within the South Africa also include shifts that have occurred in output where the focus has been placed on high-skills intensive services sectors instead of low-skills

intensive primary sectors. As a result, high skilled workers are in greater demand and have therefore replaced low-skilled workers which have been termed a skills-biased technical change (Pauw et al, 2008: 46). This in turn implies that there is a greater demand for highly skilled labour and for those who have attained greater levels of educational attainment.

In the context of this thesis, the lack of language proficiency can be linked to the problem of structural unemployment. ELP in particular in terms of the ability to read, write, speak and communicate with others in the English language can be viewed as a skill. The main language used within the South African labour market is English and therefore, in the context of workers who especially come from a non-English background, EPL appears to play a leading role in their labour market outcomes. A lack of ELP leads to the workers being unable to communicate effectively within a work environment which means that they remain unemployed and as they are stuck with human capital that is not useful (Borjas, 2013:507).

Policy prescriptions to reduce this type of unemployment includes government providing training programs to help the labour force better their skills and convert them into skills which are required by the economy (Borjas, 2013:507). By this it can be deduced that improvement in the reaction of labour supply to the characteristics of labour demand is the only way in which this problem can be solved.

2.2.3 Defining Language proficiency

According to Posel and Zeller (2010:2), there is no general definition of language proficiency that is universally accepted. Posel and Zeller say that linguistic competence is referred to as the knowledge of grammar that an individual has of a particular language. This linguistic competence enables him or her to construct and comprehend a theoretical indefinite number of sentences.

Language proficiency does not only refer to an individual's ability to speak a language but is made up of a number of aspects, in particular the skill a person holds in reading, writing, hearing and being able to speak a language (Chiswick, 2008:2). It is therefore possible to look at ELP as a determinant of labour market outcomes as linguistic competence, along with an array of different skills and abilities play a crucial role in the labour market outcomes of

an individual in terms of their labour force participation likelihood, their employment likelihood, potential productivity and earnings.

2.3 Theoretical Framework

2.3.1 Human Capital Theory and Language Proficiency

Language proficiency, in the context of the current study meaning English language proficiency (ELP), does not only refer to an individual's ability to speak a language but is made up of a number of aspects. Language proficiency is made up of the skill one holds in reading, writing, listening and speaking a language (Chiswick, 2008:2), among other aspects as indicated above. Language proficiency has been referred to as a form of human capital which has a direct effect on productivity. In formal terms, the human capital theory relates to the development of skills which is usually achieved through education and training of individuals. This leads to the enhancement of the stock of human capital that an individual possesses. In turn, the individual's productive potential increases which are likely to lead to higher earnings potential for the individual as he or she is likely to be valued more by the employer (Barker, 2007:206).

In order for language proficiency to be classified as a form of human capital, certain conditions have to be satisfied, and Chiswick (2008:4) highlighted the following three:

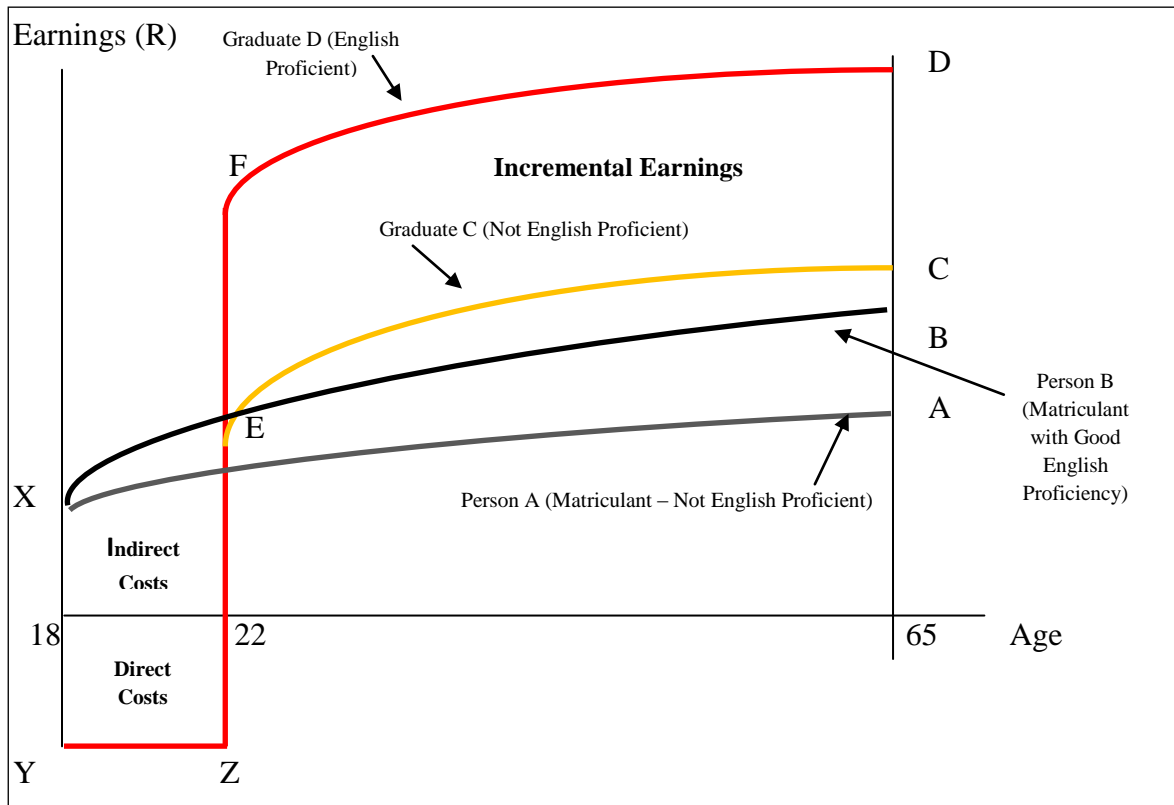
- “Human”: Language is not physical but in fact it exists within a person.
- Language proficiency is productive. It can be related to the labour market or any context where a particular language is used. The more proficient an individual is in a particular language, the greater the chances of not only finding employment but the person is also more likely to be more productive as it will be easier to comprehend the workplace situation, instructions.
- Language skills as capital are costly to produce. In order to become proficient in a language, it is costly as training and education have to be paid for.

The costs involved in improving one's language skill consist of both direct and indirect costs. Direct costs are made up of tuition costs, textbook and transport costs for example. Indirect costs on the other hand refer to jobs forgone because of the deficiency in a particular language (Barker, 2007:206), as well as time needed to give language development and

training. When language proficiency is viewed in terms of human capital theory it is deemed to be valuable. The main reason for this is because it has a direct effect on productivity (Pendakur & Pendakur, 2002:3).

In addition to other working skills, English proficiency which is regarded as an essential part of human capital and the importance of proficiency in this language within the labour market has become greater over the years especially due to the growing impact of globalisation (Saraithong & Chancharoenchai, 2012:2). Language proficiency is therefore likely to be related to earnings which in this sense can also be examined in the context of the human capital theory. It is not just language that is the issue; it includes a certain degree of development that often comes along with language proficiency. In the South African context, according to Casale and Posel (2010:3), their study indicated that the level of English proficiency that employees possess are viewed from the perspective of the employer, as an indication of both the quality and level of higher education that the employee has attained. This in turn implies that an employee who is regarded to have greater language proficiency is considered to be more competent by the employer in terms of ability and productivity. It can therefore be noted that the human capital theory may provide a possible explanation for the occurrence of earnings differentials. This theory may show that the productivity of workers is described by the earnings they receive as well as the sectors in which they are employed (Kerr & Teal, 2012:2).

Figure 2.1: ‘Augmented’ human capital theory



Source: Adapted from Barker (2007: 207)

Figure 2.1 indicates an ‘augmented’ human capital theory in relation to ELP. First of all, the figure depicts both the direct as well as indirect costs of education which is compared against the earnings an individual is likely to receive over their lifetime in the labour market. The aim in this regard is to determine whether the rate of return on the investment in education and training is likely to be greater in the case where workers have greater ELP versus workers who have similar or equal qualifications but are not as proficient in English.

If individual A, a matriculant who is not English proficient starts working right after matriculating, the earnings profile that is likely to be received is represented by XA. A matriculant who possesses higher levels of English proficiency which in this case is matriculant B, is likely have a higher earnings profile when compared to matriculant A. The earnings profile that is likely to be received by matriculant B is represented by XB. As illustrated in the figure, it is evident that XB is steeper than XA.

On the other hand, in the case of individuals C and D who decide to undertake the investment in tertiary studies and starts working after completing a degree, he or she will ultimately have an earning profile that is greater when compared to individuals A and B. Despite greater direct and indirect costs incurred by individuals C and D during additional years of study, higher incremental earnings will be gained. The earnings profile of graduate C who is not English proficient is thus represented by YZEC. In addition, we can also examine individual D who is also a graduate but is English proficient. The earnings profile of this graduate D, YZFD, is however likely to be steeper when compared to that of graduate C. The reason for this difference in incremental earnings can be attributed to the degree of ELP of each graduate. From an economic perspective, incremental earnings are expected to be greater than the costs associated with the investment in education and training. For this reason, the investment can be deemed as being sensible. In another sense, the investment in education can be considered to be profitable.

However, if one concentrates on the difference in incremental earnings between the graduate C versus graduate D, it becomes evident that enhanced ELP, accompanied by a formal qualification seems to result in higher earnings. According to Chriswick and Miller (2002:2) greater language proficiency is thought to boost earnings. Better ELP is thought to allow workers to make a better match between their skills and the requirements sought by employers. This implies that the job search process is likely to be more efficient. They have also stated that language proficiency brings about better communication both verbally and in writing with peers, consumers and suppliers. This in turn directly leads to greater productivity within the workplace. Thus earnings are expected to be a raising function due to higher levels of ELP.

2.3.2 Human Capital Externality

Language proficiency or more particularly, ELP can be related to human capital externalities. As said by Borjas (2013: 329), social capital consist of all the variables that characterises the quality of the environment where a person grows up or lives which in turn is said to determine a workers human capital. In layman terms, this implies that if an individual grows up in an environment where he or she has access to good health and nutrition, a good education and a good home, this individual is likely to have a better stock of human capital. Both family background and financial status can lead to both higher earnings even in the

absence of a direct relationship between education and earnings. This is based on the fact that the financial status and background of a family makes access to education facilities and various occupations possible (Barker, 2007:209).

Borjas therefore states that the quality of the environment where an individual grows up acts as a human capital externality in terms of the human capital that a particular individual is likely to have. On other words, he states that the environment or background of an individual can be viewed as an external factor, which is not determined by the individual or parent and has impact on the human capital accumulation process. Human capital is thus dependent on both parental skills as well as social capital.

With this said, this theory can be viewed in terms of language proficiency. As a result of the apartheid regime, the South African labour market has been subject long-run effects of international economic isolation, an inadequate education system and economic policies which preferred capital over labour where the Black population suffered the most in terms of having poor living conditions and inferior education (Burger and Woolard 2005: 453). In the post-Apartheid South Africa, even though a number of achievements have been made, one should not turn a blind eye to the fact that large disparities are still prevalent within the country where the Black population and the youth still seem to be classified as groups who are the most deprived.

This deprivation relating to having to grow up in a poor family background and poor financial status is an example of these individuals been pulled down by the externality (Borjas: 2013:349). This scenario when applied to ELP can be viewed in relation to these individuals having poor access to a good education and in turn, the development of their English proficiency might be of a low standard. This is particularly in the case of the Black population who speak MT African languages.

In the end, they are the individuals who are deprived from entering the labour force as low ELP seems to lessen these individuals' chances of being successful within the South African labour market.

2.3.3 Transaction Costs Theory

In formal terms, transaction costs consist of the location, transfer, production, translation and evaluation of information (Chan, 2008:12). Language proficiency can be related to transaction costs in several ways. Language proficiency is likely to reduce the transaction costs associated with the process of searching for a job (Casale & Posel, 2010:3). This implies that the more fluent an individual is in a dominant language, the cost that he or she will incur in an attempt to become part of the labour market will be lower. On the other hand, the more diverse the language base within a work context, in terms of it acting as a barrier to communication between workers, this is likely to inflict transaction costs. Workers who are able to speak the dominant language are more likely to be employed and if employed, they are also likely to be paid more (Pendakur & Pendakur, 2002:4). If this is viewed from the perspective of a job seeker, in the case where there is information being made available about jobs through the use of various channels, the degree to which this seeker is aware of the information relates to the extent to which they are able to communicate with others. Thus, since English is the dominant language in the labour market in South Africa, those who are more proficient are able to acquire this employment information at a lower cost which in turn gives the worker who has a higher degree of English proficiency an advantage over another who is not as proficient (Cornwell & Inder, 2008:493).

It can therefore be highlighted that the communication that occurs between an employer and potential workers who possess different levels of proficiency in a dominant language is accompanied with a cost. Thus, the decision that an employer makes to employ workers who possess poor levels of English proficiency for example at a lower wage as opposed to not hiring them at all can be viewed as a means of dealing with the associated transaction costs. In turn, market segregation may occur as well as wage differentials (Pendakur & Pendakur, 2002:4). With this in mind, it can therefore be said that the costs associated with those who are seeking employment are inversely to the ability an individual has to converse in the dominant language of the labour market which in this case is English (Cornwell & Inder, 2008: 493).

2.3.4 Theories of Discrimination and Language Proficiency

Economic discrimination refers to the situation in which a particular group of workers are treated unfairly in terms of employment prospects, wages and working conditions even

though they are equally skilled and experienced when compared to other workers (Barker, 2007:229). Language proficiency may act as an indicator for the occurrence of economic discrimination (Pendakur & Pendakur, 2002:4).

Language proficiency can be viewed in terms of both before-the-market discrimination as well as within-the-market discrimination. The lack of ELP can be considered as a barrier in terms of attaining economic integration of workers who would like to enter the labour market and also in the case of workers who have already entered that labour market. High levels of language proficiency of black South African males in their ethnic languages may be a source of potential discrimination as it is associated with a strong connection to their cultural community and identity. Besides the positives that can be associated with this scenario, it increases the risk of differential treatment when English is the language of that particular workplace (Pendakur & Pendakur, 2002:4). Other forms of discrimination can thus occur including statistical discrimination, which occurs when a potential employee might be disadvantaged in terms of becoming employed as the result of possessing a personal characteristic which the employer uses against the individual (Barker, 2007:231).

This is likely to occur in the fields of race and gender where the employer makes assumptions that certain groups are more productive than others. In the context of ELP, there might be a scenario where the African workers are discriminated against in terms of being assumed to have lower levels of ELP which in turn makes them less productive according to the employer. In turn, labour market prospects for these workers are dampened. In the event where the language spoken by a potential employee has an effect on an employer's decision to employ him or her, it can then be said that in this case, language is viewed as an enabler of discrimination. This discrimination affects both promotion opportunities as well as earnings (Das, 2013: 15).

2.3.5 Impact of ELP on Earnings and Employment: Labour Market Equilibrium

Various studies suggest that a relationship exists between language proficiency and earnings. In terms of English proficiency as a labour market determinant, there is in fact a positive relationship between those who are more English proficient and their level of earnings (Casale & Posel, 2010:3). The theory around language as well as the labour market suggests that language proficiency has an influence on an individual's chances of finding employment

including an influence on the wage an individual can expect to receive (Cornwell & Inder, 2008:495). For a worker to be aware of employment opportunities or to be able to become employed communication and language skills within the labour market are needed. This suggests that those who are not language proficient and incur higher costs in the job search process are more likely to accept employment in which earnings are much lower in relation to their ability and level of skill (Cornwell & Inder, 2008: 493). In addition, ELP increases the capability of employees to negotiate their conditions of employment including the possibility of gaining access to employment associated with higher earnings (Casale & Posel, 2010: 4). It is often argued that language proficiency and earnings are positively related.

Economic costs are often associated with English language deficiency in relation to the labour market. To be more specific, English language deficiency is costly in relation to occupational mobility as well as earnings (Rosid & Chowdhury, 2013:69). A consequence of being deficient in the English language is said to hinder an individual's opportunities in terms of finding a job that is able to fully acknowledge his or her qualifications (Rosid & Chowdhury, 2013:69). English language ability is viewed as a determinant when trying to obtain a job, to earn higher salaries and also to find an opportunity to gain other advantages within the labour market (Rosid & Chowdhury, 2013:74). English language proficiency is thus related to earnings in several ways.

Figure 2.2 illustrates the effect of better ELP on the demand for labour, employment and earnings especially in the context of black male workers as it is the main focus in this paper. There will be a higher demand for workers with better ELP, and at the new equilibrium (E_2), both employment and wage increase. One of the main reasons for this as highlighted before is due to the fact that higher levels of ELP is associated with higher levels of skill as well as productivity (Cornwell & Inder, 2008:493).

Figure 2.2: The demand for labour: The increase in the demand for labour due to high levels of ELP and its effect on employment and wages

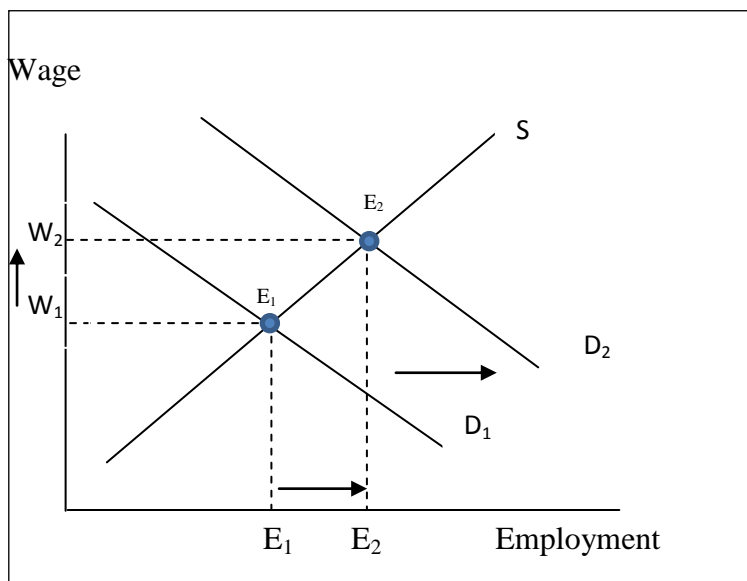
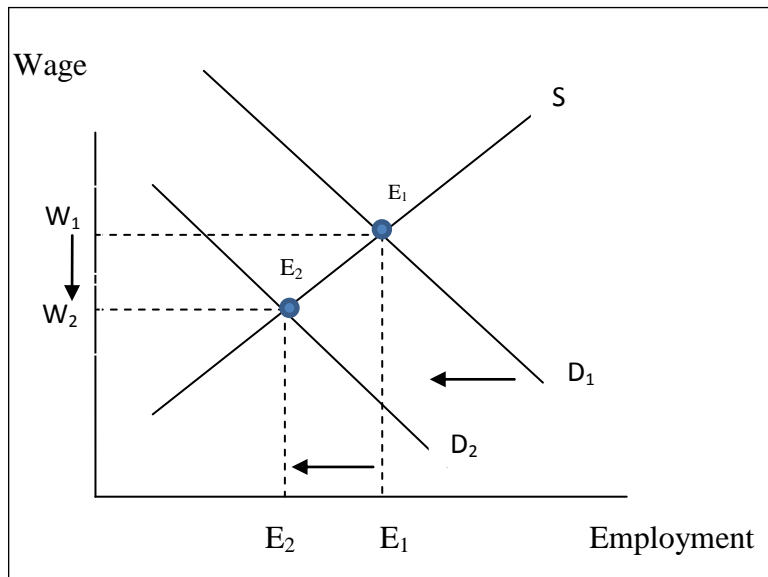


Figure 2.3: The demand for labour: The decrease in the demand for labour due to low levels of ELP and its effect on employment and wages



In contrast, Figure 2.3 illustrates the decrease of demand for workers who possess poor levels of ELP, which eventually results in decrease of both wage and employment at the new equilibrium. The problem of structural unemployment is highlighted. This is due to the skills mismatch which in this context is based on the lack of ELP within the South African

economy which has been identified as a serious problem over the years. The South African economy is characterised as having a shortage of skilled workers and an oversupply of unskilled and semiskilled workers (Pauw, Oosthuizen & Van der Westhuizen, 2008: 45). Also, as discussed before, unemployment in South Africa is mainly characterised as being structural which can be attributed to the fact that a mismatch exists between the skills that are in demand and the skills that are required by the labour market.

High-skilled workers are in greater demand and low-skilled workers which have been termed a skills-biased technical change (Pauw, Oosthuizen & Van der Westhuizen, 2008: 46). The demand for highly skilled labour means a demand for those who have attained greater levels of educational attainment, of which ELP is a part. Workers with low levels of ELP is often classified as being illiterate and unproductive especially in the case of black workers who are more likely to have a mother tongue in African languages as a home language. It is for this reason that labour market prospects for workers with low levels of ELP are associated with bad labour market outcomes. It is argued that being proficient in the English language does in fact have a positive impact on both employment and earnings (Rosid & Chowdhury, 2013:74).

2.4 Review of past studies

2.4.1 Review of local studies

Casale and Posel (2010) as well as Cornwell and Inder (2008) are authors who explored the relationship between language proficiency and labour market outcomes in the case of South Africa. These studies can be considered to be the two main English language proficiency studies about South Africa as much research has not been conducted based on the South African context. The particular focus was on the influence of English language proficiency on earnings.

Casale and Posel (2010) indicated that African men who are English proficient³ are more likely to obtain a very high premium, including the finding that indicates that those who

³ In their study, Casale and Posel (2010) define language proficiency as the self-reported ability to read and write in a specified language. More importantly, the condition for language proficiency is that this ability to read

attain or possess higher levels of English language proficiency and have obtained a post-secondary education are the individuals who are most likely to reap the associated benefits mainly better market outcomes. The data set used by Casale and Posel (2010) was from the first wave of the NIDS which was released in 2008. Their research was based on the relationship between English language proficiency and earnings for African men who found themselves in wage employment by making use of the Ordinary Least Squares estimations. They argue that English language skills may well be used by employers to screen the quality of higher education among the labour force. On the other hand they concluded that little proof exists which proposes that language skills of an individual in terms of their home language are independently remunerated in the context of the South African labour market.

After taking various demographic and socio-economic factors into account, Inder and Cornwell (2008) indicated that an individual who is English language proficient or regards English to be their mother tongue language is viewed as one of the fundamental determinants of both employment as well as labour earnings. The main data set used in their study was the Statistics South Africa October Household Surveys (OHS 1996 to 1998). In this regard, it is therefore important to note that in the context of South Africa; most South Africans speak a local African language which they consider to be their home language. Approximately 80% of the population in South Africa are African; where less than 1% of this population speaks English at home. To compare the English language with an African language in terms of labour market outcomes, another important finding highlighted that African individuals who speak English are more likely to have labour-market experiences similar to that of a white English-speaking individual when compared to an African individual that speaks Xhosa. Findings by Inder and Cornwell therefore suggest that a strong relationship does indeed exist between language proficiency and labour market outcomes.

In reviewing the previous studies, it is evident that the English language plays a very important role in hiring decisions as well as earnings. In the South African context, cultural background is still an imperative determinant in relation to language as it has an influence on an individual's level of English language proficiency. In addition, it can also be underlined

and write must be perceived to be "very well". The reason for choosing this definition was to minimise concerns about the over-reporting of language ability.

that other benefits highlighted by literature include higher earnings, a greater likelihood of employment as well as workers being more productive.

Not many local studies of English language proficiency (ELP) in the South African employment context have been conducted but there are a number of studies that have been conducted based on ELP on labour market outcomes in other countries. For example, Chiswick (2008:7) built on local studies when he says that proficiency in a dominant language of the labour market does make people more efficient in their consumption of goods and services. Furthermore, it is an advantage in relation to the investment in other forms of human capital. This includes schooling and job training for example where individuals who are more language proficient are deemed to be more productive if individuals are able to communicate in the dominant language of the labour market.

A study related to English as a labour market determinant was conducted by Eriksson (2014). This literature provides some insight about how home language influences labour market outcomes in the face of increased importance being placed on English language proficiency. She examined whether the language of instruction in primary schools affects later labour market outcomes. The study was based on evidence from South Africa. The study reported that in post-apartheid South Africa, schools and parents were faced with the responsibility of choosing whether students should be taught in English, Afrikaans or Xhosa for Black students. It was stated that this decision would in turn affect language ability, educational attainment and labour market outcomes.

Initially the study suggested that English ability leads to higher paid jobs. Based on the 1998 Census of South Africa, a difference-in-difference framework was employed to examine the effects of increasing the years of mother-tongue instruction (from 4 to 6 years) for students. The initial hypothesis of the paper was that mother tongue instruction would lead to an increase in both educational attainment and literacy. Results derived from the study are in line with this hypothesis and it was found that mother tongue instruction did lead to positive effects on wages, the ability to read and write (language proficiency) and educational attainment. The results of this study were in line with the study conducted by Taylor and Coetzee (2013) who favoured mother-tongue instruction. In contrast, the study's results presented results contrary to findings by Angrist and Lavy (2008) who found that mother

tongue instruction which was Arabic in their case instead of French instruction resulted in poorer labour market outcomes and poorer reading and writing skills. A point emphasised was the fact mother-tongue instruction did in fact produce increased literacy levels. Despite this, Eriksson mentioned that the benefits of English instruction should not be undermined.

2.4.2 Review of international studies

In India, like in the case of South Africa, as a result of colonial rule and linguistic diversity, the role of English became increasingly important especially in the face of globalisation. In the study conducted by Azam *et al* (2010), the belief that economic returns to English language skills in India are large was examined. However, the extent of these returns are not actually known as measures of both English proficiency and earnings have not been firmly established due to a lack of micro-based data (2010:1). By use of a data set known as the India Human Development survey of 2005, results indicated that there are large significant returns to English language skills in India. In numerical terms, their findings indicated that men who are English proficient are likely to earn 32% higher wages on average while those who have low levels of English language proficiency are likely to earn 13% higher wages on average when compared to those who are not able to speak English. In addition, the returns to English-language skills were deemed to be heterogeneous to a large extent. It was found that proficiency in the native Indian language improves prospects for learners at primary school level but English proficiency increases economic opportunities and raises wages when workers have high levels of educational attainment.

Güven and Islam (2013) investigated English proficiency and labour market outcomes with specific reference to individuals who immigrated to Australia as children. The data used for the study was obtained from the HILDA Survey which is a national representative household-based panel study since 2001. Their results indicated that there was no effect of English ability on the probability of being employed or on the probability of full-time employment. Their results however did indicate that greater English language proficiency is firstly associated with increased chances of obtaining a promotion and secondly, it reduces an individual's perceived probability of losing his or her job in the next year.

With regard to wages, their results indicated that on the one hand, ELP does have a significant effect on wages among immigrants with post-school qualifications or a matric certificate. On the other hand, ELP was deemed to be insignificant for immigrants who had more than a Bachelor's degree and less than a high school education. One of the reasons attributed to this was that individuals with greater levels of educational attainment are also associated with higher levels of ELP while those who have lower levels of ELP are associated with lower levels of educational attainment.

Another interesting result was the finding that children whose parents have low levels of ELP have significantly low levels of ELP themselves. As a consequence it has harmful effects for the child in relation to their academic performance at school and at a tertiary institution as well as an influence of their occupational prestige at work when they enter the labour market. Thus, labour market outcomes are affected. This result in particular can be related to the theory of the human capital externality which was discussed earlier in Chapter 2.

With regard to the study conducted by Dustmann and Fabbri (2000) which investigated language proficiency and labour market performance of immigrants in the UK also highlighted various findings in terms of employment probabilities and earnings. The data in this study was obtained from two UK surveys on ethnic minorities. The first was the Fourth National Survey on Ethnic Minorities (FNSEM) which was collected from 1993 to 1994. The second was the Family and Working Lives Survey (FWLS) where data was collected from 1994 to 1995. Their results revealed that language does have both a strong as well as positive effects on employment probabilities. It was mentioned that in cases where English is in fact the majority language, bad fluency in English has serious consequences.

The findings indicated that higher levels of ELP are associated with a higher likelihood of finding employment as well as earnings. It is viewed as an important factor of economic success and the lack of ELP is likely to bring about significant losses in terms of earnings. In the case of employment probabilities, verbal fluency, reading and writing skills are vital and equally important. Their outcomes suggested that both literacy as well as verbal fluency in language is an essential factor when looking for employment.

It can therefore be concluded that based on the limited number of local studies which have been conducted but also the international studies, ELP does in fact have a significant impact on labour market outcomes with specific reference to earnings and employment likelihood. Here a general consensus is reached which basically states that the better the ELP of an individual, on average, labour market outcomes for those individuals is likely to be better. A simple mechanism that can be formulated in this context is that individuals who come from a relatively good home and financial background and who have well educated parents are likely to develop good ELP skills from an earlier age. This in turn leads to greater chances for these individuals to perform well in school and to achieve higher levels of educational attainment. In turn, employment likelihood is likely to be higher as well when these individuals enter the labour market. A spin-off of good ELP is also being susceptible to higher earnings and increased chances of promotion. In the context of South Africa this is important bearing in mind the linguistic diversity that exists in the country.

2.5 Conclusion

English language proficiency is a culmination of reading ability, writing ability, verbal ability and reasoning. ELP can therefore be viewed as an economic asset which plays a pivotal role in the success a worker will experience in the labour market. The 'augmented' human capital theory in relation to ELP presented the argument that both matriculants as well as individuals who possess some form of tertiary level qualification such as a degree for example are likely to be more productive and have a higher earnings profile if they are ELP compared individuals who are not. An extension of the human capital theory, namely human capital externalities such as family background and financial status conveyed that the environment or background of an individual can be viewed as an external factor, which is not determined by the individual or parent and has impact on the human capital accumulation process. Low levels of ELP are often associated with speakers of MT languages due factors such as inferior education and a poor financial background which implies that these are the individuals who are most likely to be pulled down by the externality. In turn, labour market outcomes are influenced.

Theory also indicated that ELP within the labour market is associated a number of costs, discrimination and has an influence on the demand and supply of labour. For this reason, ELP

plays a role in many facets within the labour market but the main deduction that can be made at this point relates to the idea that , the greater the level of ELP possessed by a worker, the better the labour market outcomes are likely to be for that individual. On a general note, high levels of ELP are advantageous in all aspects of life in both a social context and working context.

CHAPTER THREE: EMPIRICAL ANALYSIS

3.1 Introduction

This chapter first gives an overview of the data and methodology that is employed in this study. This study utilises NIDS 2012 data for the empirical analysis. Background information based on the NIDS data set is examined in detail. NIDS data provides information on the educational attainment or language ability and the labour market outcomes for this population group. More specifically, it provides data on the reading and writing ability of this population group for both their home language and the English language. It is for this reason that a few specific questions asked in the NIDS questionnaire will be highlighted. Secondly, the methodology used in this paper is explained. Lastly, the results are depicted and explained after which the conclusion will follow.

3.2 Data

The data set used within this study is the National Income Dynamics Study or NIDS conducted by the Southern African Labour and Development Research Unit (SALDRU) at University of Cape Town. According to Leibbrandt *et al.* (2009:1), NIDS is viewed as the first national panel study with the aim of recording the dynamic structure of a sample of household members in South Africa. Areas of focus in this regard included assets, changes in income, expenditures, education, access to services, health, along with additional dimensions of well-being.

In 2006, SALDRU was selected as the executive organization who would be responsible for the management and implementation of a longitudinal survey that would present various information and findings on South Africa's current social dynamics (De Villiers *et al.*, 2013: vi). The first wave was released in 2008, followed by the second wave in 2010/2011. New NIDS data is thus said to be released every 2 years. Wave 3 was released in 2012. The data employed in this study is the latest, Wave 3, 2012 NIDS data.

3.3 NIDS questions on language proficiency

This data is useful in the current study. NIDS (2012) provides data on language ability. Specific examples of this data occur in the case of the NIDS adult questionnaire for Wave 3 in 2012 where questions were posted relating to how well an individual is able to read and write in English. The level of proficiency is a self-report by the individual.

In terms of reading ability, in section H of the adult questionnaire, the question asked was “How well can you read English?” Given this question, six possible responses were given namely, “very well”, “fair”, “not well”, “not at all”, “refused” and “don’t know”. In terms of writing ability, the question asked was “How well can you write in English?” Given this question, six possible responses were once again given, namely, “very well”, “fair”, “not well”, “not at all”, “refused” and “don’t know”.

NIDS data also provides information on labour market outcomes. In this way, by taking the data into account, it is possible to assess and generate probits related to labour force participation likelihood, employment likelihood and an Ordinary Least Squares (OLS) on log earnings which will all be relevant to this study. As mentioned before, this study focuses on the black male adults in the sample.

3.4 Methodology

The empirical modelling undertaken in this paper seeks to capture the role of ELP on labour market outcomes for adult Black South African males. These males are usually associated as being mother-tongue speakers of African languages. In fact, 99% have an African mother tongue (Casale & Posel, 2010). A quantitative analysis is used within this study. Graphical illustrations on earnings and tables based on comparisons in the labour force participation rate and comparisons in terms of reading and writing ability between the various races for example are included.

Probit regressions are commonly used in literature and enable data to be pooled together easily. Before a person starts to seek employment, he/she must first make a choice as to

whether he or she actually wants to be part of the labour force. If yes, the employer will make a decision in terms of employing the individual from the labour force pool (Inder & Cornwell, 2008:495). Only subsamples of those workers who form part of the economically active population are actually employed and will be able to indicate their earnings which lead to the chance of selectivity bias arising. To deal with this bias, statements made related to the determinants of earnings must be made only on the basis of those earnings which are actually observed for the subset of individuals who are employed. This emphasises the need to use an appropriate model that will be able to control for sample selection in both the participation and employment stages (Inder & Cornwell, 2008:495)

Two probits are estimated, followed by an Ordinary Least Squares linear regression model. In this study, the first probit examines the labour force participation likelihood. The second probit is a two-step Heckprobit model which investigates employment likelihood, conditional on labour force participation.

For the first probit which examines the labour force participation rate, the probit on participation likelihood is for the adult labour force aged 15 to 65 years. For this model, the dependent variable is a dummy variable, with 1 representing those who are part of the labour force and 0 standing for those who are inactive under the narrow definition. The probit on the labour force participation likelihood includes the following variables: gender, race, age, province, area type, educational attainment, marital status, household head and size, and the number of children, elderly, male adults and female adults in the household.

For the second probit, which examines employment likelihood, the same approach is used as in the case of the LFPR probit. Here it can be noted that only those who are part of the labour force are included in this probit. For the model, the dependent variable is a dummy variable, with 1 and 0 standing for employed and unemployed respectively. The explanatory variables included in this two-step Heckprobit model on employment likelihood include the following: gender, age, race, province, area type and educational attainment. This Heckprobit model tests for the presence of sample selection bias. Lambda derived from the labour force probit is therefore used to control for sampling bias. If this lambda is statistically significant in the Heckprobit model, it means sampling bias issue does exist in the employment model, and

there is a need to run the Heckprobit model in order to derive more reliable estimates of the coefficients.

The individuals who are employed then form part of the OLS Heckman regression on log earnings of the employed, on condition that they are employed and they are part of the labour force. Once again, lambda (derived from the employment Heckprobit model) is included in the Heckman regression to account for the possible sampling bias issue.

According to Casale and Posel (2010: 14) concerns have been raised in empirical literature about the validity of the estimations that are achieved from the Ordinary Least Squares (OLS) estimation of the impact of earnings on language proficiency. Two reasons have been identified. The first reason entails measurement error in the variable of language proficiency. The second reason relates to the fact that language proficiency on its own may be endogenous to earnings. Casale and Posel (2010:14) also indicated that as a result of measurement error, there will be an underestimation of the effect of language proficiency on earnings. Furthermore, the endogenous attribute of language proficiency is likely to create an upward bias in the coefficient on ELP.

In the case of the OLS on log earnings, authors have argued that it is useful to use this method because it is deemed to be asymptotically normal as well as consistent. Furthermore, it helps to manage sample selection bias. The independent variables included in the Heckman model are race, age, gender, province and area type, educational attainment, approximated years of work experience, occupation, industry, union membership, employer/employees, job performance and work hours. The approximated years of work experience are derived by the equation: $(\text{age} - \text{years of education} - 6)$.

3.5 Descriptive Statistics

The purpose of this investigation is to determine whether the South African black adult Males who are English proficient have a comparative advantage in their labour market outcomes. This in turn is linked to their labour force participation likelihood, employment likelihood and earnings (if they have a job). In the context of this study, the hypothesis states that there

is in fact a positive relationship between English language proficiency in relation to the labour market outcome.

Table 3.1: Labour market status by English reading proficiency level

	Very well	Fair	Not well	Not at all	Total
Inactive	1 960 055	872 828	413 967	382 488	3 629 338
Discouraged workseekers	73 551	58 324	30 631	16 923	179 429
Unemployed	978 721	353 683	212 832	120 424	1 665 660
Employed - employees	2 770 539	822 781	403 300	251 342	4 247 962
Employed - casual workers	277 201	140 344	109 230	77 319	604 094
Employed - employer	418 981	133 923	48 949	52 591	654 444
15-65 years	6 479 048	2 381 883	1 218 909	901 087	10 980 927
<hr/>					
LF number	4 445 442	1 450 731	774 311	501 676	7 172 160
Employed	3 466 721	1 097 048	561 479	381 252	5 506 500
<hr/>					
LFPR	68.6%	60.9%	63.5%	55.7%	65.3%
Unemployment rate	22.0%	24.4%	27.5%	24.0%	23.2%

Source: Own calculations using NIDS 2012 data (weight = person weight).

Table 3.1 above represents the labour market status by English reading proficiency. Overall, the majority proportion of the working-age population (15-65 years) report that they have high levels of English reading proficiency. In the case of labour market outcomes, those associated with good English reading proficiency are more likely to be employed. Surprisingly, it can be noted that the majority of those who are inactive within the labour market possess high levels of English reading proficiency. Similarly, the bulk of the unemployed also possess high levels of English reading proficiency in numerical terms.

Overall, the LFPR is the highest (68.6%) for those who classified their English reading proficiency ability as very well. This figure is a huge contrast when compared to the LFPR (55.7%) for those who classified their English reading proficiency ability as not being able to read at all. With regard to the unemployment rate, those who are able to speak English very well make up the smallest proportion of the unemployment rate at 22% while those who are not able to speak English at all make up 24% of the proportion of the unemployment rate.

Table 3.2 below shows the labour market status of the black male adults by English writing proficiency. One again, overall, the majority proportion of the working age population (15-65

years) say that they have high levels of English writing proficiency. Those associated good English reading proficiency are more likely to be employed. As in the case of English reading proficiency, the majority of those who are inactive within the labour market possess high levels of English writing proficiency. The bulk of the unemployed also possess high levels of English writing proficiency in numerical terms.

Table 3.2: Labour market status by English writing proficiency level

	Very well	Fair	Not well	Not at all	Total
Inactive	1 913 524	891 049	435 316	389 449	3 629 338
Discouraged workseekers	92 151	57 004	13 670	16 604	179 429
Unemployed	980 227	343 089	194 866	147 478	1 665 660
Employed - employees	2 755 125	807 026	431 417	254 394	4 247 962
Employed - casual workers	276 585	141 436	104 946	81 127	604 094
Employed - employer	414 663	129 751	57 071	52 959	654 444
15-65 years	6 432 275	2 369 355	1 237 286	942 011	10 980 927
LF number	4 426 600	1 421 302	788 300	535 958	7 172 160
Employed	3 446 373	1 078 213	593 434	388 480	5 506 500
LFPR	68.82%	59.99%	63.71%	57.00%	65.31%
Unemployment rate	22.14%	24.14%	24.72%	27.52%	23.22%

Source: Own calculations using NIDS 2012 data (weight = person weight).

The labour force participation rate is the highest (68.82%) for those had very good English writing proficiency ability. This contrasts with the much lower labour force participation rate (57%) for those who deemed their English writing proficiency skills as not being good or not able to write at all. The unemployment rate, for those who are able to write English very well, stood at 22.14%. The unemployment rate was the highest for those individuals who were not able to write English. For this reason, it is evident that the labour market outcomes for English reading and writing ability are similar. Good English reading and writing ability is less likely to be associated with unemployment.

Table 3.3 below shows the provincial share of the working-age population in each English reading proficiency category. The results indicate that those who reside in Gauteng have very good English reading ability, followed by KwaZulu-Natal. On the other end, those who reside in the Eastern Cape are more likely to have very poor levels of English reading ability.

Table 3.3: Provincial share of working-age population by English reading proficiency level

	Very well	Fair	Not well	Not at all	Total
Western Cape	4.57%	4.66%	3.77%	4.43%	4.50%
Eastern Cape	7.20%	8.39%	12.53%	19.44%	8.83%
Northern Cape	1.77%	1.24%	0.97%	2.26%	1.62%
Free State	8.57%	6.76%	8.06%	5.97%	7.98%
KwaZulu-Natal	12.17%	12.29%	15.89%	21.00%	13.18%
North West	8.38%	8.78%	11.18%	13.67%	9.11%
Gauteng	39.31%	45.15%	33.54%	17.85%	38.40%
Mpumalanga	10.33%	8.45%	4.27%	8.11%	9.18%
Limpopo	7.71%	4.28%	9.79%	7.27%	7.21%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Own calculations using NIDS 2012 data (weight = person weight).

On the other hand, Table 3.4 below shows the provincial share of the working-age population in each English writing proficiency category. It is clear that Gauteng accounts for the highest percentage of people whose English writing proficiency is classified as being very well. In contrast, KwaZulu-Natal and the Eastern Cape account for the largest share of people whose English writing proficiency falls in the category described as not able to write in English at all (i.e. the ‘not at all category’).

Table 3.4: Provincial share of working-age population by English writing proficiency level

	Very well	Fair	Not well	Not at all	Total
Western Cape	4.51%	4.93%	3.52%	4.70%	4.50%
Eastern Cape	7.22%	8.07%	12.15%	20.18%	8.83%
Northern Cape	1.76%	1.33%	0.72%	2.52%	1.62%
Free State	8.49%	7.20%	8.59%	4.64%	7.98%
KwaZulu-Natal	12.17%	12.10%	15.13%	22.17%	13.18%
North West	8.40%	8.93%	11.98%	11.55%	9.11%
Gauteng	39.22%	45.41%	34.54%	17.52%	38.40%
Mpumalanga	10.47%	7.94%	4.46%	8.34%	9.18%
Limpopo	7.76%	4.09%	8.91%	8.38%	7.21%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Own calculations using NIDS 2012 data (weight = person weight).

The tables above focused on the reading and writing proficiency of the working-age population in the various provinces in South Africa. Another additional aspect to add on to the analysis is to focus on the area type which describes whether individuals live in urban or rural areas. Tables 3.5 and 3.6 below compare the area share of working-age population by

English reading proficiency level against the area share of the working-age population by the English writing proficiency level.

Table 3.5: Area share of working-age population by English reading proficiency level

	Very well	Fair	Not well	Not at all	Total
Urban	76.06%	70.54%	60.38%	35.86%	70.58%
Rural	23.94%	29.46%	39.62%	64.14%	29.42%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Own calculations using NIDS 2012 data (weight = person weight).

Table 3.6: Area share of working-age population by English writing proficiency level

	Very well	Fair	Not well	Not at all	Total
Urban	76.09%	70.95%	61.45%	34.61%	70.58%
Rural	23.91%	29.05%	38.55%	65.39%	29.42%
	100.00%	100.00%	100.00%	100.00%	100.00%

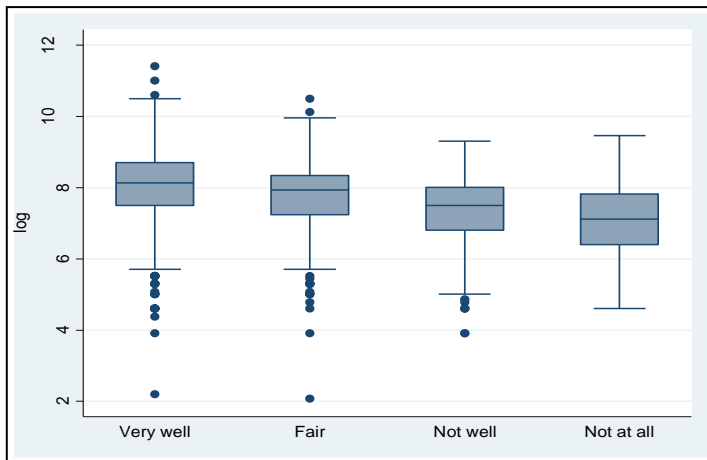
Source: Own calculations using NIDS 2012 data (weight = person weight).

Based on the two tables above, it is evident that the majority of the working-age population who claim to read and write English very well reside in urban areas. Those who consider their English reading proficiency to be in the “very well” category account for 76% of the population in urban areas. Correspondingly, those who have claimed that their English writing proficiency is in the “very well” category account for 76% of the population as well.

In contrast, we can observe the opposite in the case of those who claim that their English reading and writing proficiency is very poor. In both cases of English reading and writing proficiency, 70.58% of the working-age population who have claimed that their proficiency levels are very poor (i.e. the ‘not at all category’) all reside in rural areas.

Turning our attention to the impact of English reading and writing proficiency on earnings, it can be noted that better levels of proficiency are generally associated with higher earnings. Figure 3.1 and 3.2 present box plots of the log monthly earnings of the employed. In figure 3.1, the focus is on English reading proficiency. It is clearly indicated that the mean log monthly earnings is much higher for those who have good English reading proficiency (i.e. the ‘very well’ category) when compared to those who have poor reading proficiency (i.e. the ‘not at all category’).

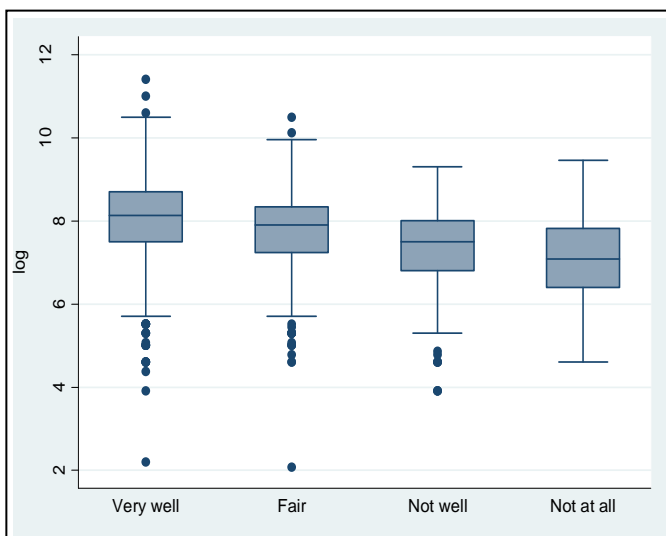
Figure 3.1: Box plot of log monthly earnings of the employed, by English reading proficiency level



Source: Own calculations using NIDS 2012 data (weight = person weight).

In Figure 3.2 below, the focus shifts to the log monthly earnings of the employed by English writing proficiency. Once more, a similar trend occurs when compared to earnings related to reading proficiency. The mean log earnings are much higher for those who have good English writing proficiency (i.e. the ‘very well’ category) when compared to those who have poor writing proficiency (i.e. the ‘not at all category’). Therefore, better levels of English reading and writing proficiency are associated with higher earnings. This connection is viewed in greater depth in the next section.

Figure 3.2: Box plot of log monthly earnings of the employed, by English writing proficiency level



Source: Own calculations using NIDS 2012 data (weight = person weight).

3.6 Econometric Analysis

The empirical modelling in this section seeks to capture the role of English language proficiency with regard to labour force participation, the likelihood of finding employment and expected long monthly earnings, after controlling for the differences in the demographic and educational characteristics of the respondents in the sample. For this analysis, only Black adult males were examined.

Table 3.7: Probit regressions on labour force participation likelihood

	[I]	[II]	[III]	[IV]
Explanatory variable	Marginal fixed effect			
<i>Interaction dummy: Reading AND Writing English well</i>	<i>0.2359***</i>		<i>0.0325</i>	
<i>Reading: Very well</i>		<i>0.3225</i>		<i>0.1992*</i>
<i>Reading: Fair</i>		<i>0.4555</i>		<i>0.1996***</i>
<i>Reading: Not well</i>		<i>0.2960</i>		<i>0.1842***</i>
<i>Writing: Very well</i>		<i>-0.006</i>		<i>-0.1211</i>
<i>Writing: Fair</i>		<i>-0.3679</i>		<i>-0.1797*</i>
<i>Writing: Not well</i>		<i>-0.1245</i>		<i>-0.1065</i>
Western Cape			0.5143***	0.1598***
Northern Cape			0.2273	0.0795*
Free State			0.3347***	0.1124***
KwaZulu-Natal			-0.1029	-0.0300
North West			0.1912*	0.0672**
Gauteng			0.3676***	0.1269***
Mpumalanga			0.4006***	0.1306***
Limpopo			-0.0141	-0.0007
Urban areas			0.0104	0.0003
Years of education			-0.0575*	-0.0300***
Years of education squared			0.0074***	0.0031***
Age: 25-34 years			1.0055***	0.2953***
Age: 34-44 years			1.1757***	0.3094***
Age: 45-54 years			0.7350***	0.2063***
Age: 55-65 years			0.0891	0.0252***
Married or living together			0.2399***	0.0818
Household head			0.6546***	0.2212***
Household size			0.0035	0.0013
Number of children			-0.0000	-0.0004
Number of elderly			-0.2631***	-0.0897***
Sample size	5 824	5 824	5 824	5 824
Pseudo R-squared	0.0064	0.0071	0.2628	0.2863

*** Significant at 1%

** Significant at 5%

* Significant at 10%

Reference groups:

Province – Eastern Cape; Area type – rural; Age cohort – 15-24 years

English reading proficiency – not at all; English writing proficiency – not at all

First, Table 3.7 above presents probit regressions on labour force participation likelihood for the narrow labour force of the working age population. With regards to the narrow labour force participation, discouraged work seekers are not taken into account as being part of the labour force. The ability to read and write very well as indicated in regression [I], when controlling for no additional explanatory variables but the interaction between good reading and writing ability well is associated with a 24% greater likelihood of labour force participation. Regression [IV] which takes account of the marginal fixed effects (MFXs) as well as the inclusions of additional explanatory variables reflects that when viewed in order of importance, reading ability can be deemed to be significantly more important than writing ability.

Based on the results, focusing on area type, namely the effect of those living in urban areas is shown as being insignificant in the model on labour force participation. When compared to the Eastern Cape, excluding the KwaZulu-Natal and Limpopo province, it can be seen that those residing in the remaining provinces are significantly more likely to participate in the labour force.

With regard to education which is controlled for in regression [III] and [IV], there are indications that as an individual's level of education increases by one year, in both cases significantly negative coefficients feature which seem to indicate a lower probability of labour force participation by these individuals. On the other hand, years of education squared indicates the opposite result reflecting significantly positive coefficients which are associated with a higher probability of labour force participation by individuals.

The variables examining household and family characteristics, specifically the household head and the number of elderly have a significant impact on labour force participation. In regression [III] and [IV], the presence of a household head indicates a 65% and 22% greater likelihood of labour force participation for employees in a household respectively. With the emphasis being placed on regression [III] the greater the numbers of elderly in the household, employees are 26% less likely to participate in the labour force. One of the main reasons for this can be attributed to employees becoming financially dependent on income that they receive from their grandparents (old-age pension). As a result, instead of seeking employment, these employees' labour force participation is discouraged.

Table 3.8 presents Heckprobit regressions on employment likelihood which is conditional on labour force participation.

Table 3.8: Heckprobit regressions on employment likelihood, conditional on labour force participation

	[I]	[II]	[III]	[IV]
Explanatory variable	Marginal fixed effect			
<i>Interaction dummy: Reading AND Writing English well</i>	<i>-0.0275</i>		<i>0.0688</i>	
<i>Reading: Very well</i>		<i>-0.5985</i>		<i>-0.2125</i>
<i>Reading: Fair</i>		<i>-0.9212</i>		<i>-0.3521*</i>
<i>Reading: Not well</i>		<i>-1.0020</i>		<i>-0.4014***</i>
<i>Writing: Very well</i>		<i>0.3879</i>		<i>0.2360</i>
<i>Writing: Fair</i>		<i>0.7504</i>		<i>0.2124***</i>
<i>Writing: Not well</i>		<i>0.7525</i>		<i>0.1867***</i>
Western Cape			0.1419	0.0242
Northern Cape			0.6031***	0.1263***
Free State			0.1656	0.0318
KwaZulu-Natal			0.5582***	0.1319***
North West			0.3939***	0.0917***
Gauteng			0.2627*	0.0628
Mpumalanga			0.1293	0.0250
Limpopo			0.1927	0.0491
Urban areas			0.0788	0.0268
Years of education			-0.0180	-0.0028
Years of education squared			0.0016	.0002
Age: 25-34 years			-0.1940	-0.0777*
Age: 34-44 years			0.1056	0.0110
Age: 45-54 years			0.3252*	0.0650
Age: 55-65 years			0.9309***	0.1761***
Lambda	-1.1649***	-1.1893***	-1.2739***	-0.3940***
Sample size	3 213	3 213	3 213	3 213
Pseudo R-squared	0.0815	0.0872	0.1212	0.1274

*** Significant at 1%

** Significant at 5%

* Significant at 10%

Reference groups:

Province – Eastern Cape; Area type – rural; Age cohort – 15-24 years

English reading proficiency – not at all; English writing proficiency – not at all

Initially, the interaction between being able to read and write very well has proven to be insignificant (Regression [I] and [III]). The English reading versus writing ability explanatory variables only prove to be significant in the case regression [IV] when additional explanatory variables are controlled for. It can be noted however that in the case of regression [IV] very poor reading ability has a large negative effect on employment likelihood. Individuals who

are not able to read English well at are 40% less likely to be employed. This finding can be viewed in line with theory highlighted earlier in the study which states that the level of English language proficiency is associated with competence in terms of ability and productivity and is an attribute which an employer is more likely to value. For this reason, good levels of English language proficiency increase employment likelihood as illustrated in the regressions below.

The effect of urban residence has proved to be insignificant in this Heckprobit model on employment likelihood. When compared to the Eastern Cape, those who reside in the Northern Cape, KwaZulu-Natal and the North West will be significantly more likely to be employed. The effect of education is deemed to be insignificant. Turning attention to age, those who form part of the age cohort 15 to 24 years which is also the reference group are 7% less likely to be employed whereas the those who form part of the oldest cohort referred to as those aged between 55 to 65 years are 18% more likely to be employed.

The Heckprobit model tests for the presence of sample selection bias. The model illustrates a significant Lambda from regression [I] to regression [IV]. This indicates that sampling bias is definitely present. For this reason there is a need to run the employment model as a Heckprobit. This is done in order to derive more reliable estimates of the coefficients.

The final part of the model is based on the effect of English language proficiency on earnings. Table 3.9 below illustrates the results for the Heckman regressions on log monthly earnings of employed which is conditional on employment as well as labour force participation.

Being able to read and write English well has a significant and large effect on log monthly earnings of about 38% more as indicated in regression [I]. To support this finding, Casale and Posel (2010:16) state that this can be attributed to the fact those who are possess good English language proficiency are more likely to have a greater ability to find employment that will also provide good returns.

Table 3.9: Heckman regressions on log monthly earnings of employed, conditional on employment and labour force participation

Explanatory variable	Coefficient			
	[I]	[II]	[III]	[IV]
<i>Interaction dummy: Reading AND Writing English well</i>	<i>0.3782***</i>		<i>0.0422</i>	
<i>Reading: Very well</i>		<i>-0.2622</i>		<i>-0.1208</i>
<i>Reading: Fair</i>		<i>-0.1364</i>		<i>0.0989</i>
<i>Reading: Not well</i>		<i>-0.2497</i>		<i>0.0100</i>
<i>Writing: Very well</i>		<i>0.7958</i>		<i>0.2225</i>
<i>Writing: Fair</i>		<i>0.4688</i>		<i>0.0161</i>
<i>Writing: Not well</i>		<i>0.1530</i>		<i>-0.0969</i>
Western Cape			0.3259	0.3181***
Northern Cape			0.1419	0.1277
Free State			0.0460	0.0403
KwaZulu-Natal			0.1426	0.1370
North West			0.3180***	0.3130***
Gauteng			0.2338***	0.2190**
Mpumalanga			0.3382***	0.3209***
Limpopo			0.1118	0.1131
Urban areas			0.1628***	0.1600***
Years of education			-0.0495***	-0.060***
Years of education squared			0.0075***	0.0077***
Age: 25-34 years			0.1617	0.1551
Age: 34-44 years			0.3475***	0.3416***
Age: 45-54 years			0.3594***	0.3565***
Age: 55-65 years			0.5047***	0.5000***
Occupation: Legislators, senior officials and managers			0.4034**	0.3969**
Occupation: Professionals			0.2701	0.2719
Occupation: Technicians and associate professionals			0.2946*	0.3017**
Occupation: Clerks			-0.2532	-0.2616
Occupation: Service workers and shop and market sales			-0.1098	-0.1142
Occupation: Skilled agriculture and fishery workers			-0.0981	-0.1088
Occupation: Craft and related trade workers			0.0095	0.0094
Occupation: Plant and machinery operators and assemblers			-0.0160	-0.0296
Occupation: Elementary occupations			-0.2059	-0.2014
Industry: Agriculture, hunting, forestry and fishing			0.2927	0.2933*
Industry: Mining and quarrying			0.7340***	0.7311***
Industry: Manufacturing			0.4303***	0.4262***
Industry: Electricity, gas and water supply			0.5875***	0.5708***
Industry: Construction			0.4090***	0.3918**
Industry: Wholesale and retail			0.1494	0.1470
Industry: Catering and accommodation			0.4701***	0.4788***
Industry: Transport, storage and communication			0.5357***	0.5380***
Industry: Finance, real estate and business services			0.5615***	0.5532***
Industry: Community, social and personal services			0.4271*	0.4236*
Industry: Other			0.2222	0.2154
Casual workers			-0.5722***	-0.5705***
Employer			-0.2132**	-0.2189**
Member of trade union			0.2531***	0.2531***
Permanent employment			0.3000***	0.2968***
Weekly work hours			0.0017	0.0017
Lambda	-1.554***	-1.5367***	-0.1015	-0.1301
Sample size	2 214	2 214	2 133	2 133
R-squared	0.1621	0.1772	0.5039	0.5066

*** Significant at 1%

** Significant at 5%

* Significant at 10%

Reference groups:

Province – Eastern Cape; Area type – rural; Age cohort – 15-24 years

English reading proficiency – not at all; English writing proficiency – not at all

Occupation category – Domestic workers

Industry category – Private households

Employment status - Employees

Those who reside in urban areas are associated with a significantly greater likelihood earning higher log wages. Reasons for this can be related to the fact that those who live in urban areas have access to more opportunities to better their human capital mainly through education. Based on the human capital externality theory it can also be suggested that those who reside in urban areas might be less prone to experience poor quality environments. Parents of these individuals who live in urban areas are more likely to be educated and have sufficient social capital stock. In turn better nutrition and human capital development occur which in the bigger scheme of things indicate higher earnings. Evidence of this is suggested in regressions [III] and [IV]. With specific references to the provinces, those who are located in the Western Cape, Gauteng, the North West and Mpumalanga on average receive higher earnings.

In terms of education, years of education squared indicates that with each additional year of education, earnings are likely to be higher for those individuals. On the basis of occupation, the probability of attaining higher earnings is significant with regard to the category of legislators, senior officials and managers and the category of technicians and associate professionals. Similarly, with reference to industry, all industries except those classified as wholesale and retail and other are associated with significantly higher earnings. With regards to age, when compared to the age cohort of 15-24 years (reference group), the other age cohorts for the ages 34 to 65 years are significant. It can be noted that from the age of 34 years to 54 years of age, monthly log earnings increase (Regression [III] and [IV]). However, when the age cohort of 55 to 65 years is attained, monthly log earnings are likely to increase by the biggest proportion of 50%.

The type of employment is also essential in the determination of earnings and earnings potential. Casual workers as indicated in the regression [IV] are likely to earn significantly less than permanent staff for example. Permanent employment is estimated to increase monthly log earnings by about 30%. Finally, union membership is estimated to increase earnings by around 25%.

3.7 Conclusion

The econometric analysis employed in this study was based on three models namely, probit regressions on labour force participation likelihood, Heckprobit regressions on employment

likelihood and Heckman regressions on log earnings of the employed. According to the results, reading ability was deemed to be significantly more important than writing ability. In terms of South Africa as a whole, when compared to the Eastern Cape (reference group), those residing in all provinces in the country besides KwaZulu-Natal and the Limpopo provinces are associated with greater labour force participation likelihood. Years of education squared and the elderly also proved to play a significant contribution to employment likelihood.

With regards to employment likelihood, results indicated that very poor levels of English language proficiency have a large negative effect on employment likelihood. The effect of education in this case was estimated to be insignificant in its influence on employment likelihood. Lastly it was found that reading and writing ability has both a large and significant effect on log monthly earnings. A positive relationship between education and earnings was also established. Trade unions are of great importance in the South African context and strikes due to wage increase demands are not uncommon within the labour market. Related to this, were the results that indicated union membership does in fact have a large and significant impact on log monthly earnings.

CHAPTER FOUR: CONCLUSION

4.1 Introduction

This paper explored labour market outcomes for adult Black African males based on their level of English language proficiency. The data employed in this study defines English language proficiency as the self-reported ability to read and write English very well among Black African men aged between 15 and 65 years. Models were initially specified by only controlling for an interaction dummy (the ability to read and write English very well), after which additional variables were controlled for from the regression [III] to [IV] found in table 3.7, 3.8 and 3.9.

4.2 Review of findings

With regard to labour market status, the majority of the Black South African men who make up the working age population generally possess higher levels of English reading and writing proficiency. A positive relationship was identified between good English reading and writing ability. Results indicated that the majority of the inactive Black male working population in South Africa surprisingly possess good levels of English reading and writing ability. 68% of the active labour force of this group under study was found to have good levels of reading and writing proficiency. The majority of English proficient Black men were also found to reside in urban areas within South Africa. The variables examining household and family characteristics namely household head and elderly presented contrasting results. The presence of a household head was found to have a positive relationship with labour force participation likelihood as it brought about an increase in participation. On the other hand, the presence of an elderly individual in a household was estimated to be more likely to discourage labour force participation. The reason for this is mainly due to the dependence of household members on the pension of the elderly.

Higher levels of English language proficiency are associated with lower unemployment likelihood. The largest proportions of those who are English language proficient reside in urban areas especially in the Gauteng and KwaZulu-Natal provinces. Poor reading ability in particular was identified to have a large negative effect on employment likelihood. Results

also presented some interesting findings as in the case of education being insignificant in relation to employment likelihood. With regard to labour force participation likelihood and earnings, the effect of education was initially negative and only became positive after controlling for years of education squared.

According to theory on labour market equilibrium, in relation to the demand for labour, an increase in demand for labour will occur in the presence of higher levels of English language proficiency. In turn, related benefits include a rise in employment and wages. Results indicated that English language proficiency presented large and significant effects on earnings. These results are consistent with the argument that language proficiency increases employment opportunities and earnings. The empirical findings suggest that those residing in the Western Cape, Gauteng, North West and Mpumalanga provinces on average receive higher earnings in relation to being English proficient. Increases in earnings were also found to be the greatest for the 55 to 65 year age cohort, for permanent employees and for employees who belonged to trade unions.

4.3 Conclusion

The key finding of this paper suggests that Black African males who possess good English language proficiency do in fact perform better within the labour market and also experience better labour market outcomes. Better levels of English language proficiency are associated with an increased likelihood of labour force participation, employment and the attainment of higher earnings. Overall, English reading proficiency was estimated to be more important than English writing ability.

The study has proven that English language proficiency is an important labour market determinant. The results presented in the paper suggest that English proficiency is positively correlated with higher employment likelihood and earnings. For this reason, due to the fact that ELP increases labour force participation likelihood and how well an individual will fare in the South African labour market, the importance of English may be promoted especially among the Black population who speak indigenous African languages. Keeping theory in mind such as the human capital theory, investments in education with equal investment in the development of ELP are associated with better labour market outcomes. Based on this study,

this is especially true in the case of Black African males. The research emphasises that the English language is a language of advantage in the labour market in South Africa. Policies in terms of education and improving the quality of education may also be influenced by this study. The reason is the main way in which language is learnt and mastered, which is through education. Lastly, this study can be used to contribute to existing research related to this field of study as not much local studies have been conducted in terms of English proficiency being a labour market determinant.

This study has a few shortcomings. Firstly, the study does not take into account the proficiency in the home language spoken by the sample. Secondly, the quality of education is difficult to capture and education was not divided into different categories such as primary education, secondary education and tertiary education for example. This might have had an impact on the results. In addition, with regard to the education variable, the empirical results would have been more accurate if parents' education was also included as an additional explanatory variable. Lastly, since the data used within the study is based on self-perceived reading and writing ability whether the results do in fact paint the real picture in terms of ELP among Black African men can be questioned. Since the study is only confined to males, a suggestion for the direction of future research may be to include females in the study. In this way, a more comprehensive analysis can be undertaken which in turn may produce more meaningful results and also capture the role of ELP in the South African labour market to a greater extent.

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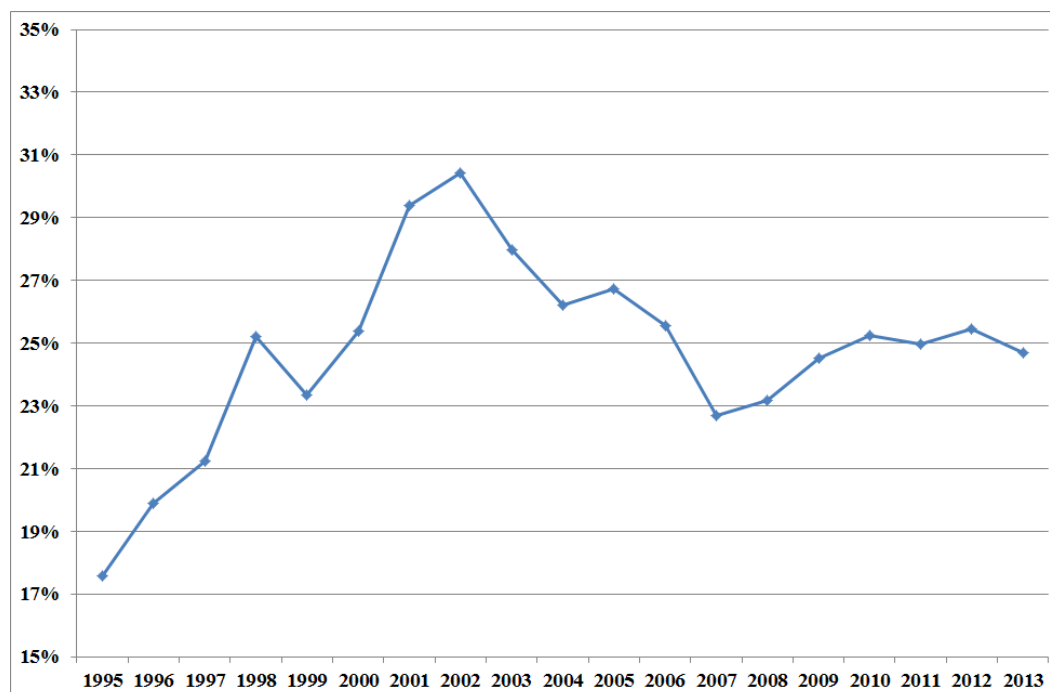
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Appendix

Figure A.1: Unemployment rates under the narrow definition in South Africa, 1995-2013



Source: Own calculations using 1995-1999 OHSs, 2000-2007 LFSs and 2008-2013 QLFSs

Table A.1: Narrow labour market status of the working-age population, 1995 vs. 2013

	<u>1995</u>	<u>2013</u>	<u>% change</u>
Working-age population	24 190 583	33 681 684	39.23%
Labour force	11 527 589	18 664 637	61.91%
Employed	9 499 347	14 057 925	47.99%
Unemployed	2 028 242	4 606 712	127.13%
LFPR	47.65%	55.41%	7.76%
Unemployment rate	17.59%	24.68%	40.28%

Source: Own calculations using OHS 1995 and QLFS 2013.