



# English language premium: Evidence from a policy experiment in India<sup>☆</sup>



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## ABSTRACT

In this paper, we estimate the English premium in a globalizing economy, by exploiting an exogenous language policy intervention in India that abolished teaching of English in public primary schools. Our results indicate that a 10% lower probability of learning English in primary schools leads to a decline in weekly wages by 8%. On an average, this implies 26% lower wages for cohorts exposed to the policy change. We find supporting evidence that occupational choice played an important role in determining this wage-gap.

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## 1. Introduction

There is a longstanding interest in estimating the economic returns to the human capital embodied in language

skills. An extensive literature emphasizes the importance of language skills in the context of the economic assimilation of immigrants (Carliner, 2000; Chiswick & Miller, 2003; Dustmann & Fabbri, 2003). Relatively less research has explored the importance of foreign language skills within the domestic labor markets of economies.<sup>1</sup> Ever since their independence, many of the former European colonies faced the dilemma about the choice of language to be encouraged in educational

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<sup>1</sup> Few exceptions are Angrist and Lavy (1997), Angrist, Chin, and Godoy (2008), Levinsohn (2007), and Azam et al. (2013) who study the returns to foreign language skills in the domestic labor market. Gao and Smyth (2011) and Godoy et al. (2007) study the returns to the knowledge of the majority language in the domestic labor market.

institutions – local or colonial?<sup>2</sup> Often, policymakers opposing foreign language training in schools argue that teaching only the native language fosters easier access to education, particularly for children from disadvantaged backgrounds, thus promoting greater equality over time. For instance, after independence, many former European colonies implemented programs to actively promote the national language at the expense of the colonial language in schools (Angrist & Lavy, 1997). Nevertheless, key changes in the economies of many developing countries have led policy makers to rethink the importance of teaching foreign language, particularly English, in schools. The argument favoring the teaching of English in schools is the high perceived returns to English in the labor market. Teaching only native language in schools would make English an elite language available only at a premium. This in turn would imply an ever widening gap between the rich and the poor thus defeating the very purpose of the policy promoting native language. The debate has found renewed attention in many emerging economies like India which benefited from their pre-existing English language proficiency in an increasingly globalized world. For instance, Shastry (2012) finds that regions with lower costs of acquiring English skills attracted more information technology jobs in India post liberalization. Munshi and Rosenzweig (2006) show that, in the 1990s, English premium increased by about 10% for men and 27% for women in Bombay. Higher returns to English skill is likely to foster the growth of avenues for private English training at a premium. Individuals who can afford private schooling and coaching would acquire the necessary skills to obtain jobs requiring English skills. However, poor households may not be able to respond to these changes to take advantage of the global opportunities. This in turn would exacerbate the existing inequality. India's liberalization experience thus provides an excellent opportunity to revisit the debate on the optimal language policy in primary schools. In this paper, we investigate the rewards to English language skills in the labor market in India, post its economic liberalization. The paper closest to our work is Azam, Chin, and Prakash (2013) who find significant returns to English skills, which increases with the level of education, in the Indian labor market. They use detailed information from the India Human Development Survey 2004–2005 to control for individual characteristics. However, the lack of longitudinal data or the absence of an exogenous variation in English skills makes it difficult to completely do away with concerns of unobserved heterogeneity.

We exploit a language policy intervention in the state of West Bengal in India that generates plausibly exogenous variability in English skills. In West Bengal, the medium of instruction in majority of the government run schools is Bengali and in a few cases it is Hindi. English is used as a medium of instruction only in a small fraction of private schools. However, English was taught as a subject in all government run primary schools starting from first grade. Beginning in 1983 teaching of English was revoked from primary grades (grades 1 through 4) in all government run schools and introduced

as a part of the curriculum starting only from secondary school.<sup>3</sup> Cohorts who were already enrolled in school before 1983 were exempted from the policy change and continued to learn English, as a subject, in primary grades. Cohorts who started school after 1983 did not study English in primary grades. Moreover, private schools were out of the purview of this policy. Hence an individual's exposure to this policy change is determined both by the year of birth and by the probability of attending a public school as opposed to a private school.<sup>4</sup> We construct district level measures of the fraction of public school and the fraction of children enrolled in public school as proxies for the probability of attending public school. We start by combining district and cohort variations generated by this exogenous language policy intervention in a two-way fixed effects model to estimate the English skill premium in West Bengal. However, an inherent problem with this two-way-fixed-effects strategy is the possibility that districts with different intensities of public school exposure might also have other differences that vary over time. Specifically, districts with a higher intensity of public schools might have observed a different path of economic development or growth in labor markets compared to districts with a lower intensity of public schools. Indeed, Muralidharan and Kremer (2008) show that regions with higher per capita income are less likely to have private schools in India. To correct for these confounding district trends we use as controls districts from states which did not experience any change in language policy during that period. This allows us to eliminate factors that varied between high and low public-school intense districts for each cohort. The underlying identifying assumption is that the difference over time between high and low public school intensity districts in the treatment state is the same as the difference between similar districts in the control states, in the absence of the policy intervention.

Our estimates suggest that a 10% decrease in the probability of learning English in primary school led to a decline in weekly wages by 8%. On the average, this implies 26% lower wages for cohorts not exposed to the policy change. Had we not accounted for the time varying differences between the low and high intensity districts, our inference about the English premium would have been much lower. Close examination reveals that occupational choice played a decisive role in determining the wage gap. Using a multinomial logit estimation framework, we find that a lower probability of learning English significantly reduces the odds of an individual working in higher ranked or better paying occupations.

Angrist and Lavy (1997) use a similar policy to estimate French skill premium following the abolition of French from Moroccan primary schools. They find a positive premium associated with French writing abilities. However, since the

<sup>3</sup> Around the same period similar changes were taking place in other parts of India. Education being a state level policy, governments in different states were experimenting with language policies according to their ideologies. A complete documentation of these changes does not exist. Hence, in this paper, we restrict our attention to states for which we could find an official document on language policy in schools.

<sup>4</sup> According to the "Critical Period" hypothesis of the biological literature, there is a critical age range in which individuals learn languages more easily. If a second language is learned before age 12, the child speaks without an accent. Moreover, syntax and grammar are difficult to learn later in life (Heckman, 2007).

<sup>2</sup> For example, French is commonly used in the labor market of many African countries and English in the case of many former British colonies in Asia.

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