

The demand for foreign languages in Italian manufacturing

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Abstract

Relying on a rich firm-level dataset, we investigate the factors underlying the demand for foreign languages (FL) by Italian manufacturing firms in 2001-2004. As main determinants, we focus on innovation and internationalization activities, these latter ranging from exports to FDI. First, we estimate the probability of demanding for the knowledge of at least one FL through a set of univariate probit models, in which we also control for other characteristics required by firms, like the type of job, the level of education and the type of experience. Then, we make the demand for FL interact with the demand for these characteristics by estimating a set of bivariate probit models from which we extract the joint and conditional probabilities. Our estimates show that the probability to demand for FL increases with firm size, human capital intensity, engagement in R&D and in exporting goods, whereas the other internationalization activities are not significant when considered individually. Instead, we find a strong effect on FL demand of increasing commitment to internationalization. When we further make FL demand interact with other required attributes, we find that the impact of increasing exposure to internationalization is higher when the firm also demands for professional occupations with a university degree, and for specific experience. We conclude that FL are a strategic asset for firms and, from a labor demand perspective, are complementary to high levels of human capital.

Keywords: foreign languages, internationalization, labor demand, technology

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