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IZA World of Labor
Evidence-based policy making

Sexual orientation and labor market outcomes

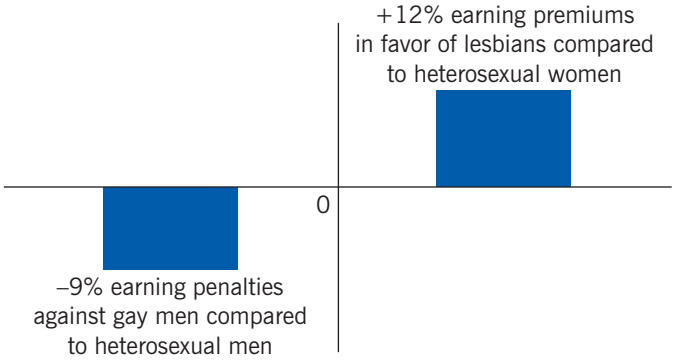
Sexual orientation seems to affect job access and satisfaction, earning prospects, and interaction with colleagues

Keywords: sexual orientation, access to vacancies, earnings, job satisfaction, bullying

ELEVATOR PITCH

Studies from countries with laws against discrimination on the basis of sexual orientation suggest that gay and lesbian employees report more incidents of harassment and are more likely to report experiencing unfair treatment in the labor market than are heterosexual employees. Gay men are found to earn less than comparably skilled and experienced heterosexual men. For lesbians, the patterns are ambiguous: in some countries they have been found to earn less than their heterosexual counterparts, while in others they earn the same or more. Both gay men and lesbians tend to be less satisfied with their jobs than their heterosexual counterparts.

Average earnings differentials disfavor gay male workers but favor lesbian workers



Source: [1], [2], and [3].

KEY FINDINGS

Pros

- Gay men and lesbians who are open about their sexual orientation at their workplace are more likely to report higher job satisfaction than those who are not.
- The number of years gay and lesbian workers have been open about their sexual orientation in their current workplace is positively associated with their job satisfaction.
- Good relations between employers and employees increase openness on the part of gay male and lesbian employees and improve their attitudes about their jobs.
- On average, lesbians earn more than comparable heterosexual women.

Cons

- Fewer than 20% of countries have adopted sexual orientation anti-discrimination laws in employment, and 2.7 billion people live in countries where being gay or lesbian is a crime.
- Gay men receive lower earnings than their male heterosexual counterparts.
- Gay and lesbian employees have lower job satisfaction than their heterosexual counterparts.
- All qualitative studies suggest that gay and lesbian employees are more likely to be harassed by work colleagues than are their heterosexual counterparts.

AUTHOR'S MAIN MESSAGE

Despite anti-discrimination laws in some countries, gay and lesbian employees encounter serious job-market barriers. They report more harassment and less job satisfaction than heterosexual employees, and gay men earn less than comparably skilled and experienced heterosexual men. Good employer–employee relations are shown to increase job satisfaction for gay and lesbian employees. Government can help through campaigns promoting respect and equality of treatment in the workplace and by publishing annual data on progress toward equality objectives. Firms should evaluate recruitment and promotion policies to ensure equality of opportunity and should address incidents of harassment.

MOTIVATION

Currently, being gay or lesbian is illegal in almost 80 countries, meaning that 2.7 billion people live in countries where having a minority sexual orientation is a crime [4]. Additionally, fewer than 20% of countries have adopted employment anti-discrimination laws to protect gay and lesbian employees [4]. On average, Australia, Canada, the US, and the EU have the strongest protection of sexual-orientation rights, including workplace anti-discrimination laws [4], and some studies in these countries have examined labor market outcomes for gay men and lesbians. However, in most of Africa and Asia, same-sex unions are illegal, which precludes gay and lesbian studies by default.

International studies from Australia, Canada, the US, and the EU have highlighted the adverse workplace conditions that face gay men and lesbians [1]. Having a minority sexual orientation affects people's decisions about employment routes even before they apply for a job, particularly in sectors such as law enforcement, the armed forces, teaching, and manual trades [2]. A gay or lesbian identity seems to be a devalued and stigmatized characteristic in hiring, compared with a heterosexual identity [2].

In certain regions, gay and lesbian employees receive lower earnings than their heterosexual counterparts, even after controlling for education, work experience, and occupation [1]. Moreover, there is evidence that gay and lesbian employees are looked over for promotions to top-ranking positions, and that homosexuality-oriented jokes, bullying, and harassment are tolerated and reinforce power inequalities in the workplace [1]. Additionally, gay and lesbian employees report having to live with less freedom than their heterosexual counterparts and being reluctant to disclose their sexual orientation at work for fear of biased treatment [1]. These patterns seem to reveal that employees with a minority sexual orientation have a lower level of job satisfaction than their heterosexual counterparts [5].

DISCUSSION OF PROS AND CONS

A bias against gay and lesbian people in access to job vacancies

Opinion polls in Australia, Canada, the US, and the EU suggest that having a minority sexual orientation is related to experiencing ongoing bias in the labor market [1], [2]. Globally, people who are identified as gay or lesbian during the initial stage of the hiring process are discriminated against in favor of heterosexual applicants with comparable skills and experience. This pattern is observed in Austria, Cyprus, Greece, Sweden, the US, and Toronto, Canada [6]. Field studies conducted in the past decade suggest that the sexual orientation penalty in relation to access to job vacancies varies for gay men between 3% and 40% and for lesbians between 6% and 27% (although some studies find an earnings premium for lesbian employees) [6].

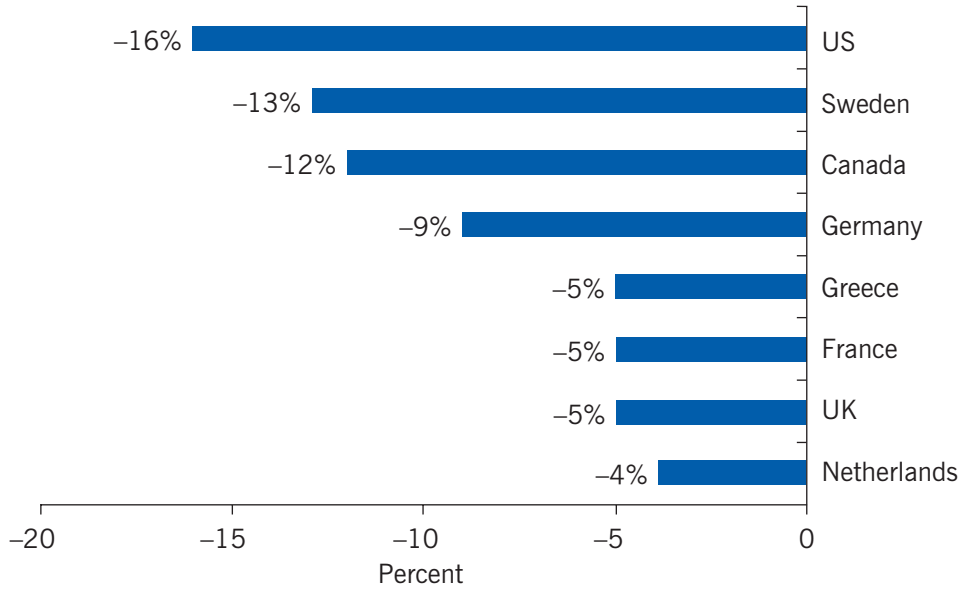
Discrimination in hiring based on minority sexual orientation has been found to be a matter of employer preference and not a result of uncertainty regarding the commitment of gay and lesbian applicants [7]. That is, a non-heterosexual identity is perceived as a devalued characteristic in hiring compared with a heterosexual identity. Although firms may not have biased views about the competence of non-heterosexual job seekers, as a whole they may share the knowledge that a minority sexual

orientation is broadly considered to be deviant. This notion can affect a firm's hiring practice because of the fear that customers and other workers might be disturbed by having to interact with people who are gay or lesbian [7]. The hiring discrimination against gay men seems to be higher in male-dominated occupations, whereas hiring discrimination against lesbians is more pronounced in female-dominated occupations [6]. This greater disadvantage in more gender-specific occupations may spring from what is perceived as a deviation from the normative standard and related expectations. Gender assumptions seem to affect the employability of people with a minority sexual orientation.

Gay men's earnings

Earning differences are a consistent problem for many employees with a minority sexual orientation and present one of the most tangible environmental factors affecting their workplace well-being. Studies for the period 1989–2014 suggest that gay men receive lower earnings than heterosexual men of comparable education, skills, and experience [1], [2]. Any remaining earning gaps between gay and heterosexual men not explained by differences in education level, work experience, and occupation are generally interpreted as evidence of labor market discrimination [1], [2], [3]. Studies find that gay men earn from 4–5% less than heterosexual men in the Netherlands, France, Greece, and the UK to 12–16% less in Canada, Sweden, and the US [1], [2], [3] (Figure 1).

Figure 1. Gay men earn less than heterosexual men of comparable education, skills, and experience



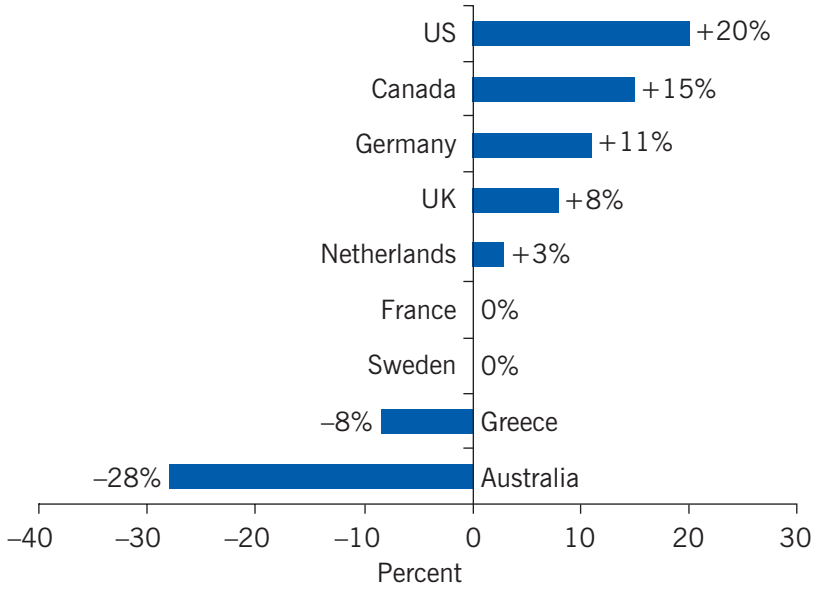
Source: Sears, B., and C. Mallory. *Documented Evidence of Employment Discrimination and Its Impact on LGBT People*. Los Angeles, CA: The Williams Institute, 2011. Online at: http://williamsinstitute.law.ucla.edu/wp-content/uploads/Sears-Mallory-Discrimination-July-20111.pdf [1]; Badgett, M. V. L., and J. Frank. *Sexual Orientation Discrimination: An International Perspective*. New York: Routledge, 2007 [2]; and Klawitter, M. "Meta-analysis of the effects of sexual orientation on earnings." *Industrial Relations: A Journal of Economy and Society* (Forthcoming). Online at: http://evans.uw.edu/sites/default/files/public/EvansWorkingPaper-2011-08.pdf [3].

These studies suggest that firms that are biased against gay men consistently discriminate against them, and that the gap in gay men's earnings relative to heterosexual men is directly related to the strength of the firm's bias against gay men [1], [2], [3]. It is hypothesized that the labor market values gay men's characteristics less than those of heterosexual men, and that the difference in earnings is attributable to the failure of gay men to conform to traditional gender roles [2]. Gay men in the workplace may upset conventional assumptions about gender, and so their contributions to the firm and their leadership abilities may not be properly evaluated and they can be overlooked for promotions [2]. Qualitative research also suggests, however, that gay men impose restrictions on themselves and often avoid certain male-dominated occupations in favor of female-dominated occupations (less masculine jobs), for which salaries may be lower [2]. The relationships between gender identity, sexual orientation, and occupational choice may affect gay men's earnings.

Lesbians' earnings

Studies for the period 1989–2014 for lesbian workers suggest that the earnings differences between lesbians and heterosexual women of comparable education, skills, and experience vary by country, and that the differences across countries can be considerable, ranging from wage penalties to wage premiums (Figure 2) [1], [2], [3]. Lesbian employees earn 28% less than their female heterosexual counterparts in Australia and 8% less in Greece. But in France and Sweden, lesbian workers earn the

Figure 2. Lesbians earn less than heterosexual women of comparable education, skills, and experience in some countries and earn more than heterosexual women in others



Source: Sears, B., and C. Mallory. *Documented Evidence of Employment Discrimination and Its Impact on LGBT People*. Los Angeles, CA: The Williams Institute, 2011. Online at: http://williamsinstitute.law.ucla.edu/wp-content/uploads/Sears-Mallory-Discrimination-July-20111.pdf [1]; Badgett, M. V. L., and J. Frank. *Sexual Orientation Discrimination: An International Perspective*. New York: Routledge, 2007 [2]; and Klawitter, M. "Meta-analysis of the effects of sexual orientation on earnings." *Industrial Relations: A Journal of Economy and Society* (Forthcoming). Online at: http://evans.uw.edu/sites/default/files/public/EvansWorkingPaper-2011-08.pdf [3].

same as heterosexual women, and in some countries they earn more: 3% more in the Netherlands, 8% more in the UK, 11% more in Germany, 15% more in Canada, and 20% more in the US.

That lesbian employees earn a premium over their heterosexual female counterparts might seem to be inconsistent with the notion that employers discriminate based on sexual orientation. However, the pattern is consistent with theories of human capital accumulation and specialization within the household [2]. Lesbians may realize early in life that they will not marry into a traditional household and thus decide to invest more heavily in a market-oriented education. Lesbians may be willing to make a series of carrier-oriented decisions—such as staying in school longer, choosing a degree that is likely to lead to a higher paying job, and working longer hours—that differ from those they would have made had they adopted traditional gender-based household specialization roles [2].

In addition, it is suggested that for women, professional skills are not always sufficient to signal authority and competence and that masculine characteristics, which stereotypically characterize lesbians, can serve an external signaling function in the workplace [2]. The higher salaries among lesbians in some countries may reflect discrimination in favor of masculine traits rather than against them [2]. In addition, lesbians tend to self-select into male-dominated occupations that may offer higher salaries [2]. As is the case for gay men, it appears that the relationship between gender identity and occupational choice may affect lesbians' earnings.

Sexual orientation and job satisfaction

The satisfaction that gay and lesbian employees derive from their jobs may reflect how they respond to characteristics of their job and workplace [5]. Studies on sexual orientation and job satisfaction suggest that in Australia, Canada, and Greece, both gay men and lesbians have lower job satisfaction than do their otherwise similar heterosexual counterparts. The reason for the difference might be the disadvantaged position of gay men and lesbians in the labor market [5]. Because gay and lesbian employees face biases in earnings, promotions, and increased job responsibilities, these conditions may affect their job satisfaction levels [5].

Notably, however, gay men and lesbians who are open about their sexual orientation at their workplaces are more likely to report higher job satisfaction than gay men and lesbians who are not [5]. Also, gay men and lesbians who disclosed their sexual orientation at their current workplace long ago are more satisfied with their jobs than gay men and lesbians who disclosed their sexual orientation more recently [5]. A series of studies link disclosure of sexual orientation with life satisfaction and positive psychological well-being [1], [2].

In addition, gay men and lesbians who have disclosed their sexual orientation to their colleagues have positive work attitudes that enable them to feel confident, foster a happier work experience, and encourage commitments, openness, and interaction with colleagues [1], [2]. Sexual orientation diversity in the workplace seems to provide external reinforcement of an individual's developing competence and self-esteem [1], [2], [5]. Firms concerned with diversity may want to create an environment in

which gay male and lesbian employees can be relaxed and candid about their sexual orientation in a way that fosters a sense of belonging and being valued [1], [2], [5].

In contrast, keeping one's sexual orientation secret leads to feeling misunderstood, pressured, and alienated, which undermines job satisfaction for employees with a minority sexual orientation [1], [2]. The emotional energy required to maintain secrecy about such a fundamental aspect of one's psychological makeup can cause anxiety, stress, and job dissatisfaction [1], [2]. Policies that are clear and that apply uniformly to all employees, regardless of sexual orientation, can reduce workplace dissatisfaction and boost job satisfaction [1], [2].

Harassment of employees who are open about their minority sexual orientation

On average, half of gay and lesbian employees do not reveal their sexual orientation in the labor market [1], [2]. Qualitative studies find that fear of discrimination and harassment drives gay and lesbian employees to hide their sexual orientation in the workplace [1], [2]. Gay and lesbian employees who hide their minority sexual orientation believe that openness can impede their career advancement or even lead to termination of their employment [1]. Thus, one of the most common problems gay and lesbian employees report is the diminishment of their right to the free expression of their sexual and personal identity [1].

Openly gay and lesbian employees are reportedly more vulnerable to harassment and bullying than gay and lesbian employees who conceal their sexual orientation [1]. Often, they report that they are verbally and physically threatened and insulted by colleagues. These conditions affect job and life satisfaction, physical and mental health, and professional performance [1]. Additionally, gay and lesbian employees report that they sometimes miss work to avoid such abuse and are more likely to quit because of it [1]. If left unaddressed, workplace harassment can have serious mental health consequences for the individuals who are bullied or harassed and detrimental effects on the firm's smooth operation [1].

As mentioned above, however, gay and lesbian workers who can be open about their sexual orientation in a safe and diverse workplace environment are more productive, creative, and loyal because they feel more comfortable and safe. Prejudice, stigma, and discrimination are minimized in workplaces that have written equality policies and gay and lesbian unions [1].

Bullying of gay men and lesbians even before they enter the labor market can affect their labor prospects. Studies suggest that bullying of gay and lesbian students can reduce their eventual employment rates and earnings [8]. Indeed, gay and lesbian individuals who were victims of bullying tend to be less educated, have more mental health problems, face higher unemployment, and receive lower earnings than heterosexual victims of school bullying and gay men and lesbians who were not victims of school bullying [8]. Thus, bullying and harassment seem to affect gay men and lesbians before and during their working career and can worsen core outcomes such as education level, employment status, earnings, mental and physical health, job satisfaction, productivity, commitment, absenteeism, and turnover [8].

LIMITATIONS AND GAPS

Due to limited data sets on sexual orientation and labor outcomes, there is a dearth of studies on the topic. Without data, pattern generalizations based on previous studies cannot be made for regions that have not yet been examined. Yet such questions as whether earning discrimination against gay men exists in other regions and whether gays' and lesbians' job dissatisfaction is more or less severe in other regions is of great importance for policy action. Because labor market discrimination based on gender and race is ubiquitous and requires policy intervention, it is likely that labor market discrimination based on sexual orientation is also widespread and in need of policy actions. Also, the dearth of studies and the limited data sets make it difficult to examine how age, ethnicity, health, education, occupation, region, and other core socio-economic, productivity, and industrial characteristics moderate the relationship between sexual orientation and labor market outcomes.

In addition, differences in time period, sample size, region, anti-discrimination laws, and industrial characteristics—all of which likely affect the relationships among sexual orientation, earnings, and job satisfaction—mean that comprehensive comparisons across studies of the magnitude of the effects of the relationships are rare [3]. Moreover, whether earnings discrimination, job dissatisfaction, bullying, and harassment against gay men and lesbians lessen over time in response to policy interventions is hard to evaluate on the basis of current quantitative research and in the absence of longitudinal data. This issue is all the more important to examine given emerging evidence in some regions (for example, in the US), suggesting that compliance with anti-discrimination laws may reduce bias against gay and lesbian people in the labor market [9].

In addition, quantitative research on labor market outcomes is especially scarce for other sexual-orientation classifications, including bisexual, transsexual, queer, intersexual, and sexually questioning. Although qualitative studies suggest that members of these groups face bullying in school and harassment in the workplace, difficulty finding a job, and discrimination in the workplace, there is very limited aggregate data on their employment rates, earnings, and job satisfaction. However, because more and more individuals have started to self-identify as queer, intersexual, and sexually questioning, it is important to capture this information and examine how labor market outcomes are affected by these additional sexual-orientation classifications.

Moreover, unlike the demographic characteristics of sex and ethnicity, which are easy to capture and code, how sexual orientation is measured varies, which makes it problematic to test for sexual-orientation bias in employment. Each of the earnings coefficients reported here was based on surveys that use one of three types of sexual-orientation identification: self-identification as gay or lesbian (self-evaluation), responses to questions on the gender of married or unmarried partners (couple status), and responses to questions on the gender of past sex partners (sexual behavior). Although a meta-analysis suggests that the same qualitative patterns arise for all three identification methods—gay workers receive lower earnings than heterosexual men and lesbian workers receive higher earnings than heterosexual women—the identification method chosen affects the magnitude of estimated earnings differences [3]. Studies that rely on self-reported classifications of sexual orientation report the

smallest estimated earnings differences [3], while studies that use sexual behavior to classify sexual orientation report the largest earning differences. Thus, it is important to take into account how a given study measures sexual orientation.

As a result, studies of sexual orientation and labor market outcomes are not only limited in number, but they also classify sexual orientation using different measurements, which affects the magnitude of the earnings difference they find. The issue is further complicated by the fact that most quantitative studies lack information on workers' openness in the workplace about their minority sexual orientation, an absence that can result in biased estimations. If employees hide their minority sexual orientation in the workplace but are open about it in surveys, it is probable that studies based on the survey data will suffer from serious biases [2].

Several factors may influence the response to the question of sexual orientation [2]. People are often uncomfortable discussing their sexual orientation in phone interviews. The resulting missing data or false information can bias estimations. Additionally, more established employees who have higher earnings may be more inclined to reveal a minority sexual orientation over the phone [2]. If, as a result, a disproportionate number of better-paid gay employees are identified, the real earning difference between gay and heterosexual employees will be underestimated.

The same pattern holds for gay and lesbian workers who live in big and multicultural cities, are more educated, or live with same-sex partners [2]. Gay men and lesbians tend to choose to live in bigger cities, where acceptance of their sexual orientation is higher [2]. Additionally, studies suggest that people who are gay or lesbian may be more educated than heterosexuals, which can result in higher earnings and societal status and enable them to be open about their sexual orientation in public [2]; similarly, gay men and lesbians who are living with same-sex partners may have adopted an open way of living [2]. Thus, sample selection bias may affect study outcomes and result in under- or over-estimation of the actual labor market bias.

Finally, a puzzling issue is the earnings premiums found for lesbian employees in some countries. On the one hand, every qualitative study suggests that lesbians face prejudices in the labor market [1]. Field studies on access to job vacancies suggest that lesbians are more discriminated against during the initial stage of the hiring process than are heterosexual women [6]. Job satisfaction studies also suggest that lesbians are less satisfied with their jobs than heterosexual women [5]. On the other hand, most country studies find that lesbians earn more than heterosexual women of comparable skills and experience [3].

Whether biased treatment of lesbians at the hiring stage can lead to salary premiums later in their careers is an open question. There are no quantitative studies of the relationships among gender identity, personality characteristics, and labor market prospects for lesbians. So whether lesbian employees possess unobservable characteristics that enhance their attributes for job advancement and earnings is still unknown. Studies of the relationships among gender identity characteristics, personality traits, strategies for coping with discrimination, commitment to work, and labor market prospects related to sexual orientation might reveal interesting findings.

SUMMARY AND POLICY ADVICE

Despite the passage of labor legislation against discrimination in the labor market based on sexual orientation in Australia, Canada, the US, and the EU, people who have a minority sexual orientation experience more obstacles to getting a job, lower job satisfaction, earning bias (especially gay men), and more bullying and harassment than their heterosexual counterparts. These findings imply that legislative protection constitutes only a small step toward improving the employment circumstances and general well-being of people who are gay or lesbian and highlights the need for other policy interventions. Further research is needed to establish the true magnitude of bias based on minority sexual orientation in the labor market. Additionally, more longitudinal data are needed in order to evaluate whether and to what extent anti-discrimination laws have reduced bias based on sexual orientation. Studies on labor market outcomes are also needed for bisexual, transgender, and other minority sexual-orientation groups.

Because most studies suggest that negative attitudes toward gay and lesbian employees are the source of labor-market bias against them, social planners should try to influence public opinion and people's attitudes toward sexual-orientation minority groups. In addition to anti-discrimination legislation, improving labor outcomes for sexual-orientation minorities will require policy actions, including formal equality of treatment in employment policies, anti-discrimination and anti-bullying campaigns, and affirmative action [10].

In addition, firms should be encouraged to foster work environments in which gay and lesbian workers feel comfortable enough to be open about their sexual orientation [10]. Employers should collaborate with gay and lesbian workers to make the workplace an inclusive environment for people of all sexual orientations, and to provide equal career development opportunities for people of a minority sexual orientation. An accepting and diverse workplace culture enhances job satisfaction for gay and lesbian workers, which in turn affects their productivity and commitment to their work. Increasing workplace awareness of sexual orientation issues, by helping workers feel more confident about openly expressing their minority sexual orientation, constitutes good business practice by giving firms a reputation for non-discrimination and thus deepening their recruitment pool [10].

Finally, same-sex unions must be decriminalized everywhere.

Acknowledgments

The author thanks two anonymous referees and the IZA World of Labor editors for many helpful suggestions on earlier drafts.

Competing interests

The IZA World of Labor project is committed to the *IZA Guiding Principles of Research Integrity*. The author declares to have observed these principles.

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