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Sexual Orientation, Gender Identity and Labour Market Outcomes: New Patterns and Insights

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Abstract
The paper initiates a research agenda to study new developments of the effects of sexual orientation and gender identity on the labour market performance of individuals. It presents a selection of the small previous literature to establish the important spectrum of topics and identify important challenges to compare them to the papers in the special issue of the International Journal of Manpower (Volume 41, Issue 6) dedicated to Sexual Orientation and the Labor Market. We rely on quantitative empirical studies and compare findings along a variety of topics such as, earnings patterns, occupational access constraints, relationships between subjective well-being indicators and marriage status, workplace experiences and family support all along the sexual orientation and gender identity issues. Contrary to the earlier literature, the most recent studies have found that gay men received either the same wages or higher wages compared to heterosexual men, while lesbian women have been found to receive lower wages in comparison to heterosexual women. We reveal the new evidence on this emerging puzzling pattern of sexual orientation and wages, but highlight also other innovations in the special issue: (i) the first ever meta-analysis of field experiments on occupational access discrimination based on sexual orientation, (ii) utilizing the moderating role of marital status and family support, (iii) studying occupational access discrimination based on gender identity, and (iv) evaluate how distastes, stereotypes, and positive workplace actions affect trans people’s labour market performance. The article attempts to provide a fast and insightful guidance to the major challenges, received wisdom and open issues in the field of sexual orientation and gender identity at work and in the labour market. We summarize the implications provided in all chapters to develop the best evidence-based policy making.

Keywords: Sexual orientation, gender identity, sexual discrimination,

JEL codes: D63, J71, J15, J16
1. Introduction: The challenge

Given the increased number of people identifying as lesbian, gay, bisexual and trans (LGBT) and the adverse effect of homo and trans-phobia, it is important to consider the factors which reduce biases and increase income and well-being (Badgett et al., 2019; Drydakis, 2014a; 2019; Valfort, 2017). The global importance of the topic is also demonstrated by the fact that almost 2.7 billion people are living in countries where identifying as a sexual orientation or gender identity minority could lead to imprisonment, corporal punishment or even death (Drydakis, 2017a). The growing interest in the labour economics of sexual orientation and gender identity is demonstrated by the Special Issue of the International Journal of Manpower (Volume 41, Issue 6), which contains nine articles dealing with LGBT people’s working experiences. It is an initiative of the Global Labor Organization’s (GLO) Research Cluster "Gender, Gender Identity, Sexual Orientation and Labor Market Outcomes" under the leadership of Nick Drydakis. Gender, gender identity, and sexual orientation plays also an important role in the "Gender" Section of 20 articles edited by Nick Drydakis as the Section Editor in the forthcoming Handbook on "Labor, Human Resources and Population Economics" (Zimmermann, 2021), also a contribution of the GLO Research Cluster.

Since 2015, studies on sexual orientation and wage outcomes have contradicted the bulk of the existing literature. The most recent studies have found that gay men received either the same wages or higher wages compared to heterosexual men, while lesbian women have been found to receive lower wages in comparison to heterosexual women (Aksoy et al., 2018; Bryson, 2017). Given the emerging sexual orientation wage pattern, we shall call for increased attention to the potential implications this might bring. It is puzzling to observe that for gay men a historical wage penalty might have transformed into a wage premium. Although a potential improvement in gay men’s wages is welcomed, it might give
erroneously signals in regions where socio-political changes have not yet been realized for gay men. Furthermore, it is puzzling to observe that a penalty for lesbian women might have arisen in a time of social progress. Being a woman and sexual orientation minority might be associated with a double jeopardy and the newest patterns introduce new questions in the field. At the same time, sexual orientation and gender identity minorities continue to experience severe occupational access constraints due to distastes and stereotypes.

In the Special Issue of the International Journal of Manpower (Volume 41, Issue 6), Preston et al. (2020) and Martell (2020) have provided new evidence on the emerging puzzling pattern of sexual orientation and wages, while Flage (2020) has offered the first ever meta-analysis of field experiments on occupation access discrimination based on sexual orientation. Dilmaghani (2020) and Sidiropoulou et al. (2020) have examined sexual orientation, life satisfaction and workplace experiences by utilizing the moderating role of marital status and family support, and the first ever literature review of in-person studies, correspondence tests, and scenario experiments on occupational access discrimination based on gender identity has been conducted by McFadden (2020). In addition, Van Borm et al. (2020), Cannonier and Galloway Burke (2020), and Bozani et al. (2020) have evaluated how distastes, stereotypes, and positive workplace actions could moderate trans people’s labour market outcomes.

Given the limited studies in the area, we indicate that the Special Issue is expected to offer insights and might inform policy making. Each article offers new results and proposes corresponding policy actions. In Section 2, we present earnings patterns based on sexual orientation, while in Section 3 we evaluate occupational access constraints for sexual orientation minorities. In Section 4, we offer relationships between subjective well-being indicators and marriage status, as well as workplace experiences and family support for sexual
orientation minorities. In Section 5, the focus is on workplace outcomes based on gender identity. The last section identifies research priorities in the field.

### 2. Sexual orientation and wages: An emerging puzzling pattern

Literature review and meta-analysis studies suggested that gay men earn lower wages in comparison to heterosexual men (Plug and Berkhout, 2004; Ahmed and Hammarstedt, 2010; Klawitter, 2015; Drydakis, 2014a). For instance, it was found that, for the period 1989–2014, gay men received on average 9% lower wages than heterosexual men of comparable education, skills, and experience (Drydakis, 2014a). The wage penalty varied from 16% in the US to 4% in the Netherlands. Theories of distastes (Becker, 1957) and/or uncertainties (Arrow, 1973) against gay men were utilized in a process to evaluate the assigned pattern, and it was hypothesized that the wage penalty should be directly related to the strength of firms’ antipathy against gay men and/or uncertainties regarding gay men’s vocational behaviour. In the literature, it was suggested that firms might appreciate gay men’s personality characteristics less than those of heterosexual men (Drydakis, 2009; 2014b). It was hypothesized that, if gay men did not conform to traditional gender roles related to masculinity and leadership, which are perceived to boost employees’ performance, this feature might result in unfavourable evaluations (Drydakis, 2015; Drydakis, 2009).

For lesbian women, literature review and meta-analysis studies found that for the great majority of the cases they either experienced higher wages or the same wages as comparable heterosexual women (Klawitter, 2015; Drydakis, 2014a). It was estimated that lesbian women, for the period 1989–2014, experienced on average 12% higher wages than heterosexual women of comparable education, skills, and experience (Drydakis, 2014a). The highest wage premium was estimated to be 20% in the US and the lowest 3% in the Netherlands. Only in Australia and Greece were lesbian women found to receive lower wages.
than comparable heterosexual women at 28% and 8%, respectively. Arguments in relation to masculine traits, which stereotypically characterize lesbian women, were utilized to evaluate the aggregate lesbian wage premium (Drydakis, 2015; Drydakis, 2014a). If masculine women were stereotypically envisioned to demonstrate leadership, then it was argued that lesbian women should receive higher wages than heterosexual women (Drydakis et. al, 2018a).

Since 2015, new studies have contradicted the bulk of the existing literature. The evidence reveals that gay men receive either the same wages or higher wages than comparable heterosexual men (Aksoy et al., 2018; Bryson, 2017; Carpenter and Eppink, 2017); however, lesbian women have been found to receive lower wages than comparable heterosexual women (Bryson, 2017). An emerging puzzling sexual orientation wage pattern is starting to appear and therefore we call for a greater focus on the potential implications this might bring.

In the UK, two studies have found that gay men received the same wages as comparable heterosexual men (Aksoy et al., 2018; Bryson, 2017). In the US, gay men have been found to experience a wage premium of approximately 10% compared to heterosexual men (Carpenter and Eppink, 2017). In relation to contemporary lesbian wage levels, a current UK study found that lesbian women experience a wage penalty on the order of 30% (Bryson, 2017).

In the Special Issue, we are interested in the emerging puzzling pattern and provide new insights. Preston et al. (2020) presents patterns from Australia suggesting that gay men experienced the same wages as comparable heterosexual men in both public and private sector wage distributions. In addition, Martell (2020) ascertains that in the US cohabiting lesbian women experienced a wage penalty of around 11% in comparison to married heterosexual women. The lesbian earnings penalty was found to be most pronounced among young cohabiting lesbians.
It is puzzling to observe that a penalty for lesbian women has arisen in a time of social progress, legal recognition of same-sex marriages, and changes in attitudes towards sexual orientation minorities (Drydakis, 2014a). It is also critical to observe that for gay men a historical wage penalty has transformed into a wage premium given that in the literature women are still found to suffer from discriminatory wages (Blau and Kahn, 2017).

How can social and political progress positively impact on gay men’s wages and negatively impact on lesbian women’s wages? In the Special Issue, Preston et al. (2020) and Martell (2020) provide relevant evaluations. For instance, following Carpenter’s (2008) reasoning, Martell (2020) suggests that the wage penalty against young cohabiting lesbian women may arise as a result of lower incidences of family support stemming from intolerance of a minority sexual orientation, which might contribute to reduced access to traditional social networks that promote success in the labour market.

We highlight that there are wide variations in the effects of a minority sexual orientation on wages with variations due to regions, socio-economic characteristics in regions, time period, sexual orientation measurements, unobserved heterogeneity in relation to personality characteristics, etc. All these features might drive the puzzling patterns. Although a potential improvement in gay men’s wages might be welcomed, it nevertheless may give erroneously signals in regions where socio-political changes have not been realized for gay men yet. Additional evidence and insights are required for prompt evaluations and generalizations. The factors moderating gay men’s wages should be clearly evaluated for future research informed policies.

Hence, we highlight here that the assigned wage penalties for lesbian women call for attention and policy actions. The combined effect of sex and sexual orientation and its effect on wages introduces new challenges to the field. Being a woman and a sexual orientation minority might be associated with double jeopardy. Multilevel discrimination in the
workplace has not received adequate attention and contemporary evidence suggests the importance of considering the joint effect of these demographic characteristics on wages (Drydakis et al., 2018b).

3. Occupational access constraints, but wage premiums for sexual orientation minorities? An enduring puzzle

Experimental studies, namely correspondence tests, are aiming to reduce problems with unobserved heterogeneity and biased estimates (Neumark and Rich, 2019). In 2014, a review of correspondence tests documented that gay men and lesbian women experienced severe occupational access constraints (Drydakis, 2014a). It was presented that in the EU, the US, and Canada, the sexual orientation penalty in relation to access to job vacancies varied for gay men between 3% and 40%, and for lesbian women between 6% and 27%. Discrimination in hiring against sexual orientation minorities was found to be a consequence of firms’ preferences rather than a result of uncertainty regarding gay men and lesbians’ vocational behaviour (Drydakis, 2017b).

Drydakis (2015) highlighted the enduring occupational access constraint-wage premium puzzling pattern for lesbian women. On the one hand, lesbian women experience constraints in finding a job; on the other hand, there is a wage premium. Since 2015, given the emerging gay men’s wage premium (Carpenter and Eppink, 2017), the occupational access constraint-wage premium pattern may also hold true for gay men in some regions.

Why discriminatory experiences during the selection stage are transformed into wage premiums is an open question. If lesbians’ wage premiums are attributed to masculine traits and higher levels of workplace commitments these characteristics should boost their occupational access (Drydakis, 2014a). In general, the determinants of occupational access constraints due to a minority sexual orientation remain poorly evaluated.
In this issue, Flage (2020) provides the first ever meta-analytical study on occupational access discrimination in OECD countries. The main outcomes suggest that, although both gay men and lesbians experience severe occupational access constraints, the level of bias is higher (i) for gay men (than for lesbian women), (ii) in lower-skilled jobs (than in higher-skilled jobs), and (iii) in Europe (than in North America). The study highlights that sex, job-status and regional heterogeneities can moderate the degree of bias. Each result calls for policy attention. In addition, Flage’s (2020) outcomes indicate that biased treatments are not only the result of distastes but also of uncertainties regarding sexual orientation minorities’ human capital, skills and employment history. Signalling of gay men and lesbians’ advanced credentials have been found to reduce, but not eliminate, occupational access constraints. These results call for policies to reduce both distastes and stereotypical notions against sexual orientation minorities.

4. Sexual orientation, life satisfaction and workplace experiences: The moderating role of family status and family support

From the findings in the literature, it is evident that gay men and lesbians in English speaking regions experienced lower life satisfaction than comparable heterosexual people, perhaps due to societal biases, bullying and workplace discrimination (Perales, 2016; Powdthavee and Wooden, 2015; Chakraborty et al., 2011; Blanchflower and Oswald, 2004). Similarly, the first review of job satisfaction based on sexual orientation found that gay men (lesbian women) experienced 14.8% (12.2%) lower job satisfaction compared to heterosexual men (women) (Drydakis, 2019).

In another contribution in this issue, unlike the dominant patterns reported in the literature, Dilmaghani (2020) states that Canadians with fulltime employment who lived with a same-sex partner experienced a higher life satisfaction than those who lived with a different-
sex partner. It is estimated that, behaviourally, lesbian women (gay men) are 11.9% (11.4%) more likely to be at the top two levels of the life satisfaction scale than their heterosexual counterparts. Dilmaghani (2020) suggests that family arrangements can moderate life satisfaction levels for sexual orientation minorities. Dilmaghani (2020) also specifies that gay men and lesbian women who are legally married may have had the support of their families and friends and experienced a full comfort level and enjoyment with their sexual orientation.

In addition, Sidiropoulou et al. (2020) in this issue argue that supportive family environments toward lesbian, gay and bisexual children might positively affect long term workplace experiences, i.e. reduced workplace bullying. The assertion is that an accepting and welcoming environment for LGB children might ensure that they do not internalize the adverse effect of homophobic incidents. Sidiropoulou et al. (2020) suggest that if LGB children have received support from their parents which has positively influenced their self-esteem, this pattern might have influenced how adult LGB people prevented, avoided and/or dealt with victimization in the workplace.

5. Gender identity and labour market outcomes: Distastes, stereotypes, unemployment, and positive actions

In 2017, Drydakis (2017a) published one of the first review studies on gender identity and labour market outcomes. The study highlighted that trans people experience higher poverty and homelessness, higher unemployment, and lower incomes compared to cis people (i.e. non-trans people). It was also highlighted that myths and misrepresentations of scientific results involving transitioning and transition regrets dominate the media and enhance erroneously stereotypes and transphobic environments. Another finding was the limited representative samples and studies in the field. On a positive note, it was presented that during and after transitioning, trans people experience better mental health, and greater life and job
satisfaction than before transitioning. The positive relationships between mental health, life and job satisfaction caused by changing one’s appearance to match gender identity were presented through the so-called Trans Curve (Drydakis, 2017a; b). The study highlighted that although transitioning itself can bring well-being adjustments, a transphobic environment may result in adverse well-being and economic outcomes (Drydakis, 2017a).

McFadden (2020) in this issue offers the first ever literature review study of in-person experiments, correspondence tests, and scenario experiments on occupational access discrimination based on gender identity. McFadden (2020) has identified potential determinants of occupational access discrimination, which among others include legal, industry, role and population factors. Organization size, male-female dominated industries, and high-low skill occupations have been found to mediate trans men and women’s occupational access.

In addition, Van Borm et al. (2020) present in this issue a new scenario experiment aiming to evaluate how trans men in Belgium are treated during the selection and hiring process. The study has found evidence of a taste for discrimination among co-employees and customers. A further finding is that trans men are perceived as being in worse health than cis people. The results of Van Borm et al. (2020) call for policies to reduce both distastes and stereotypes against trans men.

Cannonier and Galloway Burke (2020) have utilized for this issue the two largest and most comprehensive trans surveys ever conducted in the US in 2008 and 2015. The authors estimate that trans people experienced a higher likelihood of being unemployed in both samples. The authors explore variations in the party affiliation of governors and liberal state governments and have identified mixed employment effects. Living in a Democratic-governed liberal state increased trans people likelihood of being employed by 26% in 2008 but decreased their likelihood of being employed by 25% in 2015. Cannonier and Galloway
Burke (2020) highlight that trans people face employment challenges, pointing to anti-discrimination legislations which could decrease the likelihood of trans people being fired or not hired. Public opinion regarding gender identity has also been evaluated as a mechanism which could inform the legislative policy process.

Furthermore, in this issue, Bozani et al. (2020) have found that trans people’s self-esteem has been enhanced by positive actions from UK policy makers, i.e. the creation of a workplace guide for firms dealing with trans issues to promote inclusivity in the workplace. Due to these actions trans people feel more accepted, valued and trusted by the government. It has also been suggested that if a workplace policy is perceived to be a recognition of trans people’s worth this positive action might be internalized, resulting in enhanced self-evaluations among trans people. Bozani et al. (2020) argue that, by adopting the workplace guide, human resources officers are able to create a more inclusive workplace culture which is both positively affected by the corporate profiles of their firms and addresses LGBT business and trans staff-members’ needs. Bozani et al. (2020) have also found that if employers are keen to adopt policy makers’ positive workplace policies aiming to increase inclusivity, they might be able to realize positive organizational outcomes and performance within their firms.

6. Looking ahead

People who have a minority sexual orientation and a trans identity are found to experience more constraints in getting a job, lower job satisfaction, higher unemployment, wage bias (depending on the region), and more societal bias including bullying and harassment than their heterosexual and cis counterparts (Valfort, 2017). Given the magnitude of heterogeneity in the coefficients between studies, there is a need for representative longitudinal data on sexual orientation and gender identity in order to evaluate the actual level of wage bias, income inequality, unemployment, and differences in well-being per sexual
orientation and gender identity groups. Such information will facilitate an evaluation of whether anti-discrimination legislation and affirmative/positive actions, i.e. formal equality of treatment in employment policies, anti-bullying campaigns, inclusive workplace policies for LGBT people, have reduced societal and employment bias. In addition, representative longitudinal data will allow policy makers to evaluate 'what works' in reducing biases and exclusions in the labour market. Inclusive workplace environments that enable LGBT people to feel accepted and worthy might positively affect their progression and well-being (Bozani et al., 2020). It is vital to evaluate the channels through which inclusive workplace environments might reduce homo- and trans-phobia and biases and increase vocational behaviours.

In family and school settings, how supportive parents and educators, LGBT-inclusive curricula and facilities, and anti-bullying policies and strategies might increase LGBT children’s self-esteem and progression should be adequately examined for prompt evaluations (Sidiropoulou et al., 2020). In relation to gender identity, if trans people are allowed to transition and smoothly integrate into societies without experiencing harassment, they might become better adjusted with regards to core well-being indicators (Drydakis, 2017a). Factors affecting trans people’s transition in the workplace require both quantitative and qualitative evaluation (Drydakis, 2017a).
References


