



Sexual orientation discrimination in the labour market[☆]

Nick Drydakis^{*}

Department of Economics, University of Piraeus, 80 Karaoli and Dimitriou Street, 18534 Piraeus, Greece

Department of Regional Economic Development, University of Central Greece, 8 L. Katsoni Street, 32100 Leviaia, Greece

Department of Public Administration, Panteion University of Social and Political Sciences, 136 Syggrou Avenue, 17671, Kallithea, Athens, Greece

Scientific Centre for the Study of Discrimination, Τοοο, Athens, Greece

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ABSTRACT

This research examines the possible discrimination faced by gay men compared to heterosexuals when applying for jobs in the Greek private sector. This issue was addressed through the observation of employer hiring decisions. Mailing pairs of curriculum vitae, distinguished only by the sexual orientation of the applicants, led to the observation that gay men faced a significantly lower chance of receiving an invitation for an interview. However, in cases where employers called applicants back, the wages offered did not differ significantly between gay and heterosexual applicants. Nevertheless, there is substantial evidence to suggest that discrimination based on sexual orientation does exist in the Greek labour market, and at alarmingly high levels.

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1. Introduction

During the past several decades, gay and lesbian Greeks have been fighting for visibility, equal rights and respect with limited success (Peponas, 2004). Despite the significant amount of public policy debate underway, it is apparent that sexual minority individuals are still facing unfair treatment in significant areas of their lives. In particular, the lack of legal recognition of family structures, the persistence of threats, the perpetuation of false stereotypes, and the lack of political will shown by the authorities in the fight against discrimination are the demonstrations of such attitudes (Vlami, 2007; Petropoulou and Skoutari, 2008).

Historical, sociological, and psychological research demonstrate the existence of homophobia, heterosexism and sexual prejudice¹ and the effects that such attitudes have in everyday experiences of gays and lesbians. However, economists have only recently explored the relationship between labour market outcomes and sexual orientation. Briefly, wage regressions have documented lower incomes for gays, but they have repeatedly shown higher incomes for lesbians. Most studies

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^{*} Department of Economics, University of Piraeus, 80 Karaoli and Dimitriou Street, 18534 Piraeus, Greece.

E-mail address: ndrydakis@econ.soc.uoc.gr.

¹ Following Weinberg (1972), the term homophobia is used to label heterosexuals' dread of being in close quarters with homosexuals as well as homosexuals' self-loathing. In general, distastes and phobia focus on homosexual peoples' behaviour, lifestyle and culture. Heterosexism is used as a term analogous to sexism and racism, describing an ideological system that denies, denigrates, and stigmatises any nonheterosexual form of behaviour, identity, relationship, or community (Herek, 1990). The term highlights the parallels between antigay sentiment and other forms of prejudice, such as racism, anti-Semitism, and sexism. Sexual prejudice refers to all negative attitudes based on sexual orientation, whether the target is homosexual, bisexual or heterosexual. The prejudice is almost always directed at people who engage in homosexual behaviour or label themselves gay, lesbian, or bisexual (Herek, 2000).

seem to agree that discrimination² is the dominating mechanism that explains earnings gaps. However, wage gaps are only one of the possible forms that discrimination can take. Labour legislation, for instance, focuses more frequently on discrimination in hiring and harassment.

According to Becker (1993), a taste for discrimination among profit-maximizing employers, employees or customers is a prerequisite for discrimination in the labour market. Given the widely cited prevalence of homophobia in Greek society,³ it seems likely that sexual minority individuals experience discrimination in the labour market. Similarly, sexual minority individuals throughout Europe have repeatedly claimed that they are fired, not hired, or not promoted because of their orientation (De Schutter, 2008). Those incidents have indicated to many policymakers that racism and other forms of discrimination could jeopardise the European Community's aims of full market integration and social cohesion. Recently, legislators have moved towards a public policy dictating that the labour market treatment of individuals should be based on their productivity rather than on their sexual orientation. New laws prohibiting discrimination on the grounds of sexual orientation (2005/3304) came into force on January 2005 under the European Union's Employment Equality (Sexual Orientation) Directive 2000/78. According to this legislation, employment equality applies to everyone regardless of their sexual orientation.⁴

Notably, in Greece, there are no sample sizes of the sexual orientation of individuals for investigation of the discrimination hypothesis. However, empirical research examining where wage differentials exist, although highly interesting, cannot provide information about labour market discrimination against equally productive gay workers. More importantly, disclosure or labeling of a gay employee's sexual orientation is necessary, otherwise the practice of hiding one's sexual preference is likely to reduce the measurable impact of discriminatory behavior. Hence, an accurately measured signal of sexual orientation is crucial for credibly testing the discrimination hypothesis.

This study takes a different route to assess differential treatment against gay men by using an experimental technique to gather representative data on the labour market outcomes of gay men. Job applications of candidates who were equivalent in their human capital but differed only in their sexual orientation were sent out in response to job advertisements. Methodologically, following Adam (1981) and Weichselbaumer (2003), a gay applicant's sexual orientation was labeled through a reference in his curriculum vitae to voluntary work at a homosexual community organization. The methodology implied that the signal was accurate for credibly testing the discrimination hypothesis. The theoretical claim to be evaluated was that an applicant who was an activist in such a community might receive biased evaluations of his skills and profitability, diminishing hiring chances (Seidman, 1994).

In particular, by means of correspondence testing, we aimed to detect sexual orientation discrimination in the preliminary stage of the selection process, which for gays seems to be a crucial barrier to

the labour market (Eurobarometer, 2007). The selection processes are very often not guided by standards, while the standards themselves might lead to the exclusion of certain members of minority groups from obtaining a specific job. Interestingly, in this study, we also examined whether sexual orientation affected wages at the beginning of working careers. By taking advantage of telephone callbacks, we have extended the application of this method by also gathering data concerning informal wage offers on the part of employers in cases of tentative hiring. We argue that this additional data set enabled us to further record discriminatory attitudes across sexual orientations in the ensuing steps of the hiring process.⁵

A crucial benefit of the correspondence test is that it offered a chance to examine an important aspect of labour market discrimination in hiring that has been largely inaccessible to social scientists. Because of the absence of standardised, economy-wide data on hiring, there is much less evidence on discrimination in these important dimensions of labour market discrimination. Too often, gays and lesbians live with harassment and discriminatory practices, thinking that this is normal. In addition, very few employers understand what constitutes sexual orientation discrimination in employment. The systematic study of sexual minority individuals is valuable for both its policy relevance and its potential to inform social scientists about the functioning of the labour market.

Despite the introduction of antidiscrimination legislation 3 years ago, the current results showed a strong negative effect of gay orientation on hiring chances. On the other hand, sexual orientation did not have a significant impact on the wages offered. This research contributes to the small but growing body of literature on the economics of discrimination according to sexual orientation by presenting an assessment of the impact of this antidiscrimination legislation. In addition to providing evidence on sexual orientation based differences in economic outcomes for a previously unstudied country, this research advances the literature in several ways. Our measure of sexual orientation is likely to be correlated with the concept of interest and living an openly gay lifestyle, and it is arguably better than the sexual behavior measures used in previous research.⁶ The wage differential estimated in this paper was computed taking into account the employer's knowledge of the employee's orientation. In the current study, we reconsidered whether discriminatory treatments existed in cases where the evidence seemed strongest: the various penalties for gay-labeled men.

The paper is organized as followed: Section 2 provides a brief review of the existing literature on sexual orientation and economic outcomes. Section 3 describes the methodology, and Section 4 presents the estimation framework. Section 5 presents the main results and offers a discussion, and the last section concludes the paper.

2. Literature review

While there have been numerous economic studies of race and sex discrimination, the issue of discrimination on the basis of sexual orientation has been largely neglected. Only recently has there been a growing interest in understanding the relationship between sexual orientation and earnings as it relates to evaluating the possibility of labour market discrimination. Previous research on the wage gap between gay and straight workers suggests that gay men are paid less than similarly qualified straight men, but it indicates that there is a great deal of variation in the estimates of the difference in earnings between lesbians and heterosexual women.

² Labour market discrimination exists when two equally qualified individuals are treated differently in the labour market on the basis of some personal characteristic unrelated to productivity (Arrow, 1973). Discrimination can take the form of differences in earnings or differences in hiring and promotion practices (Clain and Leppel, 2001).

³ Greece is one of the most puritan societies when it comes to general attitudes towards homosexuality. Eurobarometer (2007/263) reveals that the wide majority of Greeks (85%) feel that homosexuality is a taboo, compared to 48% of European Union individuals, while the wide majority (84%) share the opinion that it is difficult for gay and lesbians to state their sexual orientation at work, compared to 68% of European Union respondents.

⁴ It is unlawful to discriminate against: (i) job applicants – in relation to recruitment, arrangements, decisions, and harassment, (ii) employees – in relation to terms, promotions, transfers, training, benefits, and dismissals, (iii) ex-employees – where the discrimination is closely connected to their employment.

⁵ Following Adam (1981), we assumed that interview offers by employers were indicative of their willingness to consider applicants employable.

⁶ Shortcomings include potential selection bias, the absence of information on the extent to which gays reveal their sexual orientation in the workplace, and the exclusion of observations of single homosexuals as opposed to homosexual couples.

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