

The Effects of Sexual Orientation-Based Discrimination on the Earning Potential of Employees in Mainland China

Yushan Dong^{1, a, *}

¹*School of Management, Royal Holloway University of London, Egham, United Kingdom*
a.dongys12@foxmail.com

**corresponding author*

Keywords: sexual orientation, income, mainland China, homosexuality

Abstract: This study sets out to investigate the extent of discrimination against sexually oriented minorities in the workplace and does so by contrasting the earnings of homosexuals and heterosexuals. Research studies have found little evidence of large income gaps between heterosexuals and gay men and lesbians in mainland China. However, similar studies on sexual orientation minorities demonstrate that mainland China does discriminate against these minorities in the workplace, and there is a lack of anti-discrimination legislation. This could be because these minorities prefer to conceal their sexual orientation in mainland China, for fear of suffering discrimination.

1. Introduction

Globalisation has encouraged researchers into management to focus on diversity within the workforce. It is clear that efficient diversity management will benefit companies, raise motivation levels and make LGBTI workers feel cared for and respected by their company. This, in turn, will encourage sexual minority staff to become more productive and improve company performance.

Nevertheless, while research on minority discrimination based on sexual orientation is increasingly attracting attention and expanding, it remains underrepresented, when compared to studies of discrimination based on visible external traits, such as gender and race. In terms of this area, researchers have focused on countries in Europe, alongside North America whose anti-discrimination legislation is advanced. However, the situation in mainland China is overlooked [1]. This study aims to evaluate the effects of discrimination by employers in mainland China, against employees — based on their sexual orientation — by analysing the income gap between homosexuals and heterosexuals, and thereby filling the gap in knowledge on this topic, in relation to mainland China.

The study uses established theories of discrimination and applies them to the cultural environment of mainland China, in order to determine whether these theories are generalisable, and not shaped by different cultures. This is a crucial point, since there are major cultural dissimilarities between the UK, Canada, the US and countries like Japan and China. Overall, western societies tend to be tolerant and accommodating of sexual minorities, but homosexuality is less accepted in countries such as

China, where cultural norms value traditional gender roles and family structures. Western countries have introduced a full range of anti-discrimination legislation (such as Equality (Sexual Orientation) Regulations 2003, etc.), while eastern countries have not prohibited sexual-orientation-based discrimination or brought in laws to enforce it. Finally, this paper provides a breakdown of the study methodology, and suggests how this could be improved in future studies, as well as forecasting the conclusions future research may reach and noting the limitations to this study.

2. Literature Review

LeVay (2016) stated that each individual is attracted to a specific gender according to their own sexual orientation: whether they are gay (gay, gay or lesbian); straight (straight); bisexual (bisexual) or asexual [2]. According to the Department of Trade and Industry, five percent of the population of the UK belong to a sexual minority, and Day and Greene (2008) estimated that between three and twelve percent of US workers are LGBTI [3]. Nevertheless, most researchers agree that these figures could be underestimated, the true percentage of LGBTI workers could be a great deal higher. Thus, it is essential to manage diversity among sexual minorities in the workplace effectively. There is a small number of studies on how institutional policies which proscribe discrimination against LGBTI individuals impact on company performance. For example, Johnston and Malina (2008) found that, at worst, LGBTI-friendly policies had no impact — which challenges the assumption that such workplace policies could impact negatively on a company's stock valuation [4]. Wang and Schwartz (2010) carried out a study which found that LGBTI-friendly policies actually had a positive impact on stock values in the long term, and allowed companies to make significant profits — and did not merely show respect for human rights or help to create a brand image [5].

A large body of observational studies demonstrated that gay men invariably encounter income discrimination, in spite of the different research samples and ways in which gay men were identified [6-17]. A few studies argued that gay men's sexual orientation, and the identity of this minority, do not have a major effect on their income, noting that the way in which gay men and lesbians were identified (namely, direct questions about sexual orientation) was based on self-reporting [18, 19].

Unlike gay men, lesbians' income tends to be premium, rather than lower, and this is evidenced by a range of sample sizes and identification approaches used in the studies in question [13, 14, 20-22]. Additionally, a number of studies asserted that there is no meaningful difference between the income of heterosexual women and lesbians, based on self-reporting [17]. It has been argued that lesbians have premium incomes because lesbian couples are more likely to share family responsibilities equitably [23], which means that they find it easier to work full-time, and not merely part-time. Colgan (2008) added that lesbians' lifestyle encourages them to become financially independent, and this could act as an incentive to work harder than heterosexual women, who lack this imperative [24].

There is a lack of dependable studies which focus on sexual minority groups in Asian-Pacific countries such as China. Most of the current research examined psychological illnesses and HIV linked to LGBTI individuals, rather than discrimination, both in the workplace and elsewhere. Chinese society traditionally emphasises the importance of children respecting their parents and the middle way, values childbearing and generally discriminates against women. Gender stereotypes thus inevitably exclude LGBTI individuals and this makes them particularly defenseless and helpless within Chinese society. Setting religion to one side, sexually oriented minorities are marginalized because of their inability to fulfill family roles, bear children and fit in with what is a community-orientated view of society. Equally pertinently, while the Chinese government may well have declared that homosexuality is not a form of mental illness, the government turns a blind eye to the measures being taken in smaller cities and towns to re-educate and reform homosexuals — something which has been condemned and rejected by the international community. The Chinese government has failed

to pass laws to protect members of the LGBTI community from discrimination at work and safeguard their rights. However, pressure from NGOs and social groups is gradually turning the tide, and the position of the LGBTI community in China is slowly improving — despite government disinterest and lack of support for change.

The United Nations published a report in 2006 entitled "Being LGBTI in China: A National Survey on Social Attitudes towards Sexual Orientation, Gender Identity and Gender Expression." This document stated that LGBTI minorities were discriminated against more frequently in the workplace than non-minority groups, and noted that there was very little protection afforded by institutions and the legal system to ensure LGBTI employees did not suffer a workplace bias and discrimination. Sexual minorities have less job stability than other minorities as well as fewer welfare benefits, according to the report, and less than 10 percent of those questioned stated their employers implemented non-discrimination policies. In addition, under five percent of the respondents agreed that their workplace had been adequately trained in how to ensure minorities were treated equally — an extremely low percentage, when compared to Europe and the USA. It was determined that NGOs, social groups, foundations and private non-profit organisations are most likely to have a range of policies which guarantee gender minorities equal treatment.

This study offers two hypotheses to test and discover whether income discrepancies in the workplace are the result of sexual orientation discrimination. Hypothesis 1 investigates whether sexual orientation discrimination against homosexual men has a major effect on their income, and this will be done by comparing the incomes of homosexual and heterosexual men. Hypothesis 2 poses an identical question but focuses on female employees. The validity of both hypotheses is tested by looking at the link between sexual orientation and hourly rates of pay, for both men and women, while concurrently allowing for several personal characteristics.

3. Data

This paper is based on data taken from the 2015 Chinese General Social Survey (CGSS, core module, Part A) and 10,968 authenticated questionnaires. Data was gathered in face to face interviews, and the respondents were chosen from all over China, by using a multi-stage stratified sampling model.

Carpenter's 2007 study of gay men used annual income and average hourly payments of individuals — and this study will also use this dependent variable but in mainland China. Allegretto and Arthur (2001) make the point that overtime work also must be taken into consideration, since many young people in China are employed in the media and IT industries, which offer a significant amount of overtime work [15]. In addition, this study also considers other variables which have been shown to impact on earning potential in previous studies, namely: nationality, political status, level of education, work experience, spoken Mandarin ability, listening Mandarin ability, spoken English ability, listening English ability and job type.

The study did not include direct questions about sexual orientation, but posed a range of questions which allowed sexual orientation to be indirectly deduced. For example, the survey respondents were asked to talk about important family members, their gender and the kind of relationship they had with the respondent — alongside giving basic information about themselves. If the gender of the respondent and the gender of their spouse was identical, it was assumed that the respondent was homosexual. Family members did not have to live in the same household, for the purpose of this study.

4. Results

This study will use regression analysis to test Hypothesis 1 and 2. Current empirical research on wage discrimination has tended to use equations, where income is broken down into a set of variables which measure human capital, along with personal traits. The following equation is used:

$$\ln(W) = X\beta + Z\Phi + \varepsilon \quad (1)$$

where W is the $N \times 1$ vector of the average hourly income; X is the $N \times K$ variable matrix which measures human capital (abilities); Z is the $N \times M$ variable matrix which describes personal characteristics such as race, sexual orientation, location and so forth. ε is the return disturbance.

Table 1: The personal characteristics of males, which impact on income.

Dependent Variable	B	SE	β	t	p
(Constant)	-1567.323	468.403		-3.346**	0.001
Mandarin Listening	10.407	82.936	0.004	0.125	0.900
Mandarin Speaking	127.919	73.593	0.059	1.738	0.082
English Listening	332.169	125.541	0.149	2.646**	0.008
English Speaking	28.872	119.044	0.013	0.243	0.808
Han Nationality	468.937	186.997	0.064	2.508*	0.012
Political Status	-94.615	237.836	-0.010	-0.398	0.691
Education	-148.147	49.351	-0.080	-3.002**	0.003
Job Nature	156.434	24.435	0.229	6.402**	0.000
Work Experience	21.737	5.006	0.133	4.343**	0.000
Homosexual	-113.970	267.779	-0.011	-0.426	0.670

Comment: * represents significance at the 5% level, and ** represents significance at the 1% level.

Table 2: The personal characteristics of females which impact on income

Dependent Variable	B	SE	β	t	p
(Constant)	-645.373	390.932		-1.651	0.099
Mandarin Listening	-28.293	74.937	-0.015	-0.378	0.706
Mandarin Speaking	86.254	66.543	0.057	1.296	0.195
English Listening	221.179	113.612	0.157	1.947	0.052
English Speaking	-248.546	117.344	-0.170	-2.118*	0.034
Han Nationality	57.572	162.977	0.011	0.353	0.724
Political Status	13.903	190.529	0.002	0.073	0.942
Education	-56.491	48.968	-0.037	-1.154	0.249
Job Nature	175.928	19.177	0.408	9.174**	0.000
Work Experience	10.860	4.601	0.088	2.360*	0.018
Homosexual	-8.962	179.592	-0.001	-0.050	0.960

Comment: * represents significance at the 5% level, and ** represents significance at the 1% level.

Table 1 illustrates the results of the study on men, while Table 2 provides the results on women. Experiential analysis of the variable coefficients which measure skills/capital (such as education and market experience) shows that these factors have statistical significance in every estimated regression

shown. One key finding is that, at 95 percent confidence level, sexual orientation has virtually no impact on the personal income earned by both men and women. Hypothesis 1 and Hypothesis 2 are therefore not valid.

5. Discussion and Conclusion

With respect to Hypotheses 1 and 2, empirical results indicate that in mainland China, homosexual individuals are not discriminated against in terms of wages. This observation contradicts existing research undertaken in Western countries, which predicts that homosexual individuals in mainland China receive far lower wages than their heterosexual counterparts, due to a lack of local legislative protection of LGBTI rights. In China, the government takes no measure whatsoever to enact or uphold regulations that safeguard LGBTI rights, and few institutions have introduced internal codes that support sexual minority groups. It is likely because of this lack that homosexual workers in mainland China feel less support from colleagues and the employer, which leads to them to hide their sexual orientation in the workplace, more than Western homosexual workers do [25]. In fact, a 2016 study shows that only 5.4% of mainland Chinese employees are fully open about their sexual orientation in the workplace [26]. Under this circumstance, the discrimination against homosexuality that may in fact be prevalent in the Chinese workplace does not affect the majority of LGBTI employees, because their colleagues do not know about their sexual orientation.

Nevertheless, it cannot be concluded that sexual minority groups in China are free from any form of discrimination. In fact, they report being subject to several forms of discriminatory behavior, including "being reminded to watch their appearance or the ways in which they spoke or acted, verbal abuse, being forced to change the ways in which they dressed, spoke or acted." [26]. In addition, those who choose to keep their identity as sexual minority secret could inadvertently divulge their orientation, or have it disclosed by their colleagues, thereby exposing them to sexual orientation-based discrimination. There is little data that can help determine the proportion of employees that have disclosed their sexual orientation in the workplace, or have had it brought into the open by others, so the conclusions reached in this paper are only provisional; in addition, these conclusions are based on several journals, across various cultures. Therefore, it is imperative to undertake further study in this field, in order to verify theories and hypotheses.

In this study, participants' sexual orientation was classified by using indirect judgments and conjecture. The survey asked respondents to provide details about themselves, family members and their genders, as well as family members who did not live under the same roof. The study focused on the reported gender of the respondent's spouse and that of the respondent, to decide whether the individual was heterosexual or homosexual. The advantage of using this self-reporting approach is that it includes homosexual individuals who are in denial about their sexual orientation. In addition, this approach facilitates excluding heterosexual respondents who are just living with someone of the same gender, which is common in mainland China. Conversely, however, this approach has the disadvantage of only identifying LGBTI individuals who are married or in a committed long-term relationship, and this means homosexual individuals who are not in a romantic relationship are excluded from the survey. This may result in experimental error, as a result of sample selectivity. Carpenter (2008) used a suitably large Canadian data set and discovered far wider gaps in partner-based comparisons of total personal income when compared with population-based income [27]. It is, however, possible that total personal income could be confusing, since it includes government transfer income, and any transfers which are calculated on the basis of marital status or the number of children are probably linked to sexual orientation [28]. Future empirical studies on pay discrimination against sexual orientation minorities must tackle and upgrade identification methods, as well as the range and techniques used in sampling.

References

- [1] Ozeren, E. (2014). *Sexual Orientation Discrimination in the Workplace: A Systematic Review of Literature*. *Procedia - Social and Behavioral Sciences*, 109, pp.1203-1215.
- [2] LeVay, S. (2016). *Gay, straight, and the reason why: The science of sexual orientation*. Oxford University Press.
- [3] Day, N. E., & Greene, P. G. (2008). *A case for sexual orientation diversity management in small and large organizations*. *Human Resource Management*, 47(3), 637-654.
- [4] Johnston, D., & Malina, M. A. (2008). *Managing sexual orientation diversity: The impact on firm value*. *Group & Organization Management*, 33(5), 602-625.
- [5] Wang, P., & Schwarz, J. L. (2010). *Stock price reactions to GLBT nondiscrimination policies*. *Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management*, 49(2), 195-216.
- [6] Badgett, M. L. (1995). *The wage effects of sexual orientation discrimination*. *Industrial and Labor Relations Review*, 48, 726-739.
- [7] Klawitter, M. M., & Flatt, V. (1998). *The effects of state and local antidiscrimination policies on earnings for gays and lesbians*. *Journal of Policy Analysis and Management: The Journal of the Association for Public Policy Analysis and Management*, 17(4), 658-686.
- [8] Black, D. A., Makar, H. R., Sanders, S. G., & Taylor, L. J. (2003). *The earnings effects of sexual orientation*. *ILR Review*, 56(3), 449-469.
- [9] Blandford, J. M. (2003). *The nexus of sexual orientation and gender in the determination of earnings*. *ILR Review*, 56(4), 622-642.
- [10] Arabsheibani, G. R., Marin, A., & Wadsworth, J. (2004). *In the pink: Homosexual - heterosexual wage differentials in the UK*. *International Journal of Manpower*.
- [11] Arabsheibani, G. R., Marin, A., & Wadsworth, J. (2005). *Gays' pay in the UK*. *Economica*, 72, 333-347.
- [12] Carpenter, C. S. (2007). *Revisiting the income penalty for behaviorally gay men: Evidence from NHANES III*. *Labour economics*, 14(1), 25-34.
- [13] Carpenter, C. (2008). *Sexual orientation, income, and non-pecuniary economic outcomes: New evidence from young lesbians in Australia*. *Review of Economics of the Household*, 6(4), 391-408.
- [14] Antecol, H., Jong, A., & Steinberger, M. (2008). *The sexual orientation wage gap: the role of occupational sorting, human capital, and discrimination*.
- [15] Allegretto, S. A., & Arthur, M. M. (2001). *An empirical analysis of homosexual/heterosexual male earnings differentials: Unmarried and unequal*. *Industrial and Labor Relations Review*, 54, 631-646.
- [16] Ahmed, A. M., & Hammarstedt, M. (2010). *Sexual orientation and earnings: A register data-based approach to identify homosexuals*. *Journal of Population Economics*, 23(3), 835-849.
- [17] Bryson, A., Forth, J., & Stokes, L. (2014). *The performance pay premium: how big is it and does it affect wage dispersion?*.
- [18] Carpenter, C. S. (2005). *Self-reported sexual orientation and earnings: Evidence from California*. *ILR Review*, 58(2), 258-273.
- [19] Uhrig, S. N. (2015). *Sexual orientation and poverty in the UK: A review and top-line findings from the UK household longitudinal study*. *Journal of Research in Gender Studies*, 5(1), 23.
- [20] Badgett, M. V. (1999). *Assigning care: Gender norms and economic outcomes*. *Int'l Lab. Rev.*, 138, 311.
- [21] Clain, S. H., & Leppel, K. (2001). *An investigation into sexual orientation discrimination as an explanation for wage differences*. *Applied Economics*, 33, 37-47
- [22] Jepsen, L. K. (2007). *Comparing the earnings of cohabiting lesbians, cohabiting heterosexual women, and married women: Evidence from the 2000 Census*. *Industrial Relations: A Journal of Economy and Society*, 46(4), 699-727.
- [23] Elmslie, B., & Tebaldi, E. (2007). *Sexual orientation and labor market discrimination*. *Journal of Labor Research*, 28(3), 436-453.
- [24] Colgan, F., Creegan, C., McKearney, A., & Wright, T. (2008). *Lesbian workers: personal strategies amid changing organisational responses to 'sexual minorities' in UK workplaces*. *Journal of Lesbian Studies*, 12(1), 31-45.
- [25] Wessel, J. L. (2017). *The importance of allies and allied organizations: Sexual orientation disclosure and concealment at work*. *Journal of Social Issues*, 73(2), 240-254.
- [26] United Nations Development Programme. (2016). *Being LGBT in China – A National Survey on Social Attitudes towards Sexual Orientation, Gender Identity and Gender Expression*.
- [27] Carpenter, C. S. (2008). *Sexual orientation, work, and income in Canada*. *Canadian Journal of Economics/Revue canadienne d'économique*, 41(4), 1239-1261.
- [28] Aksoy, C. G., Carpenter, C., & Frank, J. (2016). *Sexual orientation and earnings: new evidence from the UK*.