

Has recent anti-discrimination legislation made a difference to the pay and employment prospects of gay men and lesbian women in the UK? **Reza Arabsheibani, Alan Marin and Jonathan Wadsworth** investigate.

Gay pay in the UK

Since December 2003, UK law has protected lesbian, gay and bisexual workers from discrimination and harassment at the workplace, giving them the same employment rights as women, disabled and ethnic minority staff. Our research contributes to the small but growing literature on the economics of discrimination according to sexual

orientation by presenting the first assessment of the impact of this legislation.

As yet, economists are uncertain how readily their models of discrimination by gender and ethnic origin apply to discrimination by sexual orientation. As with religion or political affiliation, firms may not directly observe the sexuality of workers. And both the type and extent of any discrimination by sexual orientation

may be different from discrimination by gender or ethnic origin.

The likelihood of an employer, co-worker or customer discriminating against a gay person could also vary with characteristics such as age, education and the nature and location of the workplace. Equal opportunity policies, for example, were typically adopted earlier in the UK's public sector than in the private sector, allowing the possibility of differential



Gay men in couples earn 6% less than comparable heterosexual men and are less likely to be in work

Table 1:
Pay and employment of individuals in homosexual couples by personal, location and job characteristics

	Hourly wage gaps (percentage)					Employment gaps (percentage points)				
	No controls	Controls	Non-graduate	Aged 40 or younger	Employed in the private sector	No controls	Controls	Non-graduate	Aged 40 or younger	Outside London
Men										
Same sex relative to heterosexual before anti-discrimination legislation	-1	-6	-5	-8	-7	+3	-3	-2	-4	-3
Change in gap after law	0	0	0	0	0	0	0	0	0	0
Women										
Same sex relative to heterosexual before anti-discrimination legislation	+35	+11	+14	+9	+6	+15	+12	+13	+12	+12
Change in gap after law	0	0	0	0	0	0	0	0	0	0

effects across the two sectors. And lesbian and gay individuals may locate in parts of the country that are perceived to be more tolerant.

The size of the homosexual population relative to the number of non-discriminatory employers could also have an effect on wage and employment rates. The smaller the size of the minority group, the easier it may be to find non-discriminatory employers, though a smaller minority group may find it harder to have an effective voice.

We can start to explore these issues by measuring the extent of differences in pay and employment across different groups. This goal is immediately confronted by the shortage of data on sexual orientation. Fortunately the Labour Force Survey has, since 1996, collected information on the subset of homosexual individuals who live together.

The survey categorises people according to whether they are married and living with their spouse. Those who do not belong to this group are then asked whether they are living with someone as a couple and, if so, whether they are in a same sex couple. These same sex couples comprise just 0.2% of the adult working age population.

This method of identifying the homosexual population is not perfect as it does not include those who are married and living with an opposite sex partner or those who do not live with a partner,

whether they have one or not. Moreover, it does not include those who live with a same sex partner but do not reveal it in the survey. There is also no information to distinguish between gays, bisexuals or other sexual minority groups.

Although these exclusions may bias the applicability of our results to the entire gay population, by comparing the sample population to an appropriate sample group of non-gays, we can reduce any 'composition bias'. For this reason, we compare the labour market outcomes of homosexuals in our sample with the set of heterosexual couples, both married and unmarried, living together between January 2001 and August 2005.

This gives us 35 months of observations before the law came in and 21 months after, periods that are not too long to be affected by other changes and not too short to prevent any relevant changes showing up.

Lesbian women in couples are paid 11% more than comparable heterosexual women and are considerably more likely to be in work

The raw data show that gay couples are typically younger, more educated and more likely to live in London than heterosexual couples. But we can control for any differences in pay and employment that may be caused by such differences in age, education, race and health as well as differences in regional settlement patterns, occupation or industrial affiliation. If, for example, lesbian and gay individuals make different investments in career paths, then we need to account for such differences that could otherwise show up as differential wage or employment rates.

To test whether the anti-discrimination law had a discernable impact on the pay and employment of homosexual couples, we simply compare the change in their employment and pay levels relative to heterosexual couples over the period before and after the legislation. Heterosexual couples will not have been directly affected by this law and so their pay and employment changes over this period can serve as benchmarks. By comparing changes for same sex couples against these benchmarks, we can determine whether or not the legislation had any effect.

Table 1 shows the percentage differences in hourly pay between homosexual and heterosexual couples. Gay men living in a couple earn, on average, around 1% less than heterosexual men in a couple, not accounting for any differences in

characteristics. In contrast, lesbian women in couples earn around 35% more than heterosexual women in couples.

In the period after the legislation was introduced, there was no significant change in these differentials. So on this basis it would seem that the law had little effect on observable outcomes. We then check to see how robust these differentials are to the addition of controls for observable differences between the gay and heterosexual groups in a set of variables also known to influence wage levels.

For example, since there are more graduates among lesbian women than among heterosexual women, this could help explain why there appears to be a large pay premium for women in a same sex couple. Part of the estimated 'gay effect' would be picking up the 'graduate effect'.

As Table 1 shows, adding controls for age, education, region, occupation and industry shows that the positive pay premium for lesbian women is much reduced but still positive at 11%. But there is still little change in the period after the legislation. For gay men, controlling for differences in characteristics makes the negative pay penalty larger at around 6%. So for the same observed characteristics, gay men appear to be paid less than their heterosexual peers.

Since the legislation may have helped disadvantaged groups of homosexual workers more, we split the data into groups that could be more at risk of discrimination, namely non-graduates, younger workers and those working in the private sector. This shows that the pay gaps for non-graduates are similar to the total figure, but the pay penalty for younger gay men is larger and the pay premium for younger lesbian women and those working in the private sector is much lower. But there are still no changes in the pay differentials after the law came in.

Since discrimination can be manifested in hiring rates as well as wages, it may be that there are differences in employment rates for the homosexual couples or different sub-groups. It is possible that the results for wage rates are, in part, influenced by 'selectivity' – differential employment probabilities mean the unobserved characteristics of those in work could differ between the homosexual and heterosexual couples.

The raw employment rate differentials in Table 1 suggest that gay men and lesbian women are more likely to be in work than heterosexual couples. But controlling for differences in characteristics suggests that gay men are less likely to be in employment than heterosexual men, and that the employment premium for women is reduced substantially. There is rather less heterogeneity in the same sex employment gaps across different sub-groups than there is in pay. But once again, we find no discernable changes in any of these gaps after the anti-discrimination legislation.

So more than two years after the introduction of anti-discrimination legislation, gay men appear to be paid around 6% less than their heterosexual counterparts with similar observed characteristics and are three percentage points less likely to be in work. Lesbian women, however, appear to be paid around 11% more than heterosexual women living in a couple and are 12 percentage points more likely to be in work.

Differentials of this magnitude could be observed before the legislation took hold and it is hard to conclude that the legislation has had much effect on these outcomes, though it may of course have other effects in the workplace.

The average pay differentials do conceal much variation across age groups, education, regions and sectors of the economy. Whether these differentials reflect different discriminatory practices in different regions, in different sectors or across different sub-groups within the minority population is a moot point, though again it is hard to discern a differential effect of anti-discrimination legislation across these groups.

This article summarises 'Variations in Gay Pay in the UK and USA' by Reza Arabsheibani, Alan Marin and Jonathan Wadsworth, forthcoming in *Sexual Orientation Discrimination: An International Perspective* edited by Lee Badgett and Jeff Frank (Routledge). A good source of information on the employment rights of lesbian, gay and bisexual workers is the Stonewall website (<http://www.stonewall.org.uk>).

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