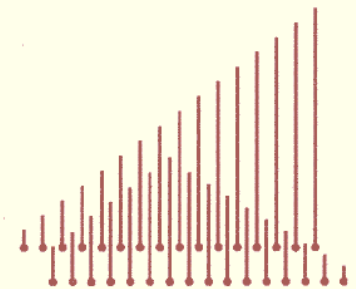


Pay Equity after the Equality Act 2010: Does Sexual Orientation Still Matter?

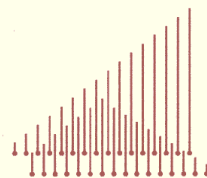
Alex Bryson (NIESR, CEP)
Institute of Social Research, Oslo
10th June 2014



National Institute
of Economic and
Social Research

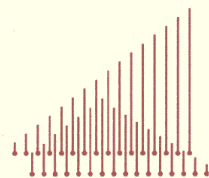
Motivation

- Uncertainty regarding size/direction of wage gaps by sexual orientation
- New legislation in the UK to tackle employer discrimination including with respect to sexual orientation
 - Impact in terms of % workplaces with equal ops policies (up from 69% to 75% 2004-11)
- Yet employer largely absent from the literature
 - Bias
 - No information on policies within workplace
- Able to contribute with WERS 2011



Contribution

- First paper since 2010 Equality Act
 - Harmonised legislation on equal treatment
- Distinguishes between bisexuals and gays/lesbians
 - Plug and Berkhout (2004) for Netherlands were first
 - Proves to be important in Britain
- Linked employer-employee data
 - Comparisons within workplace
 - Helps identify role of workplace sorting
 - Occupational sorting only (Plug et al., 2014)
- Control for features of workplace
 - Avoids potential bias associated with workplace heterogeneity
 - Examine role for equal opp. policies/practices



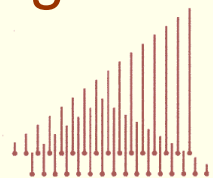
Findings

Men

- No gay/heterosexual wage gap
- Bisexuals earn 31% per hour less than heterosexuals
 - 20% less regression adjusted
 - Robust to detailed occupational controls and within workplace

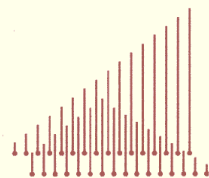
Women

- No bisexual/heterosexual wage gap
- Lesbians earn 30% less than heterosexuals but NS difference where equal opportunities policy covering sexual orientation



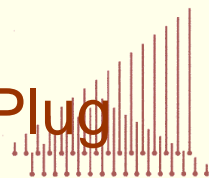
Wage gap literature

- Residual after observables
- Mechanisms
 - Employer taste-based v statistical
 - Co-workers
 - Customer
 - Segregation in search of tolerant employer
 - Competition?
- First paper on sexual preference mid-90s (Badgett, 1995)
- Hiring v wage conditional on hiring
 - Correspondence studies confirm hiring discrimination
 - Some variance by area (Weichselbaumer, 2013)
- Measurement difficulties
 - Identifying prejudice
 - Measuring 'orientation'



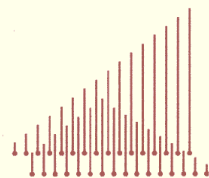
Evidence

- Men
 - Hiring discrimination against gay men
 - Pay penalty for gay men (Wadsworth 2005 for 1996-2002). Wadsworth argues for new legislation
- Women
 - Hiring discrimination against lesbians
 - But lesbians earn more than observationally equivalent heterosexual women (Wadsworth 2005)
 - Carpenter (2008) for Australia is only exception
 - Selection?
- Taste-based?
 - Ideology/attitudes matter (Weichselbaumer, 2013; Ahmed et al., 2013)
 - Gays and lesbians sort in search of tolerance (Plug et al. 2014)



Measurement issues

- Sexual orientation
 - Hard to observe
 - Non-randomness of being 'out' or 'outed'
 - Defies simple classification
 - Self-reporting (used here)
 - Same sex partnership
 - Sexual behaviours
 - Rarely distinguish bisexuals from gay
 - Low Ns
- Omitted variables biases
 - Productivity
 - Employer



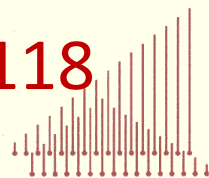
Data

- Workplace Employment Relations Survey 2011
 - <https://www.gov.uk/government/publications/the-2011-workplace-employment-relations-study-wers>
- Nationally representative survey of workplaces with 5+ employees n=2,680
 - Face-to-face interview, HR manager
- Linked to nationally representative survey of employees in those workplaces n=21,981
 - Self-completion questionnaire
- Surveyed between March 2011 and June 2012
- Survey weighting throughout
 - Probability of selection and non-response
- Wages: construct log hourly wage using banded wages and continuous hours



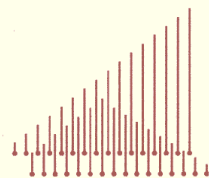
Sexual Orientation

- “Which of the following options best describes how you think of yourself...heterosexual or straight/ gay or lesbian; bisexual; other; prefer not to say”
- Of 21981 respondents:
 - 19741 heterosexual (93%)
 - 331 gay/lesbian (1.5%)
 - 123 bisexual (0.6%)
 - 80 other (0.5%)
 - 803 prefer not to say (3.3%)
 - 903 non respondents (1%)
- Similar to other studies (Wadsworth 2005: 334) though quite a bit of variance depending on question wording and population
- Final estimation: 18635 hetero, 212 gay/lesbian, 118 bisexual; 986 grouped as ‘other’



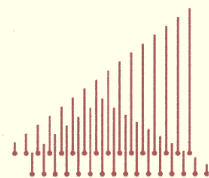
Estimation

- All employees with non-missing log hourly wages having dropped 167 cases with wages $<£2$ per hour or $\geq£200$ per hour
- $N=20,051$ employees in 1,913 workplaces
- Separate estimates for women ($N=11157$) and men ($N=8807$) Sex missing in 87 cases retained in pooled estimates
- Models incorporating all sexual orientations. Then compare gays/lesbians with heterosexuals having dropped bisexuals/others; then compare bisexuals with heterosexuals having dropped gays/lesbians and others
- OLS with demo, job, workplace controls. Then workplace FE. Oaxaca-Blinder decompositions
- Sample weighting. Cluster SE's on workplace



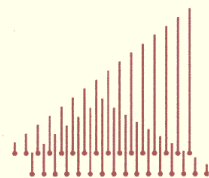
Mean Log Hourly Earnings

Sexual Orientation	All	Men	Women
Heterosexual	2.40 (.02)	2.51 (.02)	2.30 (.02)
Gay/Lesbian	2.48 (.05)	2.59 (.07)	2.29 (.06)
Bisexual	2.26 (.07)	2.24 (.11)	2.26 (.09)
Other	2.27 (.03)	2.35 (.05)	2.21 (.04)
All	2.40 (.02)	2.50 (.02)	2.29 (.02)
N	20,051	8,807	11,157



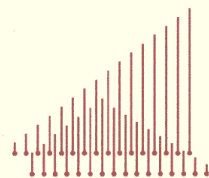
Mean Log Hourly Earnings, Men and Women

	OLS				Workplace FE			
	Raw	+demo	+job and wp	+ job qual/pay method	Raw	+demo	+job and wp	+ job qual/pay method
Gay	0.08*	0	-0.04	-0.05**	0.06	0.02	-0.02	-0.03
Bisexual	-0.14**	-0.11*	-0.1*	-0.1**	-0.18***	-0.13**	-0.1**	-0.11**
Other	-0.13***	-0.06**	-0.04*	-0.04*	-0.02	0	0	0
r2	0	0.26	0.54	0.55	0.44	0.51	0.67	0.68



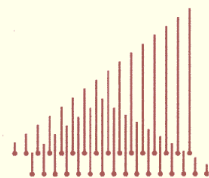
Mean Log Hourly Earnings, Men only

	OLS				Workplace FE			
	Raw	+demo	+job and wp	+ job qual/pay method	Raw	+demo	+job and wp	+ job qual/pay method
Gay	0.08	0.02	-0.03	-0.04	0.03	0.04	0	-0.01
Bisexual	-0.27**	-0.28***	-0.18***	-0.17***	-0.22***	-0.2**	-0.15**	-0.14**
Other	-0.16***	-0.07	-0.02	-0.02	0.02	0.06	0.04	0.04
r2	0	0.26	0.6	0.62	0.52	0.58	0.77	0.78



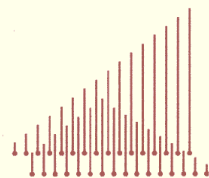
Mean Log Hourly Earnings, Women only

	OLS				Workplace FE			
	Raw	+demo	+job and wp	+ job qual/pay method	Raw	+demo	+job and wp	+ job qual/pay method
Gay	-0.01	-0.02	-0.03	-0.04	0	0.01	-0.03	-0.05
Bisexual	-0.04	0.02	-0.05	-0.06	-0.13	-0.08	-0.07	-0.08
Other	-0.09**	-0.04	-0.05*	-0.05*	-0.07**	-0.04	-0.04	-0.05*
r2	0	0.23	0.5	0.51	0.48	0.53	0.66	0.67



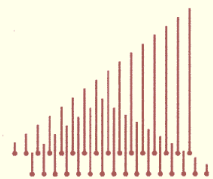
Oaxaca-Blinder Decomposition of Bisexual-Heterosexual Log Hourly Wage Gap Among Men

Model	Explained	Unexplained	% unexplained
(1) Demographics	-.02 (0.19)	.28 (4.45)	106
(2) As (1) + job and workplace	.08 (0.74)	.18 (2.84)	68
(3) As (2) + job quality and pay methods	.09 (0.87)	.17 (2.80)	64



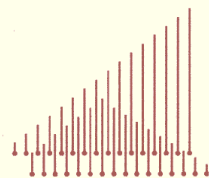
Employee Coverage by Sexual Orientation Equal Opportunities Policies

	<i>Monitors recruitment and selection by sexual orientation:</i>		
<i>Equal Opportunities Policy Mentioning Sex Orientation:</i>	No	Yes	Total
No	19	<1	19
Yes	60	21	81
Total	79	21	100



Employee Opportunities Policies and the Lesbian Log Hourly Wage Gap

	Raw	+demo	+job and wp	+ job qual/pay method
Gay	-0.27**	-0.24***	-0.20***	-0.24***
Equal Ops Policy	0.15***	0.10***	0.05**	0.04**
Equal Ops and Application Procedure	0.32***	0.19***	0.08***	0.08***
GayXequal ops procedure	0.28*	0.25***	0.18**	0.22***
GayXequal ops and application procedure	0.34**	0.26***	0.23***	0.27***
r2	0.03	0.24	0.5	0.51



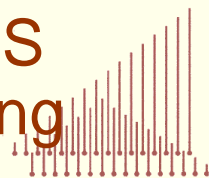
Conclusions (1)

Men

- No gay/heterosexual wage gap
 - Benefiting from changing attitudes? (Clark and Sevak (2013))
- Bisexuals earn 31% per hour less than heterosexuals
 - 20% less regression adjusted
 - Robust to detailed occupational controls and within workplace
 - First paper to find such a gap – why confined to men?

Women

- No bisexual/heterosexual wage gap
- Lesbians earn 30% less than heterosexuals but NS difference where equal opportunities policy covering sexual orientation



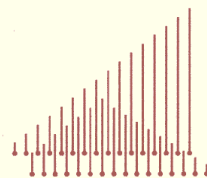
Conclusions (2)

Size of effects

- Potential lower bound estimates
 - Classical measurement error in identifying sexual orientation imparting downward bias (though some possibility of upward bias)
 - Can't indulge taste to discriminate where not 'out'

Impact of Policy

- Raising costs of taste-based discrimination? Or capturing otherwise unobserved 'tolerance'
- Why confined lesbian/heterosexual wage gap?
- Why do these results for women differ so much from those in the rest of the literature?
 - It is not the addition of workplace controls
 - Effects remain within workplace
- These conditional associations are not causal



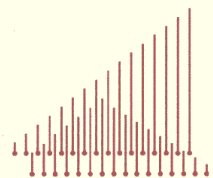
Conclusions (3)

Workplace segregation

- Workplace FE make little difference to estimates
- So gaps in earlier studies perhaps not driven by workplace unobservables
- Workplace segregation not related to size of wage gap

Compensating differentials

- Introduction of job quality makes little difference
- Wage penalties are not due to compensating wage differentials



Sexual Orientation Raw Data

Sexual preference	Female			Total
	No	Yes	Missing	
Hetero	8,156	10,405	74	18,635
Gay or lesbian	190	120	2	312
Bisexual	51	65	2	118
Other	410	567	9	986
Total	8,807	11,157	87	20,051

