

AN ANALYSIS OF GENDER GAP USING SEXUAL ORIENTATION: RESEARCH SUMMARY¹ JOSEF MONTAG

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Abstract in original language

Pokud mezi muži a ženami existují rozdíly v produktivitě, pro které není možné kontrolovat (nejsou zaznamenány v datech), odhad vlivu pohlaví na mzdy bude vychýlen. V této studii argumentují, že gayové a lesby tvoří zajímavou subpopulaci, ve které je zmíněný problém méně akutní. Hrubý genderový rozdíl ve mzdách v rámci homosexuální populace v datech American Community Survey (2008) činí 11 procent a při zohlednění vlivu geografie klesá na nulu.

Key words in original language

Genderové rozdíly, mzdová nerovnost, sexuální orientace

Abstract

An estimate of the effect of gender on wages is biased if there are unobserved differences in productivity correlated with gender and wages. I argue that gays and lesbians are an interesting subpopulation in which such issues are less acute. The estimated raw gender-wage gap in homosexual population in 2008 American Community Survey is 11 percent. Once the effect of geography on wages is accounted for, point estimates drop to zero.

Key words

Gender gap, wage inequality, sexual orientation

1 Introduction

In this research I exploit the idea that, compared to heterosexual men and women, gays and lesbians are more alike in their (unobserved) productivity-related characteristics and argue that estimates of gender-

¹ Full version of the working paper is available at ssrn.com/author=825865 or upon request from the author. For helpful comments I wish to thank to Peter Dolton, Jaroslav Křivánek, Peter Mantel, Alfredo Paloyo, participants of 2012 Annual Meeting of the American Law and Economics Association, 2010 Workshop on Perspectives on (Un-) Employment at the Institute for Employment Research in Nuremberg, research workshop at University of Economics, Prague, and 2012 conference Days of Law at Masaryk University. Any mistakes and omissions are my responsibility. I was funded by project Zaměstnáním čerstvých absolventů doktorského studia k vědecké excelenci (reg. č. CZ.1.07/2.3.00/30.0009), Operační program Vzdělávání pro konkurenceschopnost at Masaryk University. Paper does not reflect or represent views or policies of funding institutions.

wage gap for this subpopulation are cleaner than estimates based on the entire population.

Specifically, gays and, to a lesser extent, lesbians are less likely to have children compared heterosexuals. If (an expectation of having) children affect men's and women's productivity differently, their wages will differ even in the absence of discrimination, and, as a consequence, if productivity is imperfectly measured in the data, estimates of gender-wage gap will be biased.² More importantly, because gays and lesbians are likely to be coupled with a partner of the same sex, specialization in household or market production (Becker, 1985) can not be determined by their gender, so decisions on human capital investments, occupation, etc. are less likely to be influenced by that.³ And, even if partners living in homosexual relationships do specialize, the effects on wages should average out within households and therefore within each gender.

2 Assumptions

To make this work, I need two assumptions. First, estimating the effect of gender on wages by comparing wages of gays and lesbians is valid under the assumption that homophobia does not differentially affect gays and lesbians. While there seem to be bias against gays (Herek, 2000 and 2002), there are reasons to believe this may not be fully reflected in wages. Unlike gender or skin color, sexual orientation is generally unobserved, unless one decides to reveal it. Also, if not all employers are homophobic, gays may find comparable job matches in non-discriminatory firms.⁴ Finally, across empirical studies, gays earn less than heterosexual men and lesbians earn more than heterosexual women, while household incomes of homosexual couples are on par with income of heterosexual households, this makes severe differential effects of discrimination against gays and lesbians unlikely.⁵

² See Bertrand et al. (2010) for a recent study that does a very good job in addressing the issue.

³ Surely, socialization of children is unlikely to be affected by their sexual preferences, weakening this argument somewhat. Effects of gender-specific socialization, however, are likely to go against hypothesis of this study making it more robust.

⁴ The correlation between homophobia, or bigotry, and wages is *a priori* ambiguous. Such attitudes can be negatively correlated with intelligence and education, thus productivity and wages. On the other hand, competitive, or macho, environment can exhibit both high productivity and strong preferences about other people's sexuality.

⁵ On average, the base sample of gays I work with earns the same wages as married men in 2008 ACS data, and have about 28 percent higher income per partner (see Table 2 in the working paper).

Second, the results specific to homosexual couples extend to the population if assignment of sexual orientation is independent of wages. Since, by consensus, sexual orientation is not a choice, validity of this assumption depends on whether gays and lesbians identified in the data are representative of their populations. Actually, this is one of the central themes studied in the previous research on sexual orientation and earnings (Black et al., 2000, 2002a, and 2007; Gates, 2009; US Census Bureau, 2009).⁶ Reading of the literature suggests that it is possible to identify gays and lesbians and make meaningful statements about their population from the data.

3 Data and Results

I use the 2008 American Community Survey (ACS) to obtain a sample of individuals living in same-sex households and draw a sample of 30,000 households from the rest of the data. Apart from being very recent, 2008 ACS data is also preferable since fuller sample of same-sex couples can be studied than in previous years.⁷ I then select a subset of healthy, white, working individuals between 25 and 55 years of age, who were born in the United States and whose partners also satisfy these criteria.

The estimated raw gender gap in hourly earnings among same-sex couples is approximately 11 percent, which is about one third of the gap among heterosexual couples and it is similar to gender-earnings gap among singles. Estimates of the same-sex gender-earnings gap are insensitive to standard controls for human capital characteristics (based on Lemieux, 2006, I use quadratic in years of education, quartic in potential experience, and cohort effects), or occupations and industries, supporting the claim that gays and lesbians do compare in their (measured) productivity related characteristics.

Notably, most of the same-sex gap in hourly earnings evaporates when geographic location, or cost of housing, are controlled for. The point estimate is zero in some specifications (s.e. 0.032). This is because gays tend to locate in different places (they more often live in large, high wage-high cost cities) than lesbians. There are reasons to expect that these differences in location choices are caused by factors that are unrelated to labor markets and wages; in particular the lower

⁶ I review the literature on sexual orientation and earnings in full in Section 3 of the paper. See also Section 4 and Appendix where I address issues specific to data used in this paper and survey the relevant literature.

⁷ This is because the U.S. Census Bureau, in reaction to research showing problems with identification of same-sex couples in ACS and Census data, introduced an improved questionnaire and changed its data processing routines for 2008 ACS. The main change is that same-sex couples who describe their relationship as marriage are better identified; whereas in the previous years of ACS (and 2000 US Census) data, about 40 percent of such couples were likely different sex couples who mis-checked the box identifying sex. I overview this in detail in the Appendix of the paper.

presence of children in gays' households implies different trade-offs regarding spending on adult and child-related amenities (Black et al., 2002b). Also, any gender-related differences in preferences over living environment could be easily accommodated among same-sex couples resulting in geographic sorting.

Controlling for geography or housing costs has no effect on the estimated gender-earnings gap among singles, which speaks to the concern that the "geography effect" is just the plain reverse causality and suggests that the sources of the gap across the two groups differ. At the same time, presence of children "explains" about half of the gap among singles but not among same-sex couples (estimates actually rise a bit); each child is associated with about 9 percent decrease of single mums' wages, whereas wages of lesbians and single fathers rise by about 6 percent with each child, and gays' wages do not change. I suggest this is consistent with the theory that specialization is behind the gap among heterosexuals, whereas differences in choice of geographic location explain the gap in hourly earnings among gays and lesbians.

I check my results by restricting the earnings concept to wages and salary workers, by restricting the sample to full time-full year workers, and finally by relaxing the sample restrictions to people aged between 18 and 65, including all non-whites and individuals from households in which only one of the partners works. I am not forced to alter my conclusions after doing so.

4 Conclusion

I interpret these findings as suggesting that an important part of gender-related differences in pay reflect individual choices and household specialization effects, rather than factors related to labor market failure such as systematic discrimination against women. My results are consistent with Bertrand et al. (2010), who find that the presence of children is the main contributor of gender differences in wages in their sample of young executives. A possible interpretation of these results is that the existence of a gender-pay gap is in question. A more benign interpretation can be that the effect of gender on wages exists, but is smaller than the population estimates would suggest.

This has important policy implications, namely: Policies striving for gender equality should focus at creating environment in which family responsibilities and work are not mutually exclusive, while giving men incentives and opportunities to take on more family responsibilities whenever this may be beneficial for the household welfare.

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