

# Chief economist's comment

## Does anti-LGBTQ+ prejudice do more damage than we think?

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- The problem of prejudice is bigger than we might think. This is particularly true for prejudice against non-heterosexual people (LGBTQ+).
- Most analysis of prejudice is based on survey results. The problem is that people lie on surveys. People try to "fit in" with what they think the surveyor or society wants to hear. If people think there is a social cost to being non-heterosexual, they have an incentive to lie on surveys.
- The non-heterosexual population is likely to be significantly larger than officially reported (an 8% to 8.5% range seems a sensible assumption).
- If there is a social cost to being prejudiced, people have an incentive to lie on surveys. Thus prejudice against non-heterosexuals is also likely to be higher than reported.
- These two points mean that the economic cost of anti-LGBTQ + prejudice is likely to be higher than often assumed. There is more prejudice, affecting more people.
- The economic damage of this will also increase as the value of maximizing human skills rises in the fourth industrial revolution.

Prejudice may do more economic damage than we think. We probably underestimate how many people are affected by prejudice. We also probably underestimate how widespread prejudice is. These points are particularly true for prejudice against non-heterosexuals (LGBTQ+).

The economic damage of prejudice is fairly obvious. (See "[Pride and prejudice, and economists](#)" 27 June, 2018). Prejudice can mean that a job is filled by the wrong person at the wrong time. This is not good for profits or growth. People who are targets of prejudice may have to invest differently as well. (See "[Investing for LGBTQ+ persons](#)" 17 August, 2018). This may lead to economically inefficient investing. Prejudice against non-heterosexuals hurts the economy and companies in several ways, including:

- Prejudice stops the best people being employed and promoted. Second best employees are used if the best candidates are rejected on irrational grounds. This applies to companies and countries that are prejudiced.
- Employees that are the targets of prejudice tend to be demoralized and have lower productivity.

- Non-heterosexual employees who are not "out" at work will suffer stress (and are likely to perform more poorly) from the strain of disguising who they are. Productivity and team work are likely to be significantly lower as a result.
- Companies with a culture of prejudice will not attract as large a pool of candidates as non-prejudiced companies. Younger employees who are not themselves the targets of prejudice are more likely to reject working in countries or companies that are prejudiced.

"The commercial case for LGBT+ inclusion" (30 August, 2018) looked at some of the costs of prejudice (along with the potential impact on a firms customer base).

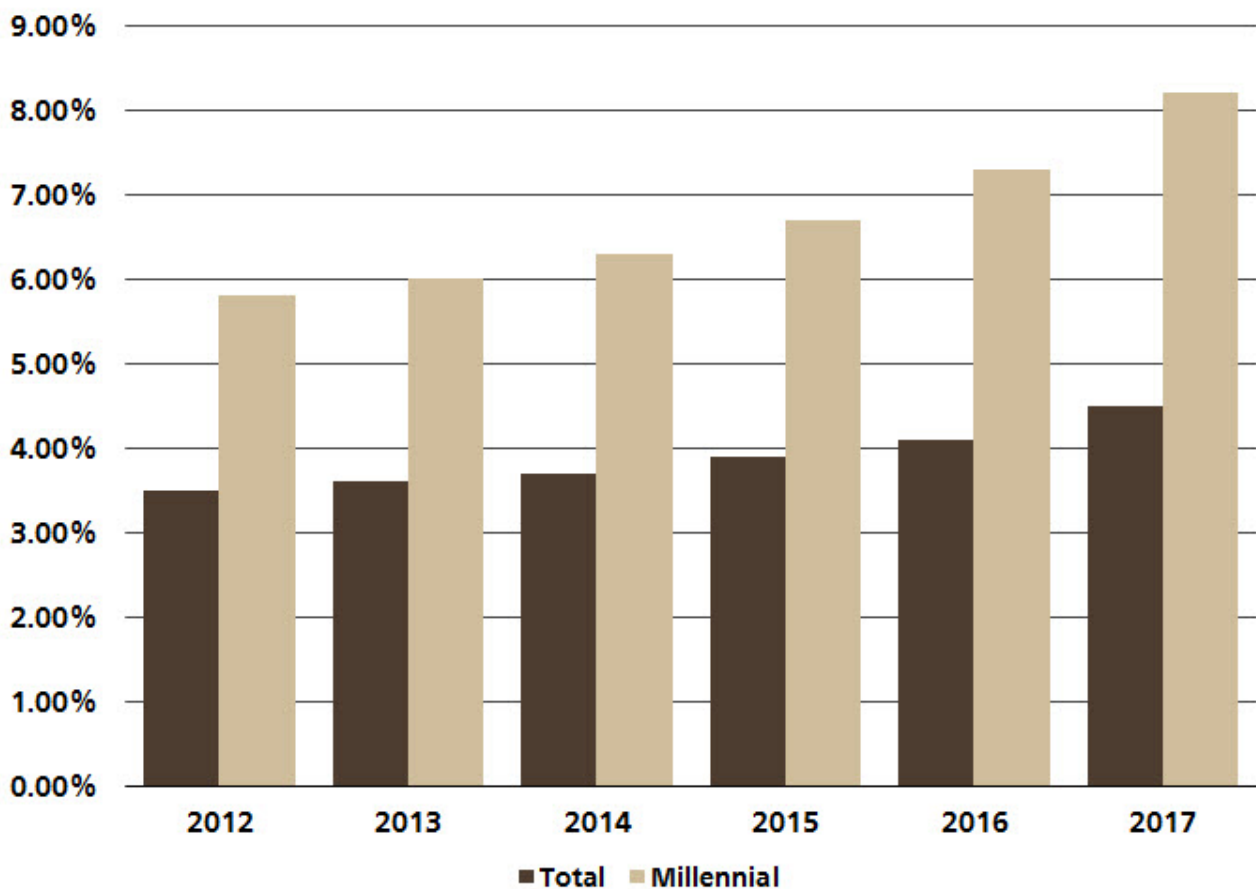
### How big a problem is prejudice?

Assessing prejudice against non-heterosexuals relies very heavily on survey evidence. This is because sexuality is an "invisible" issue - there are no obvious, visible markers that can be used to approximate the size of the non-heterosexual population. People have to be asked directly about the sexuality. However, survey results are not trustworthy.

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#### More young Americans identify as non-heterosexual

Proportion of all Americans, and proportion of millennial Americans who identify as non-heterosexual *in conventional surveys*



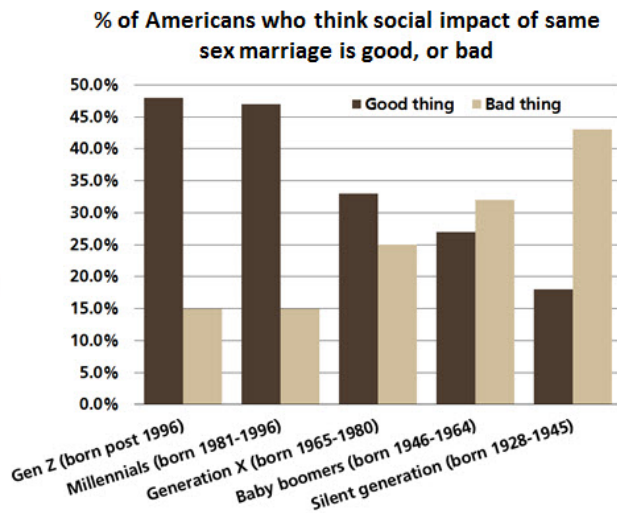
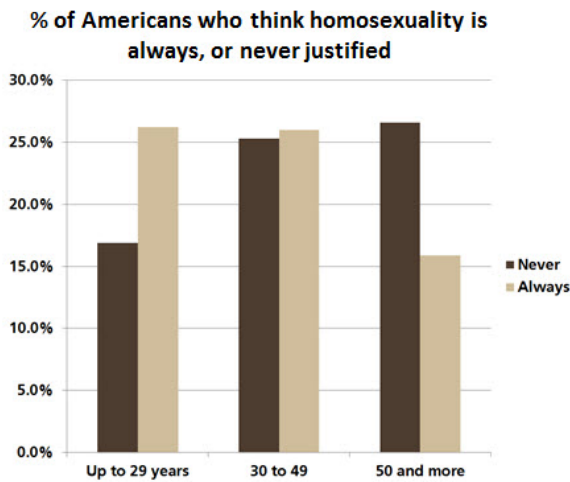
Source; Gallup Daily Tracking , UBS. "Millennial" refers to Americans born 1980 to 1999. Different surveys use different definitions of "millennial" - this survey is different from the PEW survey cited later

US surveys suggest that 4.5% of Americans identify as non-heterosexual. However 8.2% of young Americans identify as non-heterosexual. There is no reason why non-heterosexuality should be more common in younger people. There *is* a reason why younger people are less likely to lie on surveys.

There is a bias in survey data called "social desirability bias". This means people answer in the way they think they should answer. They answer to "fit in" with what they think the surveyor or society wants to hear. People do not like to admit to things that they think have a social cost. For some people, being non-heterosexual has a social cost.

A non-heterosexual is more likely to lie on a survey if they feel an honest answer has a social cost. It does not matter if the survey is anonymous. In the internet age, promises of anonymity do not count for very much. This explains why surveys report lower numbers of non-heterosexuals amongst older people. Older generations tend to be more prejudiced against non-heterosexuals. The charts below show this. It also explains why past surveys report lower numbers of non-heterosexuals. Social prejudice against non-heterosexuals was also greater in the past.

**Prejudice against non-heterosexuals tend increases with age (using *conventional* surveys)**



Source: World Values Survey wave 6 (2011), and PEW Research Center (Jan 2019)

A non-scientific example can show the problems of survey evidence. The UK government's 2015 Annual Population Survey estimated that there were 921,000 gay, lesbian and bisexual identifying UK citizens. That would suggest around 460,000 non-heterosexual *male* citizens. In 2015 the male same-sex dating app Grindr had over 1 million UK subscribers.<sup>1</sup>

## More targets for prejudice

There are ways of asking people sensitive questions which avoids the problem of people lying on surveys. People can be certain their answers will be anonymous (because they do not actually answer a question).<sup>2</sup> Using these methods, the number of people who identify as non-heterosexual is 65% higher than those who answer a direct survey question. This jump in non-heterosexual identification is mainly among older people. Young people show almost no increase in identification of non-heterosexuality, as the social cost for this group of being non-heterosexual is lower.<sup>3</sup>

This is a strong hint that the size of the non-heterosexual population is significantly larger than is commonly reported. It is not too much of a leap to suggest that the US figure should be around the 8.2% that millennials report, not the 4.5% that is the average of the total population. If younger people have low social costs to being honest about their sexuality, they have little incentive to lie on survey. Their responses to conventional surveys are more likely to reflect the reality of the wider population.

This means that the economic cost of prejudice against non-heterosexuals is higher than generally reported. A lot more people are affected by the prejudice. Remember, even if someone is not "out" at work, they will still be hurt by prejudice. Productivity and staff retention for not "out" employees is worse than for "out" employees. A higher not "out" employee population is an economic and a profit negative. It also means that the effects of prejudice on productivity, wages etc. are likely to be underreported.

## More prejudice too?

There may be a social cost to prejudice as well as sexuality. If society as a whole does not approve of prejudice, people who are prejudiced will be reluctant to admit it on surveys.

The problem of lying on surveys to avoid being viewed as prejudiced is well documented. It can apply to racism as well as prejudice against non-heterosexuals. This is known as the "Bradley effect" in the US. In the past black candidates for political office consistently received a lower percentage of votes at an election than opinion poll results suggested.

Before same sex marriage was legalized in the United States, opinion polls ahead of state level votes on the issue tended to overstate voter support for same sex marriage by 5% to 7% of the voting population. People lied to opinion polls and other surveys, claiming to support same-sex marriage to hide their prejudice.

The same methods as were used to identify sexuality can be applied to help identify if people lie about prejudice in surveys. Evidence suggests a clear tendency to lie about prejudice. In one study<sup>4</sup> the number of people who would be unhappy with a non-heterosexual manager increased by two thirds. The number of people who felt using sexuality to discriminate in hiring increased over 70%.

This hidden level of prejudice is a problem in the workplace. If prejudice against non-heterosexuals is more widespread than surveys report, then casual prejudice and unconscious bias could be bigger problems than previously thought.

## More costs from prejudice

People are not honest when filling in surveys. For the "invisible" form of prejudice against non-heterosexuality, that presents a problem. The size of the non-heterosexual population is probably underestimated - although over time that may correct given the openness of the younger generation.

The amount of prejudice directed at the non-heterosexual population is also likely to be larger than reported. People are ashamed of being prejudiced, and thus lie about their views on surveys. This shame in admitting prejudice in surveys does not prevent their actions in the real economy reflecting their prejudices.

This all leads to a big economic problem. The structural changes of the fourth industrial revolution mean that it has never been more important to have the right person in the right job at the right time. That means having complete flexibility to employ the best candidate. Anything which stands in the way of flexibility wastes money. As economic change accelerates, flexibility becomes increasingly important if companies and countries are going to keep up.

Creating a corporate or a social culture where it is easy to be honest about who one is will increase productivity. Greater visibility for the non-heterosexual population may also reduce the hidden prejudice (reality is good at challenging irrational assumptions). But if a corporate or social culture resists honesty and openness, the economic costs are likely to be significant over time.

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<sup>1</sup> Of course, individual users of Grindr may have more than one account. At the same time, there is no obligation for non-heterosexual men to have a Grindr account. The difference in the survey numbers and the actual data of subscriptions simply highlights the potential scale of problems with survey evidence.

<sup>2</sup> The method is known as item count technique. It relies on a large number of survey respondents, divided into two groups. One group is asked to identify how many of four statements they agree with (without identifying which statements they agree with). They are then asked a question subject to social desirability bias - e.g. "are you heterosexual?". The second group is given five statements, including the question subject to social desirability bias, and asked how many of the five statements they agree with (without identifying which statements they agree with). Comparison of the results identifies the under-reporting of direct survey questions.

<sup>3</sup> Research from Coffman, Coffman and Ericson (2013), NBER Working Paper 19508 "The size of the LGBT population and the magnitude of anti-gay sentiment are substantially underestimated"

<sup>4</sup> Coffman et al, *ibid*

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