

# Women's Sexual Orientation and Labour Market Outcomes

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***Abstract:** This study provides evidence on the relationship between lesbian women and their hiring prospects by employing the Correspondence Test for Greece. The data analyzed supports the findings of previous experiments and indicates that hiring discrimination against lesbians is present. More importantly, entry wage differentials assigned are not consistent with the ascendant empirical claims that lesbians have higher market earnings. Our findings suggest that currently lesbians both anticipate and encounter job discrimination.*

**Key words:** Field Experiment, Sexual Preference, Hiring Discrimination, Wage Discrimination

**JEL classification:** C93, J7, J16, J31, J42, J64, J71, J82

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## 1. Introduction

An important factor in understanding the lack of visibility of gays and lesbians and their issues in Greek society is the hostile social and public policy climate. Supporters of gay rights have typically framed their arguments in terms of justice and equal treatment, whereas opponents use traditions, religious teachings and arbitrary arguments to justify their active opposition to the enactment of current and forthcoming European policies designed to protect gay people from unpleasant discrimination. At the governmental level, homosexuality remains stigmatized through unequal practices. The lack of legal recognition of family structures, the persistence of threats, the perpetuation of false stereotypes, and the lack of political will shown by the authorities in the fight against discrimination are demonstrative of such attitudes (Vlami [2007]). Prejudice is of grave concern, aggravated by the current *Eurobarometer* (2007) evidence. The data suggest that Greece is one of the most puritanical societies in Europe when it comes to general attitudes toward homosexuality: 85% of Greek respondents feel that homosexuality is taboo, compared to 48% of European Union individuals.

There are ample case studies with evidence to suggest that sexual orientation minorities are victims of biased attitudes. Representatives of the Greek Orthodox Church have declared open war on the country's same-sex marriage supporters<sup>1</sup>, keeping pace with the government. The Church criticizes the "*impudence and shame of gay partnerships*", asserting that "*gay people warp human nature with unspeakable, unnatural acts*". This argument contradicts the scientific findings that homosexuals are equivalent to heterosexuals in expressed psychological symptomatology (Kurdek [1997], Cochran *et al.* [2003], Kurdek [2004]), that gay and lesbian couples report levels of relationship quality indistinguishable from those reported by married heterosexual couples (Howard *et al.* [1987], Patterson [2000]) and that children raised by homosexuals do not

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<sup>1</sup> The Greek law on civil marriage includes exclusive prerequisites for couples, none of which mentions their sex. Thus, the Greek civil marriage law does not technically exclude same-sex couples from marrying. At the same time, a mayor of a Greek island has defied the threat of prosecution to carry out the country's first gay marriage in 2008. On the other hand, there is no registered partnership law in Greece, and a draft law put forward by the current government for the recognition of registered partnership (the "Cohabitation Act") specifically excludes from its scope same-sex couples (De Schutter [2008]).

experience adverse outcomes compared with children raised by heterosexuals (Bailey *et al.* [1995], Anderssen *et al.* [2002], Golombok *et al.* [2003]), Patterson [2006]).

A tricky issue hit the Greek courts in 2008. Campaigners from the island of Lesbos had decided to resort to the court system to prevent the largest gay and lesbian community of Greece from using the word “*lesbian*”<sup>2</sup> in its title. The campaigners claim that the international prominence of the word “lesbian” in its sexual context violates the human rights of the islanders and disgraces them around the world. This incident provides a strong sense of how prejudice can overshadow the lives of sexual orientation minorities in Greece.

Anti-lesbian and anti-gay prejudice manifests the same social structure and dynamics as racism and other prejudices against stigmatized groups. Historical, sociological, and psychological research demonstrate the existence of *sexual stigma* (the shared knowledge of society’s negative regard for any nonheterosexual behavior, identity, relationship or community), *heterosexism* (the cultural ideology that perpetuates sexual stigma) and *sexual prejudice* (individuals’ negative attitudes based on sexual orientation) and the effects that such attitudes have on the everyday experiences of gays and lesbians (Herek [2004]).

Economists, on the other hand, have only recently explored the relationship between labour market outcomes and sexual orientation. To determine whether there exists discrimination<sup>3</sup> against homosexual workers, a first step was to compare the earnings of homosexuals to the earnings of heterosexuals. Briefly, wage regressions have documented lower incomes for gays, but they have repeatedly shown higher incomes for lesbians (Plug and Berkhout [2004]). Most studies seem to agree that earning discrimination against gay men is the dominating mechanism that explains the gaps, while lesbians’ premiums are rooted in optimal human capital accumulation. However, wage gaps are only one

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<sup>2</sup> The use of the word *lesbian* to describe homosexual women derives from the island’s historical importance as the birthplace of the ancient female poet Sappho, whose work often expressed passionate love for other women (Rayor [1991]).

<sup>3</sup> Labour market discrimination exists when two equally qualified individuals are treated differently in the labour market on the basis of some personal characteristic unrelated to productivity (Swinton [1977]).

of the possible forms that discrimination can take. Labour legislation, for instance, focuses more frequently on discrimination in hiring, promotions and harassment.

Sexual minority workers throughout Europe have repeatedly claimed that they are made victims of discrimination in employment by being fired, not hired or not promoted because of their orientation (De Schutter [2008]). To redress this wrong, they have turned to employers, legislative bodies and the courts, demanding laws and personnel policies that bar such prejudice. Those incidents have indicated to many policymakers that racism and other forms of discrimination could jeopardise the European Community's aims of full market integration and social cohesion. Recently, legislators have moved toward a public policy that the labour market treatment of individuals should be based on their productivity rather than on their sexual orientation.

New Greek law prohibiting discrimination on the grounds of sexual orientation (2005/3304) came into force in January 2005 under the European Union's Employment Equality Directive 2000/78. According to this legislation, employment equality applies to everyone, regardless of their sexual orientation<sup>4</sup>. The goal of this Directive is to ensure that everybody living in the European Union can benefit from effective legal protection against discrimination. The Union's priority is to enhance its ability to integrate its entire membership into a new arrangement of active citizenship, ensuring the long-term well-being of all in a diverse society.

The Greek lesbian movement has long pointed out through case studies that there is widespread prejudice against lesbians in the work force and that it causes them economic and psychological harm (Petropoulou and Skoutari [2008]). Yet, in Greece, there are no samples that include the sexual orientation of individuals for investigation of this discrimination hypothesis, and social science surveys contain no data drawn using sampling of lesbian individuals for separate

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<sup>4</sup> The inclusion of Article 13 in the European Community Treaty, following the enactment of the 1997 Amsterdam Treaty, empowered the Union to deal with many types of discrimination, including discrimination based on racial or ethnic origin, religion or belief, age, disability, and sexual orientation. Currently, in the European Union, it is unlawful to discriminate against: (i) job applicants, in relation to recruitment, arrangements, decisions, and harassment; (ii) employees, in relation to terms, promotions, transfers, training, benefits, and dismissals; (iii) ex-employees, where the discrimination is closely connected to their employment.

analysis<sup>5</sup>. However, empirical research examining where wage differentials exist, although highly interesting, cannot provide information about labour market discrimination against *equally* productive lesbian workers. More importantly, disclosure or labeling of a lesbian employee's sexual orientation is necessary; otherwise, the practice of hiding one's sexual preference is likely to reduce the measurable impact of discriminatory behavior. Hence, an accurately measured signal of sexual orientation is crucial for credibly testing the discrimination hypothesis.

This study takes a different route to assessing differential treatment of sexual orientation minorities by using an experimental technique to gather representative data on the hiring stage for lesbians. In brief, the goal is to produce pairs of testers who each submit a written job application to the same firm. These fictitious applicants should be identical in all relevant characteristics so that any systematic difference in treatment within each pair can only be attributed to the effects of sexual orientation. For our purpose, following Adam (1981) and Weichselbaumer (2003), a lesbian applicant's sexual orientation was disclosed through a reference in her curriculum vitae to volunteer work for a homosexual community organization. Since the theories of discrimination are valid only if the employer believes that the employee is a homosexual, this study focuses on a group of people most likely to be viewed as homosexuals. The theoretical claim to be evaluated was that an applicant who was an activist in such a community might receive biased evaluations of his skills and profitability, diminishing hiring chances (Seidman [1994]).

Interestingly, in this study, we also examined whether sexual orientation affected wages at the beginning of working careers. By taking advantage of telephone callbacks and the naïve portfolios of the applicants, we have extended the application of this method by also gathering data concerning informal wage offers on the part of employers in cases of tentative hiring. We argue that this additional data set enabled us to further record discriminatory attitudes across

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<sup>5</sup> In Greece there exists a lack of research support on sexual orientation issues mainly because governments have not taken an interest in evaluating the phenomenon. For instance, there is no question on the Census about sexual orientation. Researchers, on the other hand, are reluctant to conduct relevant studies due to potential discrimination that they might face as well as the uncertain interest within the profession.

sexual orientations in the ensuing steps of the hiring process<sup>6</sup>. Traditional measures of wage discrimination have relied upon the analysis of observed wage differentials. Reimers (1983), however, has pointed out that if labour market discrimination is to be measured properly, the analysis should focus on the wage rate offered to individuals, regardless of whether they actually work in the wage and salary sector.

The data were gathered from September 2007 through July 2008 in Athens, the capital of Greece, as part of the Athens Area Study (AAS) conducted by the University of Crete. The 2007 AAS is one component of the Multi-City Study of the Scientific Center for the Study of Discrimination (SCSD). We tested the hypothesis that known lesbians have statistically different job market prospects. On average, we found that employers do little to grant equal opportunities and combat social exclusion. Despite the introduction of antidiscrimination legislation three years ago, the current results showed a strong negative effect of lesbian orientation on hiring chances. Similarly, sexual orientation does have a significant impact on the wages offered. Our results suggest that discrimination against lesbian applicants is both present and important.

In order to inform policy makers, one needs to know the performance of sexual orientation minorities based on real-life evidence. Experimental economists are motivated to explain real-world issues. They want to provide knowledge and insights that are relevant either to improving the understanding of the world as it is or to helping solve the problems individuals face. One crucial benefit of the current methodology is that it offers a chance to examine an important aspect of discrimination in hiring that has been largely inaccessible to social scientists. Because of the absence of standardised, economy-wide data on hiring, there is much less evidence on discrimination in these important dimensions of labour market discrimination. Although discrimination in hiring can undoubtedly affect the magnitude of discrimination, most empirical studies face data limitations when focusing on differences in pay. Such estimates of wage discrimination will almost certainly understate the full effects of sexual

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<sup>6</sup>Following Adam (1981), we assumed that interview offers by employers were indicative of their willingness to consider applicants employable.

orientation discrimination by leaving out the fact that many applicants are barred from even earning a wage.

This research contributes to the small but growing body of literature on the economics of discrimination according to sexual orientation by presenting an assessment of the impact of this antidiscrimination legislation. In addition to providing evidence on sexual orientation-based differences in economic outcomes for a previously unstudied country, this research advances the literature in several ways. Our measure of sexual orientation is likely to be correlated with the concept of interest in living an openly lesbian lifestyle, and it is arguably better than the sexual behavior measures used in previous research. Due to lesbians' reluctance to reveal their sexual orientation, collecting data on them is difficult, and analyzing such data presents challenges. The wage differential estimated in this paper was computed by taking into account the employer's knowledge of the employee's orientation. In this study, we examined whether discriminatory treatment existed in cases where the evidence seemed strongest: the various penalties for lesbian-labelled women.

The paper is organised as follows: section two provides a brief review of the existing literature on sexual orientation and economic outcomes, section three describes the methodology, section four presents the estimation framework, section five presents the main results and offers a discussion and the last section concludes the paper.

## **2. Lesbians' Performance in the Labour Market: A Review**

While there have been numerous economic studies of race and sex discrimination, the issue of discrimination on the basis of sexual orientation has been largely neglected. Evidence of employment discrimination to date largely comes from data collected in studies of the socio-economic status of lesbians and from personal accounts. In typically brief discussions of the problem, researchers report their assertions that employment discrimination is common by recounting instances of unequal treatment (Levine and Leonard [1984], Palmer [1993]), Colgan *et al.* [2006]). These incidents against lesbians involve the use of institutionalized procedures to restrict officially conferred work rewards, such as

promotions, salary increases or increased job responsibilities. Lesbians who are subject to discrimination and harassment at work describe a variety of experiences ranging from discomfort and signs of embarrassment on the part of managers and colleagues to exclusion by colleagues through insults. Nevertheless, hiring or firing tactics posed the biggest problem.

Although field experiments can significantly contribute to our perception of other factors that affect the opportunities of minority groups to access employment, only two have been carried out to test sexual orientation's effect on the hiring process of lesbians. Adam (1981) employed a field experiment for testing discrimination based on sexual orientation and found a reduction of 6% in job offer rates for lesbians in the city of Toronto, Canada. Twenty-two years later, Weichselbaumer (2003) used a similar technique to investigate whether the Austrian labour market discriminated against lesbian women. She found that indicating a lesbian identity reduced the offer rate by about 12-13%.

Both experiments agreed that discrimination could explain the differences in hiring. These field experiments have not been designed to distinguish between the various hypotheses that have been promulgated to account for discrimination, but the pattern of results does enable some tentative speculation. The findings of these tests are consistent with the notion that a majority of the population has a general tendency to discriminate, motivating employers to discriminate against the non-majority population (Becker [1957]). The observed discrimination can also occur if employers use group information when evaluating applicants (Arrow [1973]). Field experiments have not, to date, been designed to allow firm conclusions about the nature of discrimination, but experiments may illustrate a combination of causes (Riach and Rich [2002]).

Although data limitations remain a major obstacle to research on the lesbian and gay population, a number of useful earnings data sources have been developed, giving rise to a nascent literature. These studies use multivariate regressions to assess the effects of sexual orientation on earnings after productivity factors are controlled. In brief, there is stronger evidence of discrimination against gay men than against lesbians. In this study, we make no



attempt to review the existing literature of gay men's earning differentials: Jepsen (2007), as well as Carpenter (2005), provide discussions of many relevant issues.

There is an important empirical question of lesbians' earning differentials based on sexual orientation. In the US Badgett (1995), using data from the 1989-91 General Social Survey (GSS), found that lesbians earned 35% less than heterosexual women. The coefficient, however, was statistically insignificant. In subsequent work, Badgett (2001) found that lesbians earn more than heterosexual women, but the coefficient was again insignificant. Berg and Donald (2001), using 1991-6 GSS data, estimated that non-heterosexual women earned 30% more than heterosexual women. Clain and Leppel (2001) used data from the 1990 Census and found that lesbians earned more than heterosexual women. Black *et al.* (2003) employed GSS data from 1989-96 and found earnings to be between 20% and 34% higher for lesbian women than for heterosexuals. The same patterns are found in Berg and Lien (2002) and Blandford (2003). Daneshvary *et al.* (2007), using data from the 2000 Census, found a lesbian premium of approximately 10% for women without a bachelor's degree, but it was nearly non-existent for women with higher levels of education. Jepsen (2007), using data from the 2000 Census, found that lesbians earn more than their heterosexual counterparts. Elmslie and Tebaldi (2007) utilized the 2004 Current Population Survey and found no evidence of discrimination against lesbians.

Carpenter (2005) used data from a public health survey in California (California Health Interview Survey) and found statistically insignificant earnings differentials for lesbians compared to heterosexual women. In the United Kingdom, Arabsheibani *et al.* (2004), using data from the Labour Force Survey between 2001 and 2005, found that lesbians earned about 9% more than heterosexual women. In the Netherlands, Plug and Berkhout (2004) employed data from an annual survey between 2003-2006 of individuals who had completed a college education and found that similarly qualified lesbian workers earned about 3% more than their heterosexual female co-workers.

The general trend of the studies suggests that lesbian workers might earn more than heterosexual women. This result seems inconsistent with the notion of employers' discrimination on the basis of sexual orientation and is particularly

curious given that lesbians do not enjoy higher societal approval than heterosexual women. The pattern of lesbian women earning higher wages than heterosexuals is consistent with the theory of human capital accumulation and specialization within the household (Becker [1965]; [1991], Kurdek [1993], Black *et al.* [2003]; [2007]).

Many young people make human capital investments based on the expectations that they will form traditional households in which the husband and wife will specialize differentially in market and non-market production. The Becker (1965) model suggests that in a traditional household, the male spouse will devote more time and effort to market production, while the female will devote more time and effort to household production. Lesbians, however, who realize early in life that they will not marry into a traditional household, will generally invest more heavily in market-oriented human capital. They will be more likely to undertake a series of career-oriented decisions, such as staying in school longer, choosing a major that is likely to lead to a higher paying job and working longer hours, than they would if they were adopting traditional gender-based household specialization roles.

A peripheral explanation for the lesbian earning premium might be that women with children earn less than women without children (Waldfogel [1998]). As lesbians are less likely to have children than married women, it stands to reason that lesbians might earn more than heterosexual women. This factor makes employers more interested in promoting lesbians, as they are less likely to move in and out of the labour market, creating a wage inequality (Jepsen [2007], Elmslie and Tebaldi [2007]).

Clain and Leppel (2001) suggest that employers, co-workers and consumers might prefer the personality characteristics of males and that lesbians exhibit more of those characteristics than do heterosexual women. Riess *et al.* (1974) found lesbians to be more “*dominant, autonomous, assertive and detached*”, like the stereotypical male. Thus, the higher earnings of lesbians might reflect discrimination in favor of traits rather than against traits (Jepsen [2007]).

Last, but not least, there is the opinion that when lesbians are open about their sexual orientation in employment, they might respond to the threat of

employment discrimination by working harder. Many believe that if they are sufficiently productive, they could overcome the stigma of their sexual orientation. In this state of mind, the stigma tends to be a productivity advantage (Woods [1993], Clain and Leppel [2001]). It is apparent that lesbian women face constraints different from those facing heterosexual women, and therefore make different choices regarding important dimensions of their lives. Labour markets financially compensate those women who invest their lives in their careers, and lesbians might be optimal for this pattern.

### **3. Design of the Experiment**

#### *3.1 Correspondence Testing*

The Correspondence Test approach, so named for its simulation of the communication between job applicants and employers, involves sending carefully matched pairs of written job applications in response to advertised vacancies to test for discrimination in labour hiring at the initial stage of selection for interview. The Correspondence Test is a form of social experiment in a real life situation that has the potential to provide statistical data on discriminatory treatments. The methodology highlights the circumstances under which unequal treatment occurs and provides a powerful means of isolating causal mechanisms.

Following Riach and Rich (2002), in Correspondence Testing, at least two individuals are matched for all relevant characteristics other than the one that is expected to lead to discrimination. The pseudo-seekers are typically matched on such attributes as age, education, experiences and marital status. Correspondence Test analysts assume that they know which characteristics are relevant to employers and when such characteristics are sufficiently close to make majority and minority applicants indistinguishable. The goal is to produce pairs of testers who are identical in all relevant characteristics so that any systematic difference in treatment within each pair can be attributed only to the effects of the test characteristic. As a result, Correspondence Testing ensures that the strict equivalence between testers is free from any motivational complication and enables objective documentation of the experiment. Reactions from employers are then typically measured by written responses or callbacks.

### 3.2 Lesbian Labelling

Homosexuality is a status characteristic that, when salient, results in biased evaluations of competence<sup>7</sup>. Once the status becomes evident to employers, applicants become labelled as outsiders and expectations and assumptions are associated with the individuals, such as expectations about the way other people will respond to these individuals. Psychological and sociological studies suggest that lesbians try to avoid discrimination by hiding their sexual orientation at work, even while they are openly homosexual outside the labour market (Levine and Leonard [1984]). In brief, disclosure of sexual orientation is a decision involving a trade-off between openness and the possible loss of income<sup>8</sup> (Badgett [1995]).

The potential for discriminatory treatment due to sexual orientation depends on the employers' ability to distinguish lesbians from other women. Even if employers wish to discriminate against employees who are homosexual, they have few ways to judge these aspects of individuals' lives. In the market, an employer could become aware of an employee's sexual orientation if the employee is open about sexuality at work or if she leads an openly homosexual lifestyle. In our study, following Adam [1981] and Weichselbaumer [2003], the lesbian applicants' sexual orientations were disclosed by a line in the personal information part of the resume: "*member volunteer in the Athenian Homosexual Community.*" For the heterosexual half of the applicants, no explicit information on sexual orientation was given.

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<sup>7</sup> As defined by the status characteristics theory, a status characteristic is a categorical distinction among people, such as personal attributes or roles, that have attached to them widely held beliefs that associate greater status and competence with one category of the distinction than with others (Berger *et al.* [1977]).

<sup>8</sup> Lesbians may be prevented from coming out by fears about career progression, the nonexistence of senior gay staff, previous negative experiences of discrimination and harassment, a desire for privacy, and bullying of co-workers (Colgan *et al.* [2006]). However, we suggest that many lesbians and gays reveal their sexual orientation because hiding one's sexual preference is likely to cause anxiety and stress (Pharr [1988], Byrne [1993]). As the empirical data suggest (Colgan *et al.* [2006]), for lesbians, coming out at the start of employment could involve both formal and informal announcements and is typically seen as a way of dealing with things to avoid potential future problems and dilemmas. Coming out at work enables lesbian workers to feel confident at work, have a happier work experience, foster openness and interaction with colleagues and improve productivity.

As Heckman *et al.* (1999) suggest, the best solution to the evaluation problem lies in improving the quality of the data<sup>9</sup> on which evaluations are conducted and not in the development of formal econometric methods to circumvent inadequate data. The present labeling does suggest that the lesbian applicant successfully communicates her sexual orientation. Herek (1990) explained that homosexuality operates through a dual process of invisibility and attack. It usually remains culturally invisible; when people who engage in homosexual behaviour or who are identified as homosexual become visible, they are then subject to potential attack by society.

In the current study, nevertheless, to control for the probability that the volunteer activity might have created a conflict with her present duties, the application documents indicated that those activities had ended (Weichselbaumer [2003]). Also, in case activism might have biased the selection process, the straight women's curriculum vitae mentioned past volunteerism in an environmental community (Weichselbaumer [2003]). Moreover, in order to examine the effect of unobservable characteristics, we included items on the resumes to signal that the applicant did not fit a number of stereotypes cited by employers as reasons for reluctance in hiring lesbian workers. Lesbians who violate gender rules face considerable prejudice since their mannerisms are inconsistent with society's expectations about femininity (Herek [1994]). The two fictitious applicants had similar hobbies (cinema and music) and personal characteristics (amiable, sociable and productive) that suggested similar femininity.

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<sup>9</sup> Visibility in official statistics is a complex issue for lesbian and gay communities. There will be considerable undercounting in any official census or surveys due to privacy issues, suspicions about usage of results, and controversies over definitions (Badgett and Hyman [1998]). Such biases will lead to over/underestimates of the effects of sexual orientation on gay and lesbian employment. Shortcomings also include potential selection bias in the form of the absence of information on the extent to which lesbians reveal their sexual orientation in the workplace. There is also concern that higher income individuals are more willing to disclose their lesbian orientation, and as a result, their observed earnings are upwardly biased.

### *3.3 Methodology and Application Structure*

The current experiment was structured in two stages. In the first stage, we fabricated two imaginary workers equal in human capital who applied for the same job by sending application forms using different fax devices<sup>10</sup>. Each application included a cover letter and curriculum vitae. In order to comport with Greek standards, the use of cover letters was appropriate. In Greece, a short cover letter should describe an applicant's desire for the position.

We applied to vacancies that demanded eight hours a day and five days a week of female employment. These vacancies were identified through a random sample of advertisements appearing on newspaper websites, and we concentrated on low-skilled jobs because applicants for such positions are expected to be at greater risk for discrimination. Since the antidiscrimination legislation may have helped disadvantaged groups more, we focused on groups that could be more at risk of discrimination, namely non-graduates, younger workers, and those working in the private sector.

In our study, we investigated different occupations with vacancies that might demonstrate a variation in discriminatory behavior. The occupations we focused on covered a large spectrum of work environments: office jobs, industry jobs, café and restaurant services and shop sales. These occupations were chosen because many low-skilled job vacancies in agriculture, construction, cleaning and delivery only had telephone numbers available for contact.

The qualifications and presentation styles of our two fictitious applicants were matched as closely as possible so that they were identical in all employment-relevant characteristics but sexual orientation (see Appendix). Each application was designed to convey the same level and type of experience that might make an applicant attractive. Each of our fictitious applicants/testers was given a racially distinctive first and last name, a mobile telephone number, and a postal address. The addresses were chosen in order to indicate the same social class.

The applicants were 30 years old and unmarried. On the resumes, the applicants had the same level of schooling and job experience. Both applicants

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<sup>10</sup> Fax machines were adjusted so as to provide no information (i.e., fax number, affiliations or codes).

had finished high school approximately twelve years before and had eleven years of work experience in positions similar to the vacancy they were applying for. Moreover, in order to avoid detection, the candidates' high schools and previous workplaces were located in different areas within Athens.

The application forms were faxed simultaneously within one day of the appearance of the advertisement, and if the firms were interested in any of the applicants, they could be reached either through postal addresses<sup>11</sup> or by telephone. For obvious reasons, the styles of the cover letters and curriculum vitae were different for each applicant. Pre-tests were conducted in order to ensure that neither of the two cover letters and resumes elicited preferences. Nevertheless, in order to control for the possibility that the style of a cover letter and curriculum vitae could influence an employer's response, the different styles were allocated equally between the heterosexual and lesbian applicants. For the same reason, applications were sent to each vacancy at different times; and in half of the cases, the heterosexual women's application was sent first. All experimental controls were adjusted in the regression stage<sup>12</sup>.

Situation testing usually includes Correspondence Testing. However, in the current study, we extended the application of the experiment by gathering data concerning informal wage offers by employers in the case of hiring. In the second stage, whenever employers called to arrange appointments with the applicants, the two testers asked informal questions regarding monthly wage offers. In order to verify that employers were calling, each tester raised the following questions: "*Am I speaking to the employer?*" or "*Are you the employer?*". In all other cases, when we did not have the chance to converse with employers, we did not raise any question regarding monthly wages.

In this study it was reasonable to raise this question because the status of the vacancies and applicants with low human capital qualifications allowed for straightforward interactions. For low-status vacancies, employers offer fixed wages as robust bargaining tools, and complicated arrangements based on human

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<sup>11</sup> Although it was an option, none of the firms responded in writing.

<sup>12</sup> For an extensive study of control variables and random events, see Fix and Struyk (1993).

capital criteria were infrequent. This was also confirmed by the fact that approximately half the employers who called back made informal offers.

A robust screening process was undertaken to ensure that we had the proper testers. In order to verify that the testers were alike regarding all characteristics, such as articulation, age and manner of speaking<sup>13</sup>, and responses to employers' questions or requests for clarifications, we conducted a pre-test that included a recording of testers' rehearsed responses and asked numerous individuals to assess the testers in terms of the relevant issues. The true experiment began after unanimity had been reached. The experiment was designed in order to minimize the inciting of repulsion or endearment by tester words or behaviours. Such repulsion or endearment may lead to actions having little or nothing to do with wage discriminatory motivations on the part of the employers (Heckman and Siegelman [1992]).

Finally, we assumed that the likelihood of employer discrimination against lesbians might also vary with characteristics such as the employer's sex. It is of interest to ascertain whether male and female employers discriminated against lesbians in similar ways because, to our knowledge, no comparable studies exist that examine this issue. In an attempt to assess the role of these characteristics, the testers recorded this information when they received callbacks from employers.

### *3.4 Research Limitations*

This study left many questions unanswered. It focused on the hiring stage and ignored potential discrimination that could arise later on. If lesbian workers experience losses in earnings because they more frequently end up in dead-end jobs or face glass ceilings, estimates based on starting positions would not pick up these effects. Hence, Correspondence Testing can be effective only in demonstrating discrimination at the initial stage of a selection process and in measuring the results of the selection process (Bertrand and Mullainathan [2004]). In this context, it is important to know whether a candidate will eventually get a job as well as the candidate's earnings upon getting the job. Furthermore, job

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<sup>13</sup> Both testers were chosen to have effeminate accents, due to the concern that the level of wage discrimination might be greater against applicants with masculine accents.



offers are also obtained via informal searches and networks in real life. This omission could qualitatively affect our results if lesbians use social networks more or if employers who rely more on networks differentiate less by sexual orientation. Unfortunately, we do not have information on how this issue impacted our study.

Since interview invitations were easier to obtain for heterosexuals, we would expect to have more wage data for them than for lesbian women. This selection bias will occur as a result of the procedure used to select participants when the probabilities for heterosexuals and homosexual women from the target population are different. The data limit the possibility of solving the problem because the only independent variable that influences wage offers is the applicant's sexual orientation. On the other hand, when trying to estimate the effects of sexual orientation on wage offers, a selection problem exists because some heterosexual and lesbian applicants invited for an interview did not receive wage offers. Hence, there was some loss in the sample data due to wage observations dropping out of the analysis, and we were forced to rely only on a non-random subset of offers. Unfortunately, the selection bias issues cannot be overcome with this model. However, the degree of selection bias may be partially measured by examining some descriptive statistics.

Moreover, given the low level of factual knowledge on characteristics employers valued and how personal attributes traded off regarding profitability content, and given the heterogeneity among employers in making these assessments, it was not obvious that experimenters possessed the relevant information required to make perfect matches (Heckman and Siegelman [1993]). Notice also that the lesbian applicant (tester) had an effeminate accent and manner of speaking, and it is possible that the level of discrimination might be different for lesbians with masculine accents.

Finally, we must note also that all the inferences we have drawn about wage differences were subject to serious concerns about data quality. It is, of course, impossible to test a firm's truthfulness until an applicant is actually hired. By no means does this study represent the whole Greek labour market.

#### 4. The Model

The most common econometric approach for capturing the effects of discrimination is to ask if people who are similar in all observable and economically relevant ways have similar labour market outcomes. In the current study, the probability of an applicant's receiving a job interview was estimated according to a Probit model:

$$Y_i^* (\text{callback}=1) = \alpha + \beta X_i + e_{il} , \quad (1)$$

where  $Y^*$  is the latent regression explaining the probability of receiving a job interview;  $\alpha$  is a constant;  $X$  refers to *sexual orientation*, which equals one (zero) if the respondent was lesbian (in all other cases);  $e$  is the disturbance; and  $i$  refers to the individual. In Correspondence Testing (see Neumark *et al.* [1996], Bertrand and Mullainathan [2004]), all applicants must be matched in all characteristics other than sexual orientation. Since we controlled for all characteristics except sexual orientation for the two applicants, the latter was not expected to correlate with the error term in each equation. If  $\beta = 0$ , the lesbian and heterosexual applicants had the same probability of receiving a job interview. If  $\beta < 0$ , the lesbian applicant had a lower probability than the heterosexual of receiving a job interview; and if  $\beta > 0$ , the lesbian applicant had a higher probability than the heterosexual of receiving a job interview.

Equation (1) was estimated simultaneously for all types of jobs for each type of applicant, and we reported marginal effects<sup>14</sup>. For completeness, three models were estimated. The first model controlled only for differences in sexual orientation between applicants, cover letter type, curriculum vitae type and sending order. The second model also controlled for the occupation applied for (four dummies). The third model also controlled for common time effects (eleven dummies). As applications were sent over a period of nine months, it was

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<sup>14</sup> Since the explanatory variable was a dummy variable, its marginal Probit reported the discrete change in the probability of an interview offer:  $\partial \text{prob}(\text{Callback} = 1) / \partial X_i$ .

necessary to control for common time effects via time dummies, defined according to the date of application submission.

Moreover, to estimate the effect of sexual orientation on the wage offered by employers, we used straightforward OLS log regressions<sup>15</sup>. A Mincer-type equation relating to employers' monthly wage offers according to a sexual orientation indicator was estimated (see Badgett [1995], Black *et al.* [2003], Carpenter [2005]). The key variable of interest was a dummy variable that indicated whether the applicant was lesbian. The dependent variable was derived from employers' responses to the question *what is the monthly wage you offer for the vacancy?*<sup>2</sup>, or alternatively, *Can you inform me of the monthly wage you offer?*<sup>2</sup>. The relevant econometric model can be given by:

$$\text{Log (monthly wage offers)} = \alpha + \beta X_i + e_{i2} , \quad (2)$$

where, as in equation (1), X is an indicator variable equal to one (zero) if the respondent is lesbian (in all other cases). The main effect of discrimination, if any, will be captured by the sexual orientation coefficient. A statistically significant negative coefficient would imply discrimination in the form of lower wages. In the same way, equation (2) was estimated simultaneously for all types of jobs for each type of applicant. Hence, a vector of indicator variables for type of cover letter, curriculum vitae<sup>16</sup>, employees' callback order<sup>17</sup>, occupation dummies, and time effect dummies was included in the equation (2).

Regarding the second relationship, wage offers were of course observed only if an applicant received a callback. Under this structure, we assumed that sexual orientation influenced informal wage offers. In actuality, we did not have a vector of factors known to influence invitations for interview and wage offers other than sexual orientation. Thus, Heckman selection models could not be

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<sup>15</sup> The wage is included in its natural logarithmic form so that the resulting estimated coefficients are more easily interpretable as percentages.

<sup>16</sup> Wage offers could be affected by the applicants' cover letter and curriculum vitae type; thus, we took this effect into consideration.

<sup>17</sup> In each callback, the employers were asked to give wage offers. Hence, the offers for the two applicants could be affected by the callback order.

estimated. Moreover, in the current study we had to correct for the intra-class correlation that appeared. In the first relationship, two applicants contacted the same firm; hence, the probability of the heterosexual applicant receiving an invitation was correlated with the probability of the lesbian applicant receiving one. In the second relationship, wage offers were also expected to be correlated for the two applicants. In order to correctly analyse the data, these correlations needed to be taken into account. In the estimations that follow, full information-adjusted standard errors were therefore reported.

## **5. Results**

### *5.1 Descriptive Statistics*

It is sound academic practice to fully disclose the details of any field experiment. This includes the procedure adopted and the complete test results, broken down by occupational category where relevant (Riach and Rich [2002]). The first question one needs to ask when analyzing data is “what constitutes an outcome that exhibits discrimination?”. One intuitively plausible measure of the existence of discrimination is the proportion of times that two identical applicants, apart from sexual orientation, are treated differently by potential employers. The complete results include the number of applications made, recorded and analysed by outcome for the matched tester at each stage of the hiring process. In a study of heterosexual / lesbian women’s employment opportunities, this means that at the invitation to interview stage both rejected / invited, only the heterosexual / lesbian women was invited for an interview.

The outcome of the correspondence testing is displayed in Table 1 in a format that follows McIntosh and Smith (1974). This format has since been adopted in field experiments across Europe. The last row shows the aggregated results. The second column shows that applications were sent to 1057 job openings. The third column shows that in 524 cases, neither individual was invited to interview. In the remaining 533 cases (Column four), at least one applicant was invited. In 220 cases (Column five), both were invited (equal treatment); in 301 cases (Column six), only the heterosexual woman was invited; and in 12 cases (Column seven), only the lesbian woman was invited.

In this context, the most common way to measure the overall incidence of discrimination is to count the number of times a minority applicant is treated less favourably by a single type of firm behaviour than the majority applicant and then to subtract the number of times the majority applicant is treated less favourably, mainly on random incidents (Riach and Rich [2002]). The result is a net measure of the number of discriminatory acts a minority applicant can expect to encounter during each application to a firm. Hence, *net discrimination* against the lesbian applicant can be interpreted from the last two columns as having occurred in 289 cases, or 54.2%. As Heckman and Siegelman (1992) suggest, the statistical significance of any net discrimination finding was determined by application of the chi-squared test. The high value of the test reveals that sexual orientation and discrimination are highly correlated. This kind of blatant and direct discrimination meant that lesbian applicants were often not even able to present their credentials to firms.

**Table 1. Aggregate Correspondence Test Results**

Jobs	Neither Invited	At least one invited (1)	Equal Treatment No.	Discrimination Against Lesbian Women (2)	Discrimination Against Heterosexual Women (3)	Net Discrimination (2)-(3) No.	Net Discrimination [(2)-(3)]/(1) %	x <sup>2</sup> test
Office Jobs	276	123	49	69	5	64	52.03	55.35*
Industries	311	135	56	77	2	75	55.55	71.17*
Restaurant & Café Services	256	150	74	73	3	70	46.66	64.47*
Shop Sales	214	125	41	82	2	80	64.00	76.16*
Total	1057	533	220	301	12	289	54.22	50.04*

Note: The null hypothesis is that "Both individuals are treated unfavorably equally often", that is, (2)=(3).  
 (\*) Statistically Significant at 1%

In the current study, although the two fictitious applicants were designed to appear similar, they looked different to employers. These findings provide significant evidence that, of the two identical applicants engaging in identical job

searches, the lesbian-labelled applicant was offered fewer callbacks. The findings revealed significant differences for the two counterparts across all sectors, suggesting that discrimination was widespread, with the lesbian applicant always at a disadvantage. However, these differentials were observed after the antidiscrimination legislation was enacted, and it is impossible to conclude whether the legislation had any effect on these outcomes.

Interestingly, the investigated occupations allowed for further classification in accordance with the nature of the research. It is rather obvious that a key issue that arises when low-skilled lesbian applicants seek employment is the visibility and invisibility of equality, tolerance and diversity in relation to their sexual orientation in different sectors. Some lesbian people might choose occupations in which workplace disclosure of sexual orientation is least damaging<sup>18</sup> (Colgan *et al.* [2006]). Since café-restaurant services and sales vacancies are perceived as gay-friendly jobs, office vacancies are perceived as the jobs with the highest status and industry vacancies are perceived as masculine jobs, we do have a further dimension to take into account.

As our estimations suggest, lesbian applicants did not seem to enjoy an access premium in gay-friendly occupations. The net discrimination factor reached significance in restaurant and café vacancies (46.6%), as well as in shop sales, where it reaches the highest value (64.0%). It seems that although lesbian individuals may want to segregate in gay-friendly sectors, our results do not support this ability. Furthermore, in industry, where jobs are considered *masculine*, the theoretical discussion suggests that discrimination against lesbians is less severe (Riess *et al.* [1974]). However, a significant factor was assigned (55.5%), reaching approximately the same level as in office jobs (52.0%). Hence, no conclusive argument can be made. Generally speaking, Greek firms seemed to be reluctant whenever they had to interact with lesbian-labelled applicants<sup>19</sup>.

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<sup>18</sup> Homosexuals tend to be overrepresented in certain sectors. The sectors and occupations chosen in real life offer a more tolerant environment, have specific non-discrimination policies, are more secure or offer better pension and health schemes. However, choosing a job in order to avoid future discrimination is a typical example of indirect discrimination.

<sup>19</sup> We note that both gay-friendly firms and gay entrepreneurship in Greece are scarce, in accordance with the general homophobic trends in society.

Table 2 presents the mean values of informal wage offers on the part of employers. Since this paper presents all the gathered data and addresses the effect of the potential selection bias, the statistics are reported separately for the entire data set, the paired observations and the exclusive observations.

Panel A presents the entire sample. The samples used in this study consist of 262 observations for heterosexual women and 145 observations for lesbian women. While the lesbians were similar to their heterosexual counterparts in age, education level and work experience, the data suggest that heterosexual applicants were offered monthly wages, on average, higher than lesbian applicants (€93.6 versus €52.0). On this basis, it seems that sexual orientation does have an effect on observable outcomes. Interesting results were revealed when we focused on shop sales. Wage discrimination reaches its highest level in shop sales, which is conditional upon the lower call-back probability of the lesbian women relative to the heterosexual women.

Moreover, we can concentrate on those cases where both applicants were offered wages, as seen in Panel B. The sub-samples consist of 134 paired observations. By doing this, we gained partial control over idiosyncratic differences in employers' evaluations based on common bundles of characteristics that plague ordinary observational studies. Eliminating common unobserved components made it possible to construct better tests of the hypothesis of no discrimination, since, in paired offers, the underlying employer distribution was the same. It can be suggested that heterosexual women's wages are on the order of €85.0, while lesbian women's wages are on the order of €52.6.

In addition, we can focus on the cases where only the heterosexual woman or only the lesbian woman received an offer, Panel C. The sub-samples consist of 128 exclusive observations for the heterosexual woman and 11 exclusive observations for the lesbian woman. It can be read that heterosexual wages are on the order of €702.6, while the lesbian woman's wages are on the order of €644.5. It seems that the extent of wage discrimination depends on the data sub-group, and hence a selection bias may be present. Yet the second stage of the experiment shows that if the lesbian applicant was offered an interview, the terms of employment tended to be inferior to those offered to the heterosexual applicant.

**Table 2. Mean Wage Offers**

	Panel A		Panel B		Panel C	
	Entire Sample		Paired Observations		Exclusive Observations	
	Heterosexual Women	Lesbian Women	Heterosexual Women	Lesbian Women	Heterosexual Women	Lesbian Women
	(€)	(€)	(€)	(€)	(€)	(€)
Office Jobs	740.44	703.42	734.83	705.16	745.13	690.00
N	(68)	(35)	(31)	(31)	(37)	(4)
Industrial Jobs	715.00	662.85	703.93	664.24	734.21	640.00
N	(52)	(35)	(33)	(33)	(19)	(2)
Restaurant & Café Services	652.97	622.30	648.57	662.65	659.14	616.66
N	(84)	(52)	(49)	(49)	(35)	(3)
Shop Sales	678.62	624.78	667.14	627.14	685.13	600.00
N	(58)	(23)	(21)	(21)	(37)	(2)
Total	693.66	652.06	685.07	652.68	702.65	644.54
N	(262)	(145)	(134)	(134)	(128)	(11)

For completeness, in Table 3, we report sample means separately for male and female employers. Panel A (*entire sample*) shows that both male and female employers offered the heterosexual applicants higher wages than those offered to the lesbian applicants (i.e., €91.3 versus €46.7 and €12.0 versus €74.2, respectively). Interestingly, male employers were more likely to practice wage discrimination against lesbian applicants than female employers.

Panel B (*paired observations*) shows the same patterns but to a less extensive degree (i.e., €80.0 versus €48.3, and €709.1 versus €79.4). Finally, Panel C (*exclusive observations*) shows that the wages offered to the heterosexual applicant reached their highest value compared to the former cases (i.e., €701.6 versus €16.6 and €73.3 versus €00.0).

On average, the outcomes imply that when both applicants received an invitation for an interview, the wage disparity affecting lesbians reached its lowest value. When exclusively heterosexual or lesbian applicants were invited for an interview, the wage difference among the counterparts reached its highest value.



**Table 3. Mean Wage Offers  
Per Employers' Sex**

	Male Employers		Female Employers	
	Heterosexual Women	Lesbian Women	Heterosexual Women	Lesbian Women
<u>Panel A: Entire Sample</u>				
Office Jobs	737.61	700.34	776.00	718.33
N	(63)	(29)	(5)	(6)
Industrial Jobs	710.86	658.62	746.66	683.33
N	(46)	(46)	(6)	(6)
Restaurant & Café Services	647.77	611.95	684.16	660.90
N	(72)	(41)	(12)	(11)
Shop Sales	678.46	620.55	680.00	640.00
N	(52)	(18)	(6)	(5)
Total	691.37	646.75	712.06	674.28
N	(233)	(134)	(29)	(28)
<u>Panel B: Paired Observations</u>				
Office Jobs	730.37	704.07	765.00	712.50
N	(27)	(27)	(4)	(4)
Industrial Jobs	698.21	658.92	736.00	694.00
N	(28)	(28)	(5)	(5)
Restaurant & Café Services	635.89	611.28	698.00	667.00
N	(39)	(39)	(10)	(10)
Shop Sales	671.76	627.64	647.50	625.00
N	(17)	(17)	(4)	(4)
Total	680.09	648.37	709.13	679.47
N	(111)	(111)	(23)	(23)
<u>Panel C: Exclusive Observations for Greeks</u>				
Office Jobs	743.05	650.00	720.00	730.00
N	(36)	(2)	(1)	(2)
Industrial Jobs	730.55	650.00	700.00	630.00
N	(18)	(1)	(1)	(1)
Restaurant & Café Services	661.81	625.00	615.00	700.00
N	(33)	(2)	(2)	(1)
Shop Sales	681.74	500.00	745.00	678.00
N	(35)	(1)	(2)	(5)
Total	701.63	616.66	673.33	600.00
N	(122)	(6)	(6)	(9)

## 5.2 Estimations

Table 4 presents the key results from our callback regressions in a format that follows Black *et al.* (2003) and Carpenter (2005). All of these regressions included controls for application sending order, type of cover letter and

curriculum vitae. Individual regressions with and without occupation and time effect controls were also estimated.

Column (1) shows that the estimated probability of lesbian applicants receiving an invitation for an interview was 27.4% lower than that for heterosexual women. In the regression presented in Column (2), we have also included four occupation dummies; however, the estimations did not vary. The estimated effect changed from 27.4% to 27.8%. Column (3) presents the estimates obtained when adding eleven additional dummies to control for each month. The point estimate on sexual orientation changed only slightly as a result (from 27.8% to 27.0%). In all cases, the results were statistically significant at the 1% level.

The findings provided significant evidence that when two identical applicants engaged in an identical job search, the lesbian applicant would receive fewer interview callbacks. The outcomes suggest that lesbians are more likely to be unemployed than heterosexuals, assuming that an applicant received an interview only if she had a substantial chance of getting the job.

**Table 4. Baseline Probit Estimations, Marginal Effects  
(Each Panel is a Separate Regression)**

	<i>Controls:</i>	(1)	(2)
	<i>Cover Letter Type, CV Sending Order and Type</i>	<i>Add Occupations</i>	<i>Add Months</i>
	(1)	(2)	(3)
<b>Sexual Orientation</b>	-0.274* (0.014)	-0.278* (0.014)	-0.270* (0.015)
R-Squared	0.112	0.120	0.465
N	2114	2114	2114

*Notes: Standard errors are in parentheses. \*Statistically significant at the 1 % level.*

Furthermore, we explored differences in responses to lesbian applicants by employer sex<sup>20</sup>. The coefficients reported in Table 5 show the estimated callback

<sup>20</sup> Notice that discriminatory treatment against majorities was generally attributed to random events. According to Wienk *et al.* (1979), the share of calls in which a minority candidate was favoured provided an estimate of the extent to which random factors were at work. In our case, the occupational access discrimination against heterosexual applicants was a negligible outcome; thus, we were unable to test for any correlation between employers' sex and potential discrimination.

effect for the lesbian applicants based on employers' sex<sup>21</sup>. In Column 1, we found that lesbian applicants faced a 24.0% lower chance of being invited for an interview if the employer was male. As shown in Columns 2 and 3, by adding more controls, we estimated that lesbians faced a slightly higher probability (24.3% and 24.7%). In all cases, the results were statistically significant at the 1% level. It seems that male employers were more reluctant in their reactions to lesbian-labelled applicants because they were more prone to practicing higher occupational access discrimination than female employers. Males' sexual prejudice might be higher than females', predetermining their attitudes toward lesbian applicants. Nevertheless, several studies have suggested that heterosexuals may be more hostile toward homosexuals of their own gender (Herek [1984], Kitie [1984]).

**Table 5. Baseline Probit Estimations for Lesbians, Marginal Effects  
(Each Panel is a Separate Regression)**

	<i>Controls:</i>	(1)	(2)
	<i>Cover Letter Type, CV Sending Order and CV Type</i>	<i>Add</i>	<i>Add</i>
		<i>Occupations</i>	<i>Months</i>
	(1)	(2)	(3)
<b>Employers' Gender</b>	-0.240* (0.023)	-0.243* (0.031)	-0.247* (0.033)
R-Squared	0.098	0.127	0.344
N	342	342	342

*Notes: Standard errors are in parentheses. \*Statistically significant at the 1 % level.*

Table 6 presents the OLS wage coefficients. As shown in Panel A, Column 1, the negative effect of lesbian' sexual orientation was -0.061 (i.e., 6.1%) and statistically significant at the 1% level. The lower level of access for lesbians versus heterosexuals regarding the reference occupations entailed discriminatory and statistically significant effects in the ensuing steps of the selection process. In Columns 2 and 3, if we added more controls, we continued to find that lesbians

<sup>21</sup> The effect of employers' sex in lesbians' callbacks was estimated as a Probit model. The dependent variable was the probability that the lesbian applicant was invited for an interview. The independent variable was a dummy variable that indicated employers' sex, which equals one (zero) if the employer was male (in all other cases).

faced a higher estimated earnings effect from sexual orientation, raised up to 6.5%. The wage offered differential represents the amount of income workers “gained” or “lost” in the labour relative to the total labour force, which is the net of their human resources. It appears that our estimations established a significant relationship between informal wage offers and lesbian sexual orientation.

Interesting results are revealed when re-estimating equation (2) focusing on the cases where both applicants received wage offers (Panel B), as bias may be present if the variables that determined whether the applicants received a callback were correlated with the unmeasured variables that affected wage offers. As Column 1 shows, the negative effect of lesbians’ sexual orientation was 4.8% and statistically significant at the 5% level. Similarly, in Columns 2 and 3, if we added more controls we would continue to find that lesbians faced a higher estimated effect due to sexual orientation. The magnitude of the discrimination effect has fallen compared to the former sub-group. It is obvious that when employers invite both applicants to interview, the sexual orientation penalty is lower for the lesbians than in the former case, i.e., 6.1% versus 4.8%. One could claim that when employers invite both applicants for interview, they are driven by lower sexual prejudice against lesbians, and this trend is captured in lower sexual orientation penalties.

As shown in Panel C - Column 1, where we exclusively list wage offer observations for the heterosexual and the lesbian women, the discrimination factor against the lesbians is found to be 8.0%. In the regression presented in Columns 2 and 3, the point estimate on sexual orientation rose from 8.5% to 8.6%. Apart from the selection bias mentioned above, the interpretation of the current outcomes is that when firms only invite heterosexual women to interview, wage discrimination against the lesbians reaches its highest value in comparison to the formerly described cases (Panels A and B). Wage offers are higher for heterosexual applicants relative to lesbian applicants in each of the data sub-group regressions, with the coefficients generally increasing in magnitude as one progresses up the hiring discrimination hierarchy.

**Table 6. Baseline Monthly Wage Differentials, OLS  
(Each Panel is a Separate Regression)**

	<i>Controls:</i>	(1)	(2)
	<i>Cover Letter Type, CV Sending Order and CV Type</i>	<i>Add Occupations</i>	<i>Add Months</i>
	(1)	(2)	(3)
<u>Panel A: Entire Sample</u>			
<b>Sexual Orientation</b>	-0.061*	-0.063*	-0.065*
	(0.024)	(0.020)	(0.021)
R-Squared	0.189	0.207	0.358
N	407	407	407
<u>Panel B: Paired Observations</u>			
<b>Sexual Orientation</b>	-0.048**	-0.047**	-0.050*
	(0.019)	(0.021)	(0.023)
R-Squared	0.065	0.165	0.301
N	268	268	268
<u>Panel C: Exclusive Observations for Heterosexual and Lesbian Women</u>			
<b>Sexual Orientation</b>	-0.080*	-0.085*	-0.086*
	(0.032)	(0.031)	(0.038)
R-Squared	0.199	0.276	0.397
N	139	139	139

*Notes: Standard errors are in parentheses. The dependent variable is the natural logarithm of average monthly wage offers. \*Statistically significant at the 1 % level; \*\*at the 5 % level.*

In Table 7, we report the effect of employers' sex on the informal wage offers<sup>22</sup>. As shown in Panel A, the estimated earnings penalty of being lesbian changed from 6.8% when the employer was male to about 5.4% when the employer was female (Columns 1 and 4). In addition, the coefficients reported in Panel B show that the estimated earnings penalty of being lesbian changed from 4.9% when the employer was male to about 4.0% when the employer was female (Columns 1 and 4). For both panels, the estimations are statistically significant, at least at 5%. Moreover, Panel C shows that the lesbians faced a sexual orientation penalty that changed from 12.7% when the employer was male to about 10.6% when the employer was female (Columns 1 and 4). However, the outcomes for the

<sup>22</sup> The effect of employers' sex on applicants' wages was estimated using OLS regressions per sex. The dependent variable was log wages. The independent variable was a dummy variable which indicated applicants' sexual orientation.

female employers are statistically insignificant. This might be due to the limited number of available observations.

In Columns (2), (3), (5) and (6), we report results for regressions in which we included further controls. In all Panels, we found no discernable changes in any of these gaps after controlling for occupation and time effects. On average, for lesbians, the wage penalty was stronger if the employers were males.

**Table 7. Baseline Monthly Wage Differentials, OLS  
(Each Panel is a Separate Regression)**

	Male Employers			Female Employers		
	<i>Controls:</i>	(1)	(2)	<i>Controls:</i>	(4)	(5)
	<i>Cover Letter Type, CV Sending Order and CV Type</i>	<i>Add Occupations</i>	<i>Add Months</i>	<i>Cover Letter Type, CV Sending Order and CV Type</i>	<i>Add Occupations</i>	<i>Add Months</i>
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Panel A: Entire Sample</u>						
<b>Sexual Orientation</b>	-0.068*	-0.070*	-0.071*	-0.054**	-0.052**	-0.057*
	(0.015)	(0.023)	(0.008)	(0.026)	(0.023)	(0.009)
R-Squared	0.165	0.211	0.337	0.122	0.276	0.306
N	367	367	367	57	57	57
<u>Panel B: Paired Observations</u>						
<b>Sexual Orientation</b>	-0.049*	-0.050*	-0.052*	-0.040**	-0.040**	-0.043**
	(0.011)	(0.012)	(0.021)	(0.017)	(0.018)	(0.020)
R-Squared	0.078	0.087	0.120	0.067	0.103	0.304
N	222	222	222	46	46	46
<u>Panel C: Exclusive Observations for Heterosexual and Lesbian Women</u>						
<b>Sexual Orientation</b>	-0.127*	-0.131*	-0.129*	-0.106	-0.108	-0.110
	(0.065)	(0.035)	(0.044)	(0.066)	(0.078)	(0.089)
R-Squared	0.124	0.196	0.277	0.110	0.145	0.237
N	128	128	128	15	15	15

*Notes: Standard errors are in parentheses. The dependent variable was the natural logarithm of average monthly wage offers. \*Statistically significant at the 1 % level; \*\*at the 5 % level.*

Our specification does not allow us to investigate the extent to which discriminatory treatment against lesbians' invitations reflects differences between the two time periods, that is, from September to March and April to July. Table 8

provides additional specifications that shed some light on this issue<sup>23</sup>. In the regressions presented here, we included controls for application form sending order, cover letter and curriculum vitae type and time effects. We observe that between semesters, the values of the estimated coefficients changed only slightly. It could be suggested that between April and July, when there was an increased need for workers in restaurant and café services, the discrimination rate against the lesbian applicants might decrease. However, our estimations did not support this fact. Analytically we found that, between September and March, lesbian applicants faced a lower chance of being invited for an interview for office and industrial jobs than between April and July (i.e., 22.3% versus 21.1% and 25.0% versus 23.9%, respectively). On the other hand, lesbian candidates had a greater chance of being invited for an interview in restaurant and café services and shop sales between September and March than between April and July (i.e., 26.0% versus 27.8% and 37.2% versus 37.6%, respectively). Regardless of the time period, it is likely that the durations of job searches are longer for lesbian women than for heterosexual women. While the cost of sending additional resumes is negligible, the invitation difference could be quite substantial when compared to the vacancy rate of new job openings. This takes into account the limited number of new job openings each month.

**Table 8. Baseline Probit Estimations, Marginal Effects  
(Each Panel is a Separate Regression)**

	Office Jobs		Industrial Jobs		Restaurant and Café Services		Shop Sales	
	<i>September to March</i>	<i>April to July</i>	<i>September to March</i>	<i>April to July</i>	<i>September to March</i>	<i>April to July</i>	<i>September to March</i>	<i>April to July</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Sexual Orientation</b>	-0.223*	-0.211*	-0.250*	-0.239*	-0.260*	-0.278*	-0.372*	-0.376*
R-Squared	0.154	0.113	0.221	0.209	0.222	0.239	0.321	0.266
N	255	293	362	260	239	273	244	184

*Notes: Standard errors are in parentheses. All models included controls for curriculum vitae sending order and type. \*Statistically significant at the 1 % level; \*\*at the 5 % level.*

<sup>23</sup> We employed equation (1) in order to estimate this relation. However, we separated the sample into subgroups and ran two regressions.

## 6. Discussion

These results establish that the relationship between sexual orientation and occupational access is a consequence of discrimination, as lesbian women face poorer hiring prospects than their heterosexual counterparts. Moreover, the study also offers significant evidence that lesbian women face different monthly wage offers from employers than heterosexual females.

As pointed out by Elmslie and Tebaldi (2007), the level of discriminatory attitudes against lesbians is “indeterminate theoretically”. On the one hand, lesbian women could suffer from negative attitudes towards homosexuals. On the other hand, lesbians might be preferred due to their being perceived as having stronger labour force attachment than their heterosexual counterparts. The latter theory provides no credit to our estimations. Becker’s model of family (1981) cannot explain the findings of this study. Differences in lesbians’ life organization that contribute to being perceived as the best in the market are not consistent with the current findings. Greek employers do not infer that a lesbian applicant might have a greater attachment to the labour market.

The current trends cannot even support the idea that since employers adhere to the ideal of masculinity, which is associated with labour market success, lesbians are rewarded, in contrast to heterosexual women (Woods [1993]). On the contrary, Greek lesbians suffer from the negative attitudes with which Greek society views gay people. Greek employers disapprove of lesbian lifestyles and act on this bias in making hiring decisions. As long as such biases are widely shared, the returns relative to sexual orientation are lower for lesbians. Notice, however, that in the empirical literature reviewed in this study, there is no information regarding lesbians’ earnings whenever they start new jobs. Hence, it is impossible to suggest whether (low-skilled) lesbians face labour entry inequalities that would become premiums in the future. It is an open question which requires available data and further research.

These current findings, viewed together with previous theoretical work on this topic, help to narrow the field of theories that can explain the sexual orientation hiring penalties visible in the data. Theoretical explanations of labour market discrimination are concerned with how and why irrelevant characteristics



influence the market behaviour of employers and employees. There is no generally accepted theory explaining labour discrimination, although a variety of hypotheses exist. In this section, we briefly review the two main strands of the theoretical literature on discrimination in the context of sexual orientation, the “Taste” theory (Becker [1957]) and the “Statistical” theory (Arrow [1973], Phelps [1972], Aigner and Clain [1977]).

The taste hypothesis describes discrimination as a preference or taste for which the discriminator is willing to pay. With respect to the first effect realized in our study, *lower occupational access availability for lesbian women than for heterosexual women*, the main thrust of Becker’s theory suggests that individuals in the sexual orientation minority face potential occupational access discrimination. The distinguishing characteristic of this theory is that employers are motivated ultimately by their prejudice against sexual orientation minority applicants. Such employers may be socialized so as to perceive lesbians as inferior and unreliable. Becker suggests that discrimination coefficients incorporate the influence of characteristics on tastes and attitudes. In particular, employers may want to maintain a higher physical or social distance from certain groups, or they may fear that other employers, co-workers and customers dislike interacting with lesbians in those areas.

The statistical theory of discrimination can also be applied to interpreting the first result. Statistical discrimination predicts that unequal treatment results from the profit-maximizing response of employers to uncertainty about the quality of individual employees, while the real or subjective distributions favour the group that receives preferences. In a world of imperfect information, employers face risks when hiring individuals, and specific characteristics can become screening devices. If employers believe that there is a systematic differential between the lesbian and heterosexual employees in terms of their productivity, this is sufficient to create a permanent differential in occupational access. In this situation, discrimination is not the consequence of exogenous preferences, but of profit-maximizing behaviour of risk-averse employers. In the current study, either of the two theories about the cause of sexual orientation discrimination can be

used to make predictions about the circumstances under which discrimination will occur in the Greek labour market.

On the other hand, the second effect noted in this study, *the significant monthly wage offer discrimination on the part of employers*, is also consistent with employers' prejudice against and statistical assumptions about sexual orientation minorities. In particular, employers might be willing to overcome a dislike for lesbian women if they can charge lower entry wages than those charged to heterosexual women. This translates into a monetary offer or demand function for an attribute such as sexual orientation. Employers may consider lesbians to be less efficient and reliable than heterosexuals; hence, the lesbians could suffer a "sexual orientation penalty" in hiring. Whenever lesbian applicants, as a sexual orientation group, have a reputation for lower profitability, prospective applicants from that group would tend to be discriminated against on the basis of statistical averages, regardless of other characteristics that the individual applicants possess.

The limitations of this study should be acknowledged in any discussion of its implications. We note that it is likely that the sample studied here is atypical of the general lesbian population in Greece. The sexual orientation penalties derived from this study might not accurately characterize the degree of the potential wage gap that employed lesbians face in the Greek private labour market.

Finally, we discuss an additional important finding from this study. As heterosexuality is held to be the only "normal" option, and variants are labelled as deviants or "useless", it is recognised that homosexual persons might experience various forms of societal prejudice and harassment because of their sexual orientation (Herek [1986]; [1990]). In this study, harassment was experienced as being overt and direct.

Although the current Correspondence Testing cannot measure any discrimination other than hiring prospects for lesbian-labelled applicants, during the experiment, we ourselves became victims of abuse and bullying. After a short period of sending applications, the lesbian-labelled mobile phone started to receive intimidating calls from males, including lesbian-baiting and anti-lesbian

remarks and jokes regarding sexual orientation, and this lasted until the end of the experiment. This kind of harassment was shocking and entirely unacceptable.

Although we could not ascertain whether the calls came from employers or other employees, or whether the lesbian applicants receiving the calls had been rejected or chosen for interviews, this experience illuminated some further discrimination that could be faced by an openly homosexual person in the workplace. As our experience evinced, harassment can easily become the defining aspect of a lesbian's employment life. Acts of harassment, and the potential for harassment, may have profound and negative consequences on the lives of lesbians in Greece.

In sum, our study has led us to several important conclusions. Employers need to give more public support to sexual orientation minorities' equality and be explicit about the unacceptability of discrimination. On the other hand, it is important for social planners to remember that lesbian women and gay men are not a community set apart from the heterosexual population. At a time when the sexual orientation inequities in Greece are so readily observable, policy makers must rise to the challenge and confront all forms of exclusion and discrimination.

## **7. Conclusion**

Lesbians suffer from discrimination and harassment in every aspect of their daily lives. In Greece, an attempt to construct a lesbian study involves confronting silence, erasure and prejudice. How is it possible for an academic to evaluate a condition from evidence that is absent, hidden and denied? In the current study, we developed an experiment to determine if lesbians are treated differently in the hiring process from their equally skilled heterosexual counterparts three years after the national adoption of the European Employment Equality Directive 2000/78. We find strong evidence consistent with the hypothesis of discriminatory treatment of lesbian women. Our results suggest that lesbian applicants faced lower occupational access and are offered lower entry wages than heterosexual women. The estimated evidence suggests that discrimination in Greek society persists at alarming levels. Given the legal and institutional actions in Europe that have the potential to affect sexual minority

individuals, it is increasingly important to understand the relationship between sexual orientation and labour market discrimination. The systematic study of sexual minority individuals is valuable for both its policy relevance and its potential to inform social scientists and policy makers about the functioning of the labour market.

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**Appendix Curriculum Vitae Types –  
Short Versions**

Type A

Dear Sir/Madam,  
Please find attached my Curriculum Vitae for your kind consideration for the vacancy as was advertised in....  
Yours sincerely,

**Curriculum Vitae**  
**First Name:**  
**Last Name:**  
**Ethnicity:** Greek  
**Marital Status:** Unmarried  
**Date of Birth:** .../.../1978  
**Address:** Location  
**Telephone:** Mobile

**Education:**

Certificate of completion of Greek High School in 1996, Location  
Basic Knowledge of English and P/C  
Driving License

**Professional Experience:**

From August 1997 to January 2000  
Appointment/ Firm  
From March 2000 to March 2003  
Appointment/ Firm  
From April 2003 to ...200(7)8  
Appointment/ Firm

**Interests:**  
Member volunteer in the Athenian Homosexual Community (01-05)  
Cinema Music

**Personal Characteristics:** Amiable Productive

Type B

Dear Sir/Madam,  
Please consider my application for the vacancy as was advertised in.... I attached my Curriculum Vitae.  
Yours faithfully,

**Curriculum Vitae**

First Name  
Last Name

Date of Birth .../.../1978  
Ethnicity Greek  
Marital Status Unmarried  
Address Location  
Telephone Mobile

**Experience**

Appointment/ Firm  
February1997- November1999  
Appointment/ Firm  
December1999-July 2004  
Appointment/ Firm  
August2004-...200(7)8

**Education**

Certificate of completion of Greek High School  
in 1996, Location  
English Basic Knowledge  
P/C Basic Knowledge

**Personal**

Hobbies Volunteer in the Olympus:  
Environmental Union from 1999-2003,  
Music Cinema  
Personality Social Productive  
Driving License