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Customer and Worker Discrimination against Gay and Lesbian Business Owners: A Web-Based Experiment among Students in Sweden

Ali Ahmed, PhD\textsuperscript{a} and Mats Hammarstedt, PhD\textsuperscript{b,c}

\textsuperscript{a}Division of Economics, Department of Management and Engineering, Linköping University, Linköping, Sweden; \textsuperscript{b}Department of Economics and Statistics, Linnaeus University, Växjö, Sweden; \textsuperscript{c}The Research Institute of Industrial Economics, Stockholm, Sweden

\textbf{ABSTRACT}

We examined customer and worker discrimination against gay and lesbian business owners using a web-based experiment conducted at a Swedish university campus. Participants ($N = 1,406$) were presented with a prospective restaurant establishment on the campus. They then stated whether they would be positive to such an establishment, whether they would be interested in working at the restaurant, and what their reservation wage would be if they were interested in the job. Owners’ sexual orientation was randomized across participants. Results showed that participants were less positive to a restaurant opening if the owners were lesbians, and they were less interested in an available job if the owners were gay. The participants had higher reservation wages if the owners were lesbians. In fact, the participants increased their wage demands when the number of women among the owners increased. Our study underlines that gay and lesbian people face various inequalities in society.

Research has shown that gay and lesbian people suffer from various nonnegligible disadvantages in different countries. Such disadvantages can be attributed to sexual orientation in terms of earnings and wages (Ahmed, Andersson, & Hammarstedt, 2011a, 2013b; Ahmed & Hammarstedt, 2010; Aldén, Edlund, Hammarstedt, & Mueller-Smith, 2015; Allegretto & Arthur, 2001; Arabsheibani, Marin, & Wadsworth, 2005; Badgett, 1995; Berg & Lien, 2002; Black, Makar, Sanders, & Taylor, 2003; Carpenter, 2008; Hammarstedt, Ahmed, & Andersson, 2015; Plug & Berkhout, 2004) as well as in occupational choice and ranking (Ahmed, Andersson, & Hammarstedt, 2011b; Antecol, Jong, & Steinberger, 2008; Frank, 2006). Furthermore, research has shown that gay and lesbian people experience discrimination in hiring (Ahmed, Andersson, & Hammarstedt, 2013a; Drydakis, 2015; Weichselbaumer, 2003) and in the housing market (Ahmed & Hammarstedt, 2009; Lauster & Easterbrook, 2011).

\textbf{CONTACT} Mats Hammarstedt \textsuperscript{a} mats.hammarstedt@lnu.se \textsuperscript{a} Department of Economics and Statistics, Linnaeus University, Växjö 351 95, Sweden.

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As regards the issue of self-employment among gay and lesbian people, Leppel (2016), Jepsen and Jepsen (2017), and Waite and Denier (2016) have documented differences in self-employment rates between gay, lesbian and heterosexual individuals. However, research has not been able to document any differences in self-employment earnings between gay, lesbian and heterosexual individuals.

Self-employed individuals from minority groups (such as immigrants) may experience discrimination from customers and workers. Examining such forms of discrimination is important for different reasons. Customer discrimination may have important economic implications for business and labor outcomes (Bar & Zussman, 2017; Borjas & Bronars, 1989; Doleac & Stein, 2013; Holzer & Ihlanfeldt, 1998; Leonard, Levine, & Giuliano, 2010; Nardinelli & Simon, 1990). Various forms of workplace discrimination may have significant implications on the wellbeing of the individual as well as for managerial and organizational success (Del Carmen Triana, Trzebiatowski, & Byun, 2018; Pichler & Ruggs, 2018; Smith & Simms, 2018).

The literature on customer and worker discrimination related to sexual orientation is, however, limited. In this paper, we addressed the question of whether potential customers and workers discriminate against gay and lesbian business owners. We conducted a web-based experiment, framed as a market survey among university students in Sweden. As far as we know, our study is the first to experimentally examine the issue of customer and worker discrimination against gay and lesbian business owners. There is, however, a large body of research that has shed light on the experiences of gay and lesbian business owners (see, e.g., Galloway, 2012) as well as provided an analysis of gay and lesbian entrepreneurship (see, e.g., Marlow, Greene, & Coad, 2018).

In the experiment, we examined whether participants’ attitudes toward a prospective restaurant establishment at a Swedish university campus were influenced by the sexual orientation of the restaurant owner. We also investigated whether participants’ interest in working at a potential restaurant establishment, and, if interested, their reservation wage (the lowest hourly wage at which they would be willing to work in the restaurant), was affected by the sexual orientation of the restaurant owner. Our results revealed that participants were less positive to a restaurant opening and had higher reservation wages if the restaurant owners were lesbian and they were less interested in an available job if the owners were gay.

The remainder of the paper is organized as follows: The experimental method is presented in Section 2. The results are presented in Section 3, while Section 4 contains the conclusions.
Method

Participants

Participants were 1,406 university students at a large Swedish university. Their ages ranged between 18 years to 68 years ($M = 25$, $SD = 6.52$), and there were slightly more women than men (59%). The average monthly net income among participants was 10,505 Swedish krona ($SD = 5,264$) and the average number of semesters participants had studied at the university level was 6.4 ($SD = 3.8$). Moreover, 38% were married or had a partner (i.e., were not single), 11% were parents, 39% were working alongside their studies, and 11% were born abroad.

Materials

Participants received information about a series of potential small businesses on campus. They were told that the purpose of the study was to gain insights about students’ opinion and interest those establishments at campus, from their perspective of being potential customers and/or workers. Eight types of small businesses were presented to all 1,406 participants: salad food truck, baguette food truck, kebab food truck, pasta bar, corner shop, hairdresser, secondhand shop, and cinema. The cases were presented to the participants in randomized order. Each of these cases had their own accompanying market-related questions that participants were asked to answer from a perspective of being potential customers or workers. One of these cases, the pasta bar, was used to test our conjectures about discrimination customer and coworker discrimination against gay and lesbian business owners. We will, therefore, explain the pasta bar case. The other cases will not be discussed.

The storyline was that a pasta bar was planning to establish at one of the university campuses and that it was looking for people to hire. The study was framed as a market survey, which elicited students’ general opinion about the establishment and whether they would be interested in working at the establishment. Participants were given the information that the pasta bar would be privately owned by a couple. The sexual orientation of the pasta bar owners was experimentally manipulated, so that the bar owners were either heterosexual, gay, or lesbian. We provided the following description about the pasta bar to the participants (English translation):

*Peter* [or Pernilla] *Svensson and his domestic partner Erika* [or Erik] *are planning to open a pasta bar close to the university campus. Peter and Erika* [or Peter and Erik, or Pernilla and Erika] *are running a business together and have previous experience from restaurant sector. Both of them will work in the pasta bar. They are planning to hire a student that will work every other weekend divided between two Fridays between 18–23 and two Saturdays between 18–23 each month. Your work will consist of making salads, serving customers, and cleaning the facility. You do not need to have any previous experience of the restaurant*
Participants answered three questions following the description of the pasta bar. First, we asked them whether they would be positive to the fact that a pasta bar was establishing in the campus area (response choices: “Yes” or “No”). Second, they were asked whether they would be interested in the part-time job opportunity at the pasta bar (response choices: “Yes” or “No”). If they were interested in the job, we lastly asked them to state the lowest hourly wage at which they would accept to work at the pasta bar (response choices: an hourly wage between 90–200 Swedish kronor ≈ 10–23 U.S. dollars). Hence, we examined three outcome variables: the probability of being positively inclined the probability of being interested in the job, and the reservation wage.

Our main explanatory variable was the sexual orientation of the couple that was starting the pasta bar business, which was manipulated by using distinctive and common male and female Swedish-sounding names. The sexual orientation of the pasta bar owners was randomly assigned across participants. At this point, it is important to note that not all participants may have noticed the sexual orientation of the pasta bar owners. Hence, observed discrimination against gay and lesbian people in our experiment might be underestimated.

We also collected some background information of the participants that we used as control variables, they were: participants’ age, sex, monthly income, work status, civil status, field of study, and number of semesters at the university as well as whether participants were born abroad and whether they had any children.

**Procedure**

Students were invited to participate in the study through the official university information e-mail system. The invitation e-mail contained brief information about the study and a weblink to the online platform. Hence, participation was voluntary and anonymous. If students chose to participate, the weblink took them to the first page of the online study which contained introductory information. Participants could then click themselves through different parts of the study. The first section of the study consisted of the experiment, i.e., a randomized series of eight business establishment cases with various variables and with corresponding questions and measures. One of these cases was the salad bar case which we have described in detail above and which we focus on in this paper. The second section of the study consisted of questions that captured some background information about the participants. Participants were not able to click themselves back in the online study, i.e., from one page to a previous one, only forward. Participants could stop their participation at any time. The experiment was conducted over the Internet using the platform
Qualtrics during February 2018. It took participants about 15 min to complete the experiment. The data that support the findings of this study are openly available in Zenodo at https://doi.org/10.5281/zenodo.2693643.

**Strategy of analysis**

We had three outcome variables (Positively inclined, Job interest, and Reservation wage) and one main explanatory variable (the sexual orientation of the pasta bar owners). The first two outcome variables were dichotomous. To test whether there were any differences in these outcomes related to the sexual orientation of the pasta bar owners, we used a $\chi^2$-test for evaluating differences in proportions. To test for differences in mean reservation wage stated by participants across straight, gay, and lesbian pasta bar owners, we used a one-way analysis of variance to test for differences across all categories and a $t$-test to evaluate differences between two categories. Finally, we used linear probability models when examining the first two outcome variables and an ordinary least square regression when examining the third outcome variable, as a function of restaurant owners’ sexual orientation and participants’ characteristics.

**Results and discussion**

**Main results**

Table 1 shows the results of our three outcome variables, Positively inclined, Job interest, and Reservation wage. Table 1 shows that 475 participants encountered the straight couple, 465 participants encountered the gay couple, and 466 participants encountered the lesbian couple.

The result for the first outcome shows that most participants were positively inclined to the opening of a pasta bar regardless of the sexual orientation of the owners, $\chi^2(2, N = 1,406) = 3.52, p = .172$. However, it seems like participants were less positively inclined when the owner was a lesbian couple. For example, 95% of the participants that encountered the straight couple were positively inclined to the opening of the pasta bar, while only 92% were so among

<table>
<thead>
<tr>
<th></th>
<th>Straight</th>
<th>Gay</th>
<th>Lesbian</th>
<th>Test of differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positively inclined</td>
<td>95.2%</td>
<td>94.2%</td>
<td>92.3%</td>
<td>$\chi^2(2, N = 1,406) = 3.52$</td>
</tr>
<tr>
<td></td>
<td>(452/475)</td>
<td>(438/465)</td>
<td>(430/466)</td>
<td>$p = .172$</td>
</tr>
<tr>
<td>Job interest</td>
<td>61.1%</td>
<td>52.7%</td>
<td>61.8%</td>
<td>$\chi^2(2, N = 1,406) = 9.84$</td>
</tr>
<tr>
<td></td>
<td>(290/475)</td>
<td>(245/465)</td>
<td>(288/466)</td>
<td>$p = .007$</td>
</tr>
<tr>
<td>Reservation wage</td>
<td>125.8</td>
<td>123.9</td>
<td>128.9</td>
<td>$F(2, 820) = 4.99$</td>
</tr>
<tr>
<td></td>
<td>(17.69)</td>
<td>(18.16)</td>
<td>(20.25)</td>
<td>$p = .007$</td>
</tr>
</tbody>
</table>

Actual number of cases are presented in the parentheses for the outcomes Positively inclined and Job interest. Standard deviations are presented in parentheses under the reservation wages. The number of cases for the reservation wages are simply the number of participants that were interested in the job.
those participants who encountered the lesbian couple; a weakly statistically significant difference, $\chi^2(1, N = 941) = 3.33, p < .068$. The difference in the percentage of participants that were positively inclined between the straight and gay couple and between the gay and lesbian couple was not statistically significant, $\chi^2(1, N = 940) = 0.434, p = .510$, and $\chi^2(1, N = 931) = 1.36, p = .244$, respectively.

Table 1 further shows that the percentage of participants that were interested in the available job at the pasta bar was 61, 53, and 62% among those participants that encountered the straight, gay, and lesbian couple, respectively. There were statistically significant differences across experimental conditions, $\chi^2(2, N = 1,406) = 9.84, p = .007$. Participants were significantly less interested in the job when the owner of the pasta bar was a gay couple compared to when the owner was a straight or lesbian couple, $\chi^2(1, N = 940) = 6.70, p = .010$, and $\chi^2(1, N = 931) = 7.90, p = .005$, respectively. The small difference in job interest between participants that encountered the straight and lesbian couple was not statistically significant, $\chi^2(1, N = 941) = 0.06, p = .813$.

Last, Table 1 shows that the lowest hourly wage at which participants would accept a job at the pasta bar was, on average, 126, 124, and 129 Swedish krona among participants that encountered the straight, gay, and lesbian couple, respectively. The differences in hourly reservation wages were statistically significant, $F(2, 820) = 4.99, p = .007$. Participants stated a significantly higher reservation wage when they encountered the lesbian couple than when they encountered the straight or gay couple, $t(576) = 1.99, p = .047$, and $t(531) = 3.01, p = .003$, respectively. The difference in hourly reservation wage between participants that encountered the straight and gay couple was not statistically significant, $t(533) = 1.24, p = .217$.

Hence, our results show that participants were less positively inclined to the opening of the pasta bar when the owners were a lesbian couple, participants were less interested in the job at the pasta bar when the owners were a gay couple, and participants had a higher reservation wage when the owners were a lesbian couple.

**Regression analysis**

We also conducted some regression analyses to check the robustness of our results. Table 2 presents the results of our regression analyses. All regressions include controls for participants’ age, sex, monthly income, work status, civil status, field of study, and number of semesters at the university as well as whether participants were born abroad and whether they had any children.

Model $i$ shows that the probability of participants being positively inclined to an opening of a pasta bar was 3 percentage points lower when participants encountered the lesbian couple compared to when participants encountered
Table 2. Positively inclined, job interest, and reservation wage as function of restaurant owners’ sexual orientation and participants’ characteristics.

<table>
<thead>
<tr>
<th></th>
<th>Model i Positively Inclined</th>
<th>Model ii Job interest</th>
<th>Model iii Reservation wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Straight</td>
<td>Reference</td>
<td>Reference</td>
<td>Reference</td>
</tr>
<tr>
<td>Gay</td>
<td>−0.007 (0.015)</td>
<td>−0.089*** (0.032)</td>
<td>−0.014 (0.012)</td>
</tr>
<tr>
<td>Lesbian</td>
<td>−0.029* (0.016)</td>
<td>0.003 (0.031)</td>
<td>0.024** (0.012)</td>
</tr>
<tr>
<td>Female</td>
<td>0.014 (0.014)</td>
<td>0.051* (0.029)</td>
<td>−0.010 (0.011)</td>
</tr>
<tr>
<td>Age</td>
<td>0.002 (0.001)</td>
<td>−0.010*** (0.003)</td>
<td>0.005*** (0.001)</td>
</tr>
<tr>
<td>Foreign</td>
<td>−0.043* (0.025)</td>
<td>0.092** (0.042)</td>
<td>−0.005 (0.018)</td>
</tr>
<tr>
<td>Partner</td>
<td>−0.004 (0.014)</td>
<td>−0.022 (0.029)</td>
<td>0.013 (0.010)</td>
</tr>
<tr>
<td>Parent</td>
<td>−0.044 (0.031)</td>
<td>−0.055 (0.058)</td>
<td>0.017 (0.021)</td>
</tr>
<tr>
<td>Work</td>
<td>0.021 (0.014)</td>
<td>−0.087*** (0.030)</td>
<td>−0.008 (0.011)</td>
</tr>
<tr>
<td>Income</td>
<td>−0.000 (0.000)</td>
<td>0.000 (0.000)</td>
<td>0.000 (0.000)</td>
</tr>
<tr>
<td>Semester</td>
<td>−0.000 (0.002)</td>
<td>−0.006 (0.004)</td>
<td>−0.001 (0.002)</td>
</tr>
<tr>
<td>Field dummies</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.033</td>
<td>0.059</td>
<td>0.075</td>
</tr>
<tr>
<td>$N$</td>
<td>1,406</td>
<td>1,406</td>
<td>823</td>
</tr>
</tbody>
</table>

Models i–ii are linear probability models and Model iii is an ordinary least squares model. Dependent variables in Models i and ii are dummies equal to 1, if the participant was positively inclined to the opening of the pasta bar and if the participant was interested in the job at the pasta bar, respectively. The dependent variable in Model iii is the natural logarithm of the stated hourly reservation wage. The independent variables Gay and Lesbian are equal to 1, if the participant encountered a gay or a lesbian couple, respectively. All regressions include controls for participants’ sex (Female), age (Age), civil status (Partner), work status (Work), monthly income (Income), and number of semesters at the university (Semester). All regressions also include controls for whether participants were born abroad (Foreign), whether they had any children (Parent), and their field of study (Field dummies). Robust standard errors are within parentheses.

**p < 0.01, *p < 0.05, *p < 0.10.

the straight couple (this estimate is, however, weakly significant at the 10% level). Model ii shows that participants were 9 percentage points less likely to be interested in the job opening at the pasta bar when the owners were a gay couple compared to when the owners were a straight couple. Finally, Model iii regress the natural logarithm of the hourly reservation wage on the explanatory and control variables. Model iii shows that participants that encountered the lesbian couple stated a lowest acceptable hourly wage that was 2.4% higher than the wage stated by participants that encountered the straight couple. The regression analyses show that our initial findings are robust to a set of elicited controls.

Conclusions

While the research has paid attention to the issue of sexual orientation and self-employment in recent years, less is known about the extent to which self-
employed gay and lesbian people experience discrimination from customers and workers. As far as we know, this paper is the first to experimentally address this question from an economic perspective.

We conducted a web-based experiment at a Swedish university campus and draw the following conclusions: First, participants in the experiment seemed to be less positively inclined to prospective restaurant startups that were planned by lesbian than by gay and straight entrepreneurs. Second, participants were less interested in an available part-time job at a prospective restaurant establishment if the owners were gay than when the owners were lesbian or straight. Third, people who were interested in a part-time work at the prospective restaurant establishment stated a significantly higher reservation wage when the owners were lesbian than when the owners were gay or straight.

Hence, we observe negative customer attitudes only against lesbian restaurant owners. When it comes to workers, people were less interested to work for (or with) gay owners, while the highest reservation wage was found when the owners were lesbian. Hence, both gay and lesbian restaurant owners faced unequal treatment, but in different forms. In fact, participants seemed to become bolder in their wage demands as the as the number of women in the composition of owners increased. This is somewhat in line with a prior finding that participants behave more “hawkish” against women than men in experimental battle-of-the-sexes games (Holm, 2000). Our study demonstrates that there are various facets to the inequalities that gay and lesbian people face in society. It is important to accumulate knowledge of these nuances in order to develop efficient policies for reducing inequalities in society.

The results of this study should, however, be taken with some caution and future studies should examine the replicability of our result as well as extend our experimental design. First, we conduct our experiment in a very specific situation using a very specific type of business. Future studies should test for customer and worker discrimination against gay and lesbian business owners in different types of businesses. Second, our study is based on a student population, which is generally younger, more tolerant, and more educated than the general population. Future studies should therefore use a representative sample of the whole population. Third, discriminatory attitudes may not manifest themselves when we consider necessary short-run commitments, such as temporary, short-term jobs that are normally taken in order to eke out your living during your studies. An alternative, but more complicated, design would be to ask students for their work preferences in relation to future employment after their studies. Finally, our results seemed to suggest that wage claims increased as the as the number of women in the composition of owners increased. Future studies should properly evaluate this resulting conjecture, both generally as well as in relation to sexual orientation.
Acknowledgments

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Disclosure statement

No potential conflict of interest was reported by the authors.

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