

DISCUSSION PAPER SERIES

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First Evidence from China**

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ABSTRACT

The Relationship Between Earnings and Sexual Orientation: First Evidence from China*

We document, for the very first time, the relationship between earnings and sexual orientation in China. Using data from the 2020 Chinese Private Life Survey, we find that gay men earn significantly less than comparable heterosexual men, with the largest penalties for rural-hukou holders and among men reporting exclusive same-sex attraction. Lesbian women tend to earn more than heterosexual women, but the differences are small and mostly insignificant. The estimates for bisexual men and women are uniformly insignificant. We conclude that the gay penalties and lesbian premiums in China, albeit imprecisely estimated, mirror those observed in Western labor markets and are most consistent with explanations based on conventional gender norms and intra-household specialization.

JEL Classification: D10, J10, J15, J30, J70, O10

Keywords: sexual orientation, earnings, China

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1 Introduction

Economic research on the labor market outcomes of lesbian, gay, and bisexual (LGB) populations has grown substantially over the last three decades (Badgett et al., 2024). Quantitative summaries to date point to systematic earnings differences by sexual orientation: that is, gay men earn less than comparable heterosexual men, lesbian women earn more than comparable heterosexual women, and bisexual men and women tend to earn less than their heterosexual counterparts (Badgett et al., 2024; Drydakis, 2022; Klawitter, 2015; Valfort, 2017; Weichselbaumer, 2022). These findings, however, come almost exclusively from Western societies, where sexual orientation is widely recognized, covered by anti-discrimination laws, embedded in institutional frameworks, increasingly recorded in administrative registers, and frequently asked for in large-scale surveys.¹

Evidence on the labor market outcomes of LGB people outside Western contexts is scarce (Badgett, Carpenter, and Sansone, 2021; Badgett et al., 2024). A recent few studies consider Latin and South American settings (Graves and Trond, 2024; Ham, Guarín, and Ruiz, 2024; Nettuno, 2024; Tampellini, 2024) but there is, to our knowledge, no evidence from China. This is a fundamental gap in LGB research for several reasons. First, China is the world’s most populous country, making it central to any global understanding of LGB labor market outcomes. Second, LGB tolerance appears unequal: recent surveys on LGB tolerance in China point to a form of silent acceptance, which is greater in urban than in rural settings (Meyer et al., 2024). Importantly, recent survey evidence shows that the younger generation in China holds more open attitudes toward sexual orientation (Yu, Luo, and Xie, 2022), implying that labor market outcomes are likely to be heterogeneous across cohorts. Third, China’s legal labor context is distinctive: while homosexuality was decriminalized as of 1997 and removed from the list of mental disorders in 2001, there are to date no explicit labor laws that prohibit discrimination based on sexual orientation.² Moreover, China’s one-party top-down political system, which restricts geographical, social, and economic mobility, creates a notably different institutional and labor market environment for LGB populations compared with more liberal democracies.

This study provides the first evidence on the labor market outcomes of LGB people in China using data from the 2020 Chinese Private Life Survey (CPLS). The CPLS is an online survey in which Chinese men and women were asked, among other things, about their

¹Recent political and cultural developments indicate that LGB acceptance cannot be taken for granted.

²The most recent development is the 2017 amendment, which allowed any adult to appoint another adult as a guardian by mutual agreement (Xia, 2022). This guardianship agreement offers some legal recognition of same-sex partners, allowing them to make medical, property, and financial decisions for each other if one loses capacity.

sexual orientation, labor market outcomes (employment status, labor supply, and monthly income), and a wide range of individual characteristics, including education, background, location, family structure, and mental health. Our empirical analysis revolves around two key variables: monthly after-tax income and sexual orientation. The monthly income measure includes the respondent’s own earnings but excludes any partner’s income. Sexual orientation is commonly measured along four dimensions: sexual identity (respondents self-identify as gay, lesbian, or bisexual), sexual attraction (respondents express their sexual attraction to men and/or women), sexual behavior (respondents have/had sexual experiences with men and/or women), and same-sex relationships (respondents have/had a same-sex partner). By focusing on sexual attraction (which is the measure used in the survey), we cover LGB individuals that other dimensions might miss, including those LGB individuals who are sexually inactive, undisclosed, single, or without same-sex relationship experience.

This study finds that gay men earn significantly less than comparable heterosexual men, with the largest penalties in rural areas among gay men reporting exclusive same-sex attraction. Lesbian women tend to earn more than heterosexual women, but the differences are small and mostly insignificant. The estimates for bisexual men and women are uniformly insignificant. While we find some modest penalties for bisexual men, the estimates for bisexual women are all close to zero and statistically indistinguishable from those of heterosexual women. Our heterogeneity analysis does not reveal any systematic earnings patterns for bisexual men and women either. We conclude that the gay penalties and lesbian premiums in China, albeit less precisely estimated, broadly mirror those observed in Western labor markets.

Turning to possible mechanisms, we explore the following channels: labor market discrimination (and the role of disclosure), labor market skills (proxied by education and potential experience), household specialization (driven by children or the expectation thereof), China’s hukou registration system (which restricts geographical, social, and economic mobility), and China’s one-child policy (which influences fertility, fertility expectations, and gender norms).³ Our evidence is most consistent with the specialization channel. Suppose heterosexual couples follow more conventional specialization patterns than gay and lesbian couples (for reproduction or conventional gender-norm reasons). In that case, we can explain why gay penalties and lesbian premiums are concentrated among gay men and lesbian women who specialize more and less in housework, respectively. Using data on couples’

³Previous research has examined LGB earnings from discrimination, skill, and specialization perspectives. Example studies include those that explore discrimination ([Hammarstedt, Ahmed, and Andersson, 2015](#); [Burn, 2020](#)), discrimination and specialization ([Aksoy, Carpenter, and Frank, 2018](#)), skills including education and potential experience ([Black et al., 2000](#); [Martell, 2020](#)), and specialization ([Oreffice, 2011](#); [Hofmarcher and Plug, 2022](#)).

housework, we test for less-traditional specialization in same-sex couples. We find that the gay male earnings penalty and the lesbian earnings premium are largely explained by variation in housework time: gay men who devote more time to housework (than their partner) earn less, while lesbians who devote less time to housework (than their partner) earn more.

When interpreting these results, four potential concerns warrant attention. The first concern is selective survey participation. Because respondents were recruited online through a combination of snowball and quota sampling, our sample may be selective and unrepresentative. Snowball sampling, in particular, may oversample survey respondents who are part of common social networks with similar observable and unobservable characteristics.⁴ To address this, we additionally rely on quota sampling to ensure a wider coverage of key demographics (including age, gender, region, and education), use these key demographics as control variables in our earnings regressions, and reestimate our earnings models on a sample without snowball-recruited respondents, producing broadly comparable LGB results.

The second concern is that our after-tax income measure does not distinguish between labor and non-labor income. We nevertheless interpret our estimates to reflect labor income. This is not unreasonable for two reasons. First, labor income (including wages, salaries, and self-employment earnings) is by far the largest source of income in almost all rural and urban families in China (Tu, Yan, and Zheng, 2024). And second, when we restrict the sample to full-time workers (defined as those working more than 30 hours per week), for whom we know that labor income is the primary income source, we obtain virtually identical LGB estimates.

The third concern is truthful reporting of one’s LGB status. Respondents may hesitate to disclose their sexual attraction if they question the anonymity of online surveys, particularly those online surveys conducted by government-run institutions such as the one we use.⁵ While we find that almost all respondents answer the LGB attraction question, LGB respondents may still misreport themselves as heterosexual. Although we cannot address misreporting at the extensive margin, we may uncover patterns at the intensive margin. Respondents were asked whether they feel sexually attracted to only men, mostly men, equally to men and women, mostly women, or only women. If LGB respondents prefer a little lie over a big one, those hesitant to disclose may select intermediate categories rather than exclusive same-sex or opposite-sex attraction. When we consider each attraction category separately, we find the largest gay penalties and lesbian premiums for those respondents with exclusive same-sex attraction. For men, the estimates for the intermediate categories are also signif-

⁴One advantage of online surveys is that they provide greater anonymity than traditional surveys, making them particularly useful for collecting information on sexual orientation.

⁵A few studies use a veiled list methodology to show that LGB people underreport their sexual orientation in surveys (Coffman, Coffman, and Ericson, 2017; Ham, Guarín, and Ruiz, 2024).

icantly negative, but smaller in magnitude. For women, the estimates for the intermediate categories are almost zero. These patterns provide some tentative evidence that some gay men, but not lesbian women, may misreport their same-sex attraction.

The last concern is sample size. In our estimation sample of 4,849 workers aged 24-60, we identify 62 gay and 165 bisexual men, and 68 lesbian and 374 bisexual women. These LGB samples are small and limit the statistical power of our analysis to detect significant earnings gaps.⁶ While we observe statistically significant gay penalties for men (because the estimates are sizeable, not necessarily precise), the estimates for women are smaller and less precise. Even so, we are confident that a lesbian earnings premium is present in China, given the consistently positive estimates for lesbians across all specifications and sample selections, including a few statistically significant ones.

2 Insitutional background

LGB minorities in China

Homosexuality was widely accepted during many periods of Chinese history ([Hinsch, 1990](#)). Under the People’s Republic of China, however, homosexuality was considered a serious threat to public order and social morality. Consensual same-sex behavior between men could be legally prosecuted as an act of immoral conduct (*liúmáng zuì*), and homosexuality was classified as a mental disorder.

But China’s attitude towards sexual minorities improved somewhat over the last 25 years. In 1997, *liúmáng zuì* was abolished, effectively decriminalizing consensual same-sex behavior between adults. In 2001, homosexuality was removed from the list of mental illnesses. And in 2017, same-sex couples gained limited legal recognition through a guardianship arrangement (*zìyuàn jiānhù zhìdù*), which allows partners to make medical, property, and financial decisions for each other if one becomes incapacitated ([Xia, 2022](#)).

Recent survey evidence further indicates that most Chinese people support equal rights for LGB workers, and about half support same-sex marriages ([Meyer et al., 2024](#)). Nevertheless, there are still no national labor laws banning discrimination based on sexual orientation, and formal legal recognition of same-sex relationships remains very limited.

Around the same time, LGB communities began to emerge in large coastal cities in the 1990s. LGB individuals gathered mostly informally in bars, parks, and online forums. During the 2000s and 2010s, these communities became more visible and organized, adopting

⁶This sample size limitation is common in earlier research on LGB labor market outcomes. [Valfort \(2017\)](#) provides a quantitative survey of 20 earnings studies, of which 18 relied on average subsamples of 134 gay/bisexual men and 95 lesbian/bisexual women.

formal identity labels (such as tongzhi for gay communities and lala for lesbian communities), providing legal-aid services, and launching public LGB events such as queer film festivals and pride celebrations (Engebretsen, 2015). All of this took place under conditional state tolerance and censorship). More recently, however, state control seems to have tightened, leading to the closure of LGBT student groups, online accounts, and high-profile events (including ShanghaiPRIDE).

China’s labor market institutions

China’s labor market is highly segregated, distinguishing workers of rural and urban origin. This segregation is largely due to China’s hukou registration system, which assigns individuals a rural hukou if they are born in the countryside and an urban hukou if they are born in the city. Originally, the hukou system restricted any industrial and geographic mobility. Urban-hukou holders had to live in cities and work in industry and services, while rural-hukou holders had to live on farms and work in agriculture. In addition, urban-hukou holders had access to social welfare benefits and opportunities for upward mobility that were largely denied to rural-hukou holders.

The Chinese central government began to relax its hukou policy in the early 1980s, allowing rural-hukou holders to establish non-farm enterprises in the countryside; in the early 1990s, it further encouraged selected rural-hukou holders to work in cities and gain access to urban social and welfare services; and in the early 2000s, it was decentralized and province-level governments could formulate their own hukou regulations (Chan, 2009; Tian, 2024). Although the hukou system has become less restrictive over time, rural-hukou holders continue to face limited mobility and segmented access to formal, higher-quality employment. Numerous studies document persistent disadvantages for rural-hukou migrants compared with their urban-hukou peers, including penalties in hiring, wages, and social-insurance coverage (Démurger et al., 2009; Giles, Wang, and Park, 2013)

Against this background, we expect that the hukou system and the urban–rural divide also shape the labor-market outcomes of sexual minorities, particularly those holding a rural hukou. Compared with LGB workers who hold an urban hukou and live in cities, otherwise similar LGB workers with a rural hukou are likely to fare worse. Rural-hukou LGB individuals who live in rural areas may experience poorer labor-market outcomes because they live and work in less tolerant and supportive environments. Rural-hukou LGB individuals who moved to cities, the combination of a rural hukou and urban residence may entail partial exclusion from urban welfare systems and formal employment opportunities. Existing survey and qualitative evidence suggests that LGB individuals with a rural hukou are indeed less

visible, have weaker supportive networks, and face stronger family pressure to enter heterosexual marriage than comparable individuals in urban settings (Suen, Chan, and Badgett, 2021; Suen, Chan, and Wong, 2022).

These hukou-driven inequalities likely intersect with strong family-level expectations that have themselves been shaped by China’s population policies, to which we now turn.

One Child Policy (OCP)

LGB people in China face strong family pressure rooted in China’s one child policy (OCP). Introduced in 1979, the OCP imposed strict birth quotas and heavy penalties for additional births in single-child families. As only children, many people became their parents’ only hope for continuing the family line and providing care in old age. In this context, heterosexual marriage and childbearing may feel like non-negotiable conditions that parents impose on their only children. LGB individuals without siblings, who cannot rely on siblings to satisfy these conditions, may particularly suffer under their parents’ pressure.⁷

Compared to LGB individuals with siblings, we expect that those without are likely to face stronger family pressure and experience worse outcomes. They may be coerced into heterosexual marriages, pretend marriages (*xinghun*), or pursue assisted reproduction. Or they may suffer from emotional, psychological, or even physical abuse. Consistent with this, existing evidence shows high levels of family violence against sexual minorities in China, most often by parents or relatives. Two small-scale surveys report that 48–69 percent of LGB respondents experienced family violence after coming out (Luo and Chiu, 2019; Lu, 2024).

3 Data, definitions, and descriptives

Data and variable definitions

Our analysis relies on data provided by the Chinese Private Life Survey (CPLS), which was launched in 2020 by researchers from the Department of Sociology and the Center for Social Research at Peking University, together with the Institute of Population Research at Fudan University. The CPLS collects detailed information on sexual behavior and attitudes in China. The CPLS recruits respondents online through a combination of snowball and quota sampling. We use this survey to examine, for the very first time, earnings disparities between

⁷While parental pressure often reflects disapproval of a child’s homosexuality, which is associated with adverse psychological and health outcomes (Ryan et al., 2009), Chinese homosexuals experience the strongest pressure from parents who persistently insist that they should marry and have children (Hildebrandt, 2019).

Table 1. Summary statistics for main variables

	heterosexual		homosexual		bisexual	
	mean	sd	mean	sd	mean	sd
A. male sample						
outcome						
monthly income (in logs)	8.884	<i>0.887</i>	8.652	<i>0.802</i>	8.753	<i>1.126</i>
sexual orientation						
only opposite-sex attraction	0.820	<i>0.384</i>				
mostly opposite-sex attraction	0.180	<i>0.384</i>				
equal same/opposite attraction					1.000	<i>0.000</i>
mostly same-sex attraction			0.629	<i>0.487</i>		
only same-sex attraction			0.371	<i>0.487</i>		
other characteristics						
age	33.695	<i>8.471</i>	30.774	<i>6.875</i>	32.297	<i>7.681</i>
years of education	15.173	<i>1.974</i>	15.694	<i>2.085</i>	14.594	<i>2.027</i>
urban-hukou holder (0/1)	0.676	<i>0.468</i>	0.693	<i>0.465</i>	0.606	<i>0.490</i>
large city (0/1)	0.304	<i>0.460</i>	0.468	<i>0.503</i>	0.315	<i>0.466</i>
local LGB intolerance	0.441	<i>0.060</i>	0.432	<i>0.064</i>	0.441	<i>0.060</i>
partner (0/1)	0.770	<i>0.421</i>	0.516	<i>0.504</i>	0.836	<i>0.371</i>
child (0/1)	0.579	<i>0.494</i>	0.419	<i>0.497</i>	0.630	<i>0.484</i>
mental problems (0/1)	0.075	<i>0.263</i>	0.177	<i>0.385</i>	0.145	<i>0.354</i>
mother's years of education	11.446	<i>3.527</i>	11.919	<i>3.090</i>	12.512	<i>3.188</i>
weekly working hours	47.724	<i>12.434</i>	49.679	<i>14.374</i>	49.114	<i>13.309</i>
specialization homework (0/1)	0.179	<i>0.384</i>	0.531	<i>0.507</i>	0.226	<i>0.420</i>
local OCP fines (0/1)	0.558	<i>0.497</i>	0.613	<i>0.491</i>	0.576	<i>0.496</i>
number of observations	1,892		62		165	
B. female sample						
outcome						
monthly income (in logs)	8.520	<i>0.744</i>	8.544	<i>0.600</i>	8.493	<i>0.794</i>
sexual orientation						
only opposite-sex attraction	0.656	<i>0.475</i>				
mostly opposite-sex attraction	0.344	<i>0.475</i>				
equal same/opposite attraction					1.000	<i>0.000</i>
mostly same-sex attraction			0.632	<i>0.486</i>		
only same-sex attraction			0.368	<i>0.486</i>		
other characteristics						
age	37.963	<i>9.524</i>	36.074	<i>10.507</i>	38.221	<i>10.327</i>
years of education	14.116	<i>2.969</i>	14.265	<i>2.986</i>	13.973	<i>2.814</i>
urban-hukou holder (0/1)	0.714	<i>0.452</i>	0.544	<i>0.502</i>	0.703	<i>0.457</i>
large city (0/1)	0.281	<i>0.449</i>	0.221	<i>0.418</i>	0.305	<i>0.461</i>
local LGB intolerance	0.444	<i>0.063</i>	0.454	<i>0.058</i>	0.443	<i>0.064</i>
partner (0/1)	0.831	<i>0.375</i>	0.765	<i>0.427</i>	0.840	<i>0.367</i>
child (0/1)	0.714	<i>0.452</i>	0.559	<i>0.500</i>	0.701	<i>0.459</i>
mental problems (0/1)	0.098	<i>0.297</i>	0.162	<i>0.371</i>	0.123	<i>0.329</i>
mother's years of education	10.537	<i>3.569</i>	10.985	<i>3.501</i>	11.181	<i>3.707</i>
weekly working hours	44.441	<i>11.528</i>	45.398	<i>10.546</i>	44.745	<i>11.815</i>
specialization homework (0/1)	0.661	<i>0.473</i>	0.500	<i>0.505</i>	0.535	<i>0.500</i>
local OCP fines (0/1)	0.529	<i>0.499</i>	0.471	<i>0.502</i>	0.570	<i>0.496</i>
number of observations	2,288		68		374	

Note—The table shows means and standard deviations (in italics) for a selected set of characteristics of heterosexual, homosexual, and bisexual men and women. Sexual orientation is identified through sexual attraction: heterosexual by primarily opposite-sex attraction, homosexual by primarily same-sex attraction, and bisexual by equal attraction to both sexes.

homosexual, bisexual, and heterosexual workers. Our main estimation sample is restricted to respondents with valid information on earnings, sexual orientation, and control variables. The control variables we use represent conventional factors (including age, education, background) and less conventional ones that are often considered relevant in LGB settings but rarely collected in labor market surveys (including local intolerance toward LGB people, household division of labor, and mental health). The variables used in our main analysis are defined below.

First, the labor market outcome variable is monthly after-tax income, which includes the respondent's own earnings but excludes any partner's income. Our monthly income measure should reflect monthly earnings. We restrict the sample to workers aged 24-60 with positive incomes. We further winsorize incomes at the bottom and top 0.2 percent of the income distribution to ensure that our estimates are not driven by a few extreme outliers.

Second, sexual orientation is identified through a sexual attraction question. Respondents are asked whether they feel sexually attracted to only men, mostly men, equally to men and women, mostly women, or only women. We classify individuals as heterosexual if they report only or mostly opposite-sex attraction, homosexual if they report only or mostly same-sex attraction, and bisexual if they report equal attraction to both sexes.

Third, many of the control variables used in the analysis (including age, sex, being married or having a co-residing partner, and having any children) are defined in a standard way and are not described here. Educational attainment is measured in 6 levels and translated into nominal year equivalents: (some) primary education (6 years), less than high school (9 years), high school (12 years), some college (15 years), college (16 years), and post-college education (18 years). Location is measured along four dimensions: the respondent's urban-hukou status reflects urban origin at birth; place of residence follows a common geographic classification and divides China into seven regions (North, Northeast, East, Central, South, Southwest, and Northwest); a large city dummy indicates whether the respondent resides in one of China's four most developed metropolitan areas (Shanghai, Beijing, Guangzhou, and Shenzhen); and a local measure of LGB intolerance (measured by provincial shares of heterosexual men and women expressing homophobic sentiments).⁸ Mental health is a dummy variable that equals one if the respondent feels depressed often or almost every day.

In our sensitivity and heterogeneity analysis, we further incorporate information on the respondent's socio-economic background, labor supply, degree of family specialization, and exposure to China's one-child policy (OCP). The respondent's socio-economic background is

⁸The survey asks respondents whether they consider same-sex sexual behavior to be always wrong, wrong in most cases, hard to say, right in some cases, or always right. Heterosexual respondents who always answer wrong or wrong in most cases are classified as homophobic. We construct province-level shares of such respondents across China's provinces, which serve as a measure of provincial intolerance.

proxied through the mother’s educational attainment (measured in years). The respondent’s labor supply represents weekly working hours. According to Chinese labor law, a workweek should last no more than 44 hours (5.5 working days of 8 hours each). The respondents were asked how many days they work in a typical week, and how many hours they work on those days. The specialization measure indicates whether partnered respondents devote more time to household activities than their partner (grocery shopping, cooking, laundry, cleaning, and household repairs). The OCP measure captures whether the province-level fines imposed on families with a second child were at least as large as three years of family income. We take the fines from 2000 when respondents were on average 16 years old.⁹

Our main estimation sample consists of 4,848 observations.¹⁰ Within this sample of 2,119 men and 2,730 women, we identify 62 gay men (2.9 percent), 165 bisexual men (7.8 percent), 68 lesbians (2.5 percent), and 374 bisexual women (13.7 percent). Compared to LGB population shares typically reported in Western societies (Valfort, 2017; Badgett, Carpenter, and Sansone, 2021), the gay/lesbian shares are broadly the same, whereas the bisexual shares are relatively high.

Descriptive statistics

Table 1 presents descriptive statistics for the variables used in our estimations. Specifically, we report means and standard deviations (in italics) for the dependent, independent, and key control variables across heterosexual, homosexual, and bisexual workers. The top and bottom panels display statistics for men and women, respectively.

We start with gay men. We see that the majority reports mostly same-sex attraction (63 percent). The other 37 percent report exclusive same-sex attraction. Compared to heterosexual men, we see that gay men earn less, are younger, are better educated, are more likely to live in big cities, are less likely to have a partner and children, are more likely to specialize in housework activities (than their partner), and are much more likely to report mental health problems. Comparable patterns have been documented in Western societies. Bisexual men show patterns that partly resemble those of gay men and those of heterosexual men. Like gay men, they earn less than heterosexual men, are younger, and report elevated

⁹The OCP imposed, among other things, huge fines for violating birth restrictions. The OCP was implemented over a 37-year period, ran from 1979 to 2016, and levied different fines in different provinces at different times. (Ebenstein, 2010).

¹⁰We arrive at this sample of workers through the following selection rules. Starting with the original 7,733 respondents, we first remove 22 who did not report same-sex sexual attraction. Of the remaining 7,711 (1,219) respondents, with the number of identified LGB respondents between parentheses, we remove 1,534 (389) younger than 24 (likely still in school) and older than 60 (past China’s mandatory retirement age), 730 (141) without any reported income (including zero and missing values), and 59 (11) with missing values on other key control variables.

mental health problems. At the same time, their family lives (with respect to partners and children) and degree of specialization are more similar to those of heterosexual men.

Turning to lesbian women, we see that most report mostly same-sex attraction (63 percent), as opposed to exclusive same-sex attraction (37 percent). Compared to heterosexual women, there are only a few differences. We see that the lesbians in our sample are less likely to have a partner and children, are less likely to specialize in housework activities (than their partner), and are more likely to report mental health problems.¹¹ On most other dimensions, however, lesbians resemble heterosexual women. Bisexual women are also more similar to heterosexual women, although their earnings are somewhat lower.

Looking at the (unconditional) earnings of gay men and lesbian women, two patterns emerge from this table. One is that gay men in China, like those in Western labor markets, face substantial earnings penalties when compared with heterosexual men. Lesbian women, however, show a notably different pattern. Their earnings are more comparable to those of heterosexual women, if not marginally higher.

4 Empirical strategy

To examine how the (conditional) monthly earnings of gay, lesbian, and bisexual workers compare to their heterosexual counterparts in China, we estimate a standard log-linear earnings regression model separately for men and women, controlling for various demographic characteristics. This regression model has the following form:

$$Y_i = \alpha_0 + \alpha_1 HOMOSEXUAL_i + \alpha_2 BISEXUAL_i + \alpha_3 X_i + \epsilon_i, \quad (1)$$

where subscript i represents the individual full-time worker, Y_i represents monthly earnings (measured in logarithms), $HOMOSEXUAL_i$ represents an indicator for homosexual workers, $BISEXUAL_i$ represents an indicator for bisexual workers, X_i represents a vector containing worker characteristics (including education, age, family structure, location, and mental health), and ϵ_i represents the econometric error. The coefficients α_1 and α_2 measure the conditional earnings gaps between homosexual and heterosexual workers and between bisexual and heterosexual workers, respectively. We estimate these conditional earnings gaps using ordinary least squares (OLS).

¹¹The partner indicator shows whether respondents report being married, having a spouse, or living together with a partner. For LGB respondents, we may overstate the partner shares in case single gay or lesbian respondents in arranged or pretend marriages report that they are married.

Table 2. Regressions of monthly earnings on LGB status

	(1)	(2)	(3)	(4)	(5)
A. male sample					
homosexual worker	−0.232 <i>0.103**</i>	−0.261 <i>0.095***</i>	−0.271 <i>0.095***</i>	−0.209 <i>0.097**</i>	−0.201 <i>0.096**</i>
bisexual worker	−0.131 <i>0.090**</i>	−0.068 <i>0.091</i>	−0.069 <i>0.091</i>	−0.098 <i>0.091</i>	−0.091 <i>0.092</i>
R-squared	0.003	0.059	0.077	0.099	0.100
number of observations	2,119	2,119	2,119	2,119	2,199
B. female sample					
homosexual worker	0.024 <i>0.074</i>	0.039 <i>0.070</i>	0.087 <i>0.065</i>	0.079 <i>0.065</i>	0.087 <i>0.066</i>
bisexual worker	−0.027 <i>0.044</i>	−0.004 <i>0.042</i>	−0.013 <i>0.041</i>	−0.017 <i>0.041</i>	−0.012 <i>0.040</i>
R-squared	0.000	0.090	0.158	0.165	0.169
number of observations	2,730	2,730	2,730	2,730	2,730
age, age squared, education		✓	✓	✓	✓
urban-hukou holder			✓	✓	✓
region fixed effects			✓	✓	✓
large city indicator			✓	✓	✓
local LGB intolerance			✓	✓	✓
partner and child indicators				✓	✓
mental health					✓

Note—The dependent variable represents the monthly income measured in logarithms. The independent variables represent the worker’s sexual orientation measured by homosexual and bisexual indicators (with heterosexual as the reference category). The specifications in columns 1 to 4 control for different sets of worker characteristics (including age, education, location, family controls, and mental health). These income equations are run on a male sample (top panel) and female sample (bottom sample) using ordinary least squares (OLS). Robust standard errors are shown in italics; * indicates significance at 10 percent level, ** indicates significance at 5 percent level, and *** at 1 percent level.

5 Results

This results section contains five subsections: the first presents the main results; the second examines the validity of our sexual orientation indicators; the third tests the robustness of results; the fourth presents the heterogeneity results and examines how the gay, lesbian, and bisexual earnings gaps vary with family background, urban residency, local LGB tolerance, and fertility fines; and the last subsection closes with an interpretation of results.

Main results

Table 2 contains the main estimation results of our LGB regression model using different sets of control variables: column 1 only controls for the LGB minority indicators; columns

2 follows the standard Mincerian earnings model and adds years of education, age, and age squared as controls; column 3 adds location controls (urban-hukou status, big city residence, local LGB intolerance, and region fixed effects); column 4 further controls for family structure (partner and children indicators); and lastly, column 5 adds a measure of mental health. The top and bottom panels contain the LGB estimates for men and women, respectively.

We begin with the associations between sexual orientation and male earnings in our sample of men. Column 1 presents the unconditional earnings differentials. We find that gay men earn about 21 percent ($\exp(-0.232)-1$) less than heterosexual men, while bisexual men earn roughly 13 percent less. Both penalties are statistically significant. Column 2 presents LGB estimates using a standard Mincerian earnings model with indicators for gay and bisexual workers. With education and age controls, we find that gay men earn about 23 percent less than more comparable heterosexual men, while bisexual men earn 7 percent less. The penalty for gay is statistically significant. The penalty for bisexual men is not. Adding controls for location (urban born, big city residence, region fixed effects, and local LGB intolerance) in column 3 leaves the gay and bisexual estimates largely unchanged. Columns 4 and 5 further add family structure and mental health indicators, which are arguably endogenous to sexual orientation and therefore less appropriate control variables.¹² Even with these controls, we find that the gay earnings penalties remain sizeable (18-19 percent in columns 4 and 5) and statistically significant. The estimates for bisexual men suggest penalties of 9-10 percent, but they are statistically insignificant.

Turning to the sample of women, we find that the estimates for lesbian and bisexual women are all smaller in size (when compared to earnings estimates for gay and bisexual men) and never statistically significant. The lesbian estimates are all positive. These premiums are close to 8-9 percent in the most comprehensive specifications. The estimates for bisexual women are all negative and much closer to zero.

Taken together, these estimates suggest that gay men earn significantly less than heterosexual men. Lesbian women tend to earn more, although this earnings premium is never statistically significant. Bisexual men also appear to earn less than their heterosexual counterparts, while bisexual women have earnings more comparable to those of heterosexual women.

¹²We recognize that partnership, children, as well as mental health, may be inappropriate control variables in earnings regressions that aim to estimate LGB penalties. If discriminatory environments induce mental health problems, and social/legal barriers restrict marriage and fertility choices, it is possible that these control variables pick up some of the earnings penalties we are after.

Table 3. Regressions of monthly earnings on four sexual attraction categories

	<u>male sample</u>	<u>female sample</u>
	(1)	(2)
only same-sex	-0.514 <i>0.189***</i>	0.149 <i>0.092</i>
mostly same-sex	-0.166 <i>0.093*</i>	0.053 <i>0.087</i>
equal attraction	-0.092 <i>0.092</i>	-0.012 <i>0.042</i>
mostly opposite-sex	-0.123 <i>0.059**</i>	0.004 <i>0.033</i>
R-squared	0.081	0.158
number of observations	2,119	2,730

Note—The dependent variable represents the monthly income measured in logarithms. The independent variables represent the worker’s sexual attraction indicators (with only opposite-sex attraction as reference category). The specifications in columns 1 to 2 further include age, education, and location controls. Robust standard errors are shown in italics; * indicates significance at 10 percent level, ** indicates significance at 5 percent level, and *** at 1 percent level.

LGB disclosure results

A critical concern in our Chinese setting relates to the validity of responses to sensitive questions about sexual orientation. If LGB disclosure in surveys involves some social and personal discomfort, we expect that LGB respondents hesitant to disclose might avoid the question altogether or deliberately misreport their sexual orientation.¹³ Nonresponse is unlikely to be a major issue, as almost all respondents answered the sexual orientation question. Misreporting, however, is harder to rule out, especially if respondents fear limited anonymity in surveys administered by government-run institutions. While we cannot address misreporting at the extensive margin (these are the LGB respondents who classify themselves as heterosexual), we may uncover some misreporting at the intensive margin for gay and lesbian respondents. Respondents were asked whether they feel sexually attracted to only men, mostly men, equally to men and women, mostly women, or only women. If gay and lesbian respondents prefer a little lie over a big one, those hesitant to disclose may select intermediate categories rather than exclusive same-sex or opposite-sex attraction.

Table 3 presents results from an alternative earnings regression model in which we replaced the dependent LGB indicators with the respondents’ sexual attraction categories, ranging from only same-sex to mostly opposite-sex attraction (with only opposite-sex at-

¹³The survey also included a number of intimate questions, including those about masturbation practices, sexual activities with multiple partners, and sexually transmitted diseases. Against this background, questions about sexual attraction may have appeared relatively less sensitive to respondents.

traction as the reference category). The regressions include controls for education, age, and location. Among men, we find the largest earnings penalties for those reporting exclusive same-sex attraction, earning about 40 percent less than comparable men attracted only to women. The estimates for the intermediate categories are also negative, mostly statistically significant, and smaller in magnitude. When we estimate the penalty for three intermediate categories together (not reported in the table), we find that men in the intermediate categories earn significantly less (11 percent) than their exclusively heterosexual counterparts.

Among women, we find the largest estimate for those reporting exclusive same-sex attraction. Their earnings premium of 13 percent is almost significant. We also estimate a 5 percent premium for women primarily attracted to the same sex, but it is not statistically significant. For women equally attracted to both sexes or mostly attracted to the opposite sex, the estimated earnings differences are close to zero and statistically indistinguishable from those of exclusively heterosexual women. The estimate for the three intermediate categories together (again not reported in the table) is 0.001 (0.028), with standard error between parentheses.

Taken together, we try to test here whether gay men and lesbian women systematically misreport same-sex attraction in the survey. If misreporting at the intensive margin were common, we would expect that, all else equal, men and women in the intermediate categories experience some earnings penalties and premiums, respectively. Our results provide some tentative evidence that gay men, but not lesbian women, downplay their same-sex attraction.¹⁴

Robustness results

We address several concerns related to our earnings analysis of lesbian, gay, and bisexual workers. Using our baseline regression model with education, age, background, and location controls (Table 2, column 3), we assess how robust our LGB estimates are when we consider only full-time workers, exclude residents from the four largest cities in China, exclude snowball-recruited respondents, exclude respondents younger than 35, and exclude respondents with university degrees.

Table 4 summarizes these robustness checks. Column 1 reproduces the baseline results (for reference purposes). In column 2, we restrict the sample to full-time workers (working at least 30 hours per week). We note that the small reduction in sample size already indicates

¹⁴Another explanation, linked to disclosure, relates to gender nonconformity, which can make one's LGB status more visible to others. If stronger same-sex attraction also comes with greater gender nonconformity, we would expect a monotone relationship between earnings and same-sex attraction. This is not what we find. Similarly, [Burn and Martell \(2022\)](#) did not find that, in the UK context, gender nonconformity affected the LGB earnings gaps either.

Table 4. Robustness regressions of earnings on LGB status in alternative samples

	baseline	full-time workers	exclude large cities	exclude snowball observations	exclude younger respondents	exclude university respondents
	(1)	(2)	(3)	(4)	(5)	(6)
A. male sample						
heterosexual worker	-0.271 <i>0.095***</i>	-0.298 <i>0.096***</i>	-0.273 <i>0.129**</i>	-0.339 <i>0.120***</i>	-0.126 <i>0.217</i>	-0.345 <i>0.120***</i>
bisexual worker	-0.069 <i>0.091</i>	-0.074 <i>0.084</i>	0.015 <i>0.105</i>	0.053 <i>0.066</i>	-0.050 <i>0.113</i>	0.103 <i>0.097</i>
R-squared	0.077	0.077	0.060	0.080	0.142	0.050
number of observations	2,119	2,034	1,463	1,811	705	881
B. female sample						
homosexual worker	0.087 <i>0.065</i>	0.097 <i>0.067</i>	0.094 <i>0.074</i>	0.119 <i>0.072*</i>	0.137 <i>0.123</i>	0.166 <i>0.088*</i>
bisexual worker	-0.013 <i>0.041</i>	-0.018 <i>0.043</i>	-0.018 <i>0.052</i>	-0.013 <i>0.045</i>	-0.073 <i>0.052</i>	0.009 <i>0.060</i>
R-squared	0.158	0.160	0.086	0.130	0.162	0.083
number of observations	2,730	2,559	1,958	2,205	1,474	1,453

Note—The dependent variable represents the monthly income measured in logarithms. The independent variables represent the worker's sexual orientation measured by homosexual and bisexual indicators (with heterosexual as the reference category). All regressions include age, education, and location controls. The regressions in columns 1 to 6 are run on different samples: column 1 is run on our baseline sample (for comparison purposes); column 2 focuses on full-time workers (working 30 hours or more per week); column 3 excludes residents from Beijing, Shanghai, Guangzhou, and Shenzhen; column 4 excludes snowball-recruited respondents; column 5 excludes respondents younger than 35; and column 6 excludes respondents with a university degree. These earnings equations are run on a male sample (top panel) and female sample (bottom sample). Robust standard errors are shown in italics; * indicates significance at 10 percent level, ** indicates significance at 5 percent level, and *** at 1 percent level.

that part-time work is relatively rare in China. By focusing on full-time workers, we abstract from labor supply differences and allow for cleaner earnings comparisons. The earnings gaps we estimate for gay, lesbian, and bisexual full-time workers remain virtually unchanged. Next, we examine whether our LGB results are driven by the four largest metropolitan areas (including Beijing, Shanghai, Guangzhou, and Shenzhen), which account for a substantial share of the sample and differ from the rest of China in terms of earnings, labor market composition, and social attitudes. Removing these respondents from the sample (column 3) has little effect on our estimates. We also examine possible biases from snowball recruitment, which may oversample respondents from the same social networks, sharing similar observable or unobservable characteristics. Removing snowball-recruited participants from the sample (column 4) gives us a larger gay penalty (29 percent) and comparable lesbian premium (11 percent). The latter premium is now marginally significant. And relatedly, online surveys likely oversample younger respondents with university degrees, who are more likely to have computers and internet access. Whether we remove respondents younger than 35 (column 5) or respondents with university degrees (column 6), we continue to find penalties and premiums for gay men and lesbian women. For the sample without university graduates, the gay and lesbian estimates are sizeable and statistically significant.

In sum, these robustness checks show that the penalties for gay men and premiums for lesbian women persist across the alternative sample cuts. The different estimates for bisexual men, in contrast, vary considerably, are never significant, and offer little insight. For bisexual women, the estimates cluster near zero, suggesting that their earnings are largely comparable to those of heterosexual women.

Heterogeneity results

So far, we have focused on average earnings gaps for gay, lesbian, and bisexual workers. In our heterogeneity analysis, we reestimate the earnings regressions on subsamples defined by arguably exogenous characteristics: hukou status, socioeconomic background, and regional variation in heterosexual residents' attitudes toward sexual minorities, as well as OCP-induced fertility fines.¹⁵ These characteristics matter if we believe that LGB individuals generally benefit from growing up, living, and working in more accepting environments (including urban birthplaces, more advantaged socioeconomic backgrounds, and regions that are more LGB-friendly, or impose weaker fertility pressures). In such environments, we expect smaller gay penalties and larger lesbian premiums.

¹⁵We note here that our heterogeneity analysis is only exploratory, as the samples we work with contain too few LGB observations to obtain estimates precise enough to detect statistically significant differences across the different subsamples.

Table 5. Heterogeneity regressions of monthly earnings on LGB status

	rural hukou	urban hukou	low SES	high SES	less LGB friendly	more LGB friendly	high OCP fines	low OCP fines
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. male sample								
heterosexual	-0.483 <i>0.194**</i>	-0.180 <i>0.105*</i>	-0.222 <i>0.157</i>	-0.296 <i>0.119**</i>	-0.243 <i>0.137*</i>	-0.299 <i>0.134**</i>	-0.318 <i>0.128**</i>	-0.206 <i>0.144</i>
bisexual	-0.178 <i>0.131</i>	0.007 <i>0.126</i>	-0.141 <i>0.105</i>	-0.050 <i>0.118</i>	0.032 <i>0.067</i>	-0.189 <i>0.144</i>	-0.109 <i>0.110</i>	-0.005 <i>0.162</i>
R-squared	0.067	0.067	0.090	0.068	0.089	0.077	0.073	0.067
observations	697	1,422	819	1,300	1,130	989	1,189	930
B. female sample								
homosexual	0.062 <i>0.106</i>	0.111 <i>0.081</i>	0.046 <i>0.086</i>	0.095 <i>0.092</i>	0.078 <i>0.087</i>	0.087 <i>0.093</i>	0.106 <i>0.086</i>	0.068 <i>0.095</i>
bisexual	-0.019 <i>0.060</i>	-0.018 <i>0.053</i>	-0.019 <i>0.065</i>	-0.021 <i>0.051</i>	-0.014 <i>0.061</i>	-0.018 <i>0.052</i>	-0.002 <i>0.045</i>	-0.029 <i>0.074</i>
R-squared	0.129	0.144	0.099	0.154	0.127	0.156	0.163	0.080
observations	796	1,934	1,379	1,351	1,497	1,233	1,456	1,274

Note—The dependent variable represents the monthly income measured in logarithms. The independent variables represent the worker's sexual orientation measured by homosexual and bisexual indicators (with heterosexual as the reference category). All regressions include age, education, and location controls. The regressions are run on different subsamples: columns 1 and 2 consider rural- and urban-hukou holders; columns 3 and 4 consider low-SES and high-SES respondents (defined by mothers with and without a high school education); column 5 and 6 consider respondents residing in the bottom and top 50 percent LGB-friendly province-based regions; and columns 7 and 8 consider respondents residing in provinces with high- and low-OCP fines. Robust standard errors are shown in italics; * indicates significance at 10 percent level, ** indicates significance at 5 percent level, and *** at 1 percent level.

Table 5 contains the LGB results for the different samples. We first present the estimates for men (in the top panel). Among gay men, we estimate sizeable and mostly significant earnings penalties across all sample splits. We find the largest earnings penalties for rural-hukou holders, raised in more educated families, and residing in regions with higher fertility fines, or greater LGB acceptance. Among bisexual men, we also find the larger penalties among rural-hukou holders, and respondents residing in regions with higher fertility fines or greater LGB acceptance. None of these estimates are statistically significant, however.

We next present results for lesbian and bisexual women (in the bottom panel). These estimates are uniformly insignificant. Among lesbians, the estimates are all positive but modest in size. Given the small number of lesbian respondents in the various subsamples, however, the consistently positive but insignificant estimates seem to suggest that the lesbian earnings premium is a fairly robust finding. Among bisexual women, the estimates are, in almost all cases, much closer to zero.

Interpreting results

In the remainder, we explore potential mechanisms for the penalties and premiums faced by gay and lesbian workers.¹⁶

One of the standard mechanisms is labor market discrimination against gay and lesbian workers. If employers prefer heterosexual over homosexual employees, gays and lesbians may earn less (when nondiscriminatory employers are scarce). While the earnings penalty for gay men is consistent with this interpretation, the lesbian premium is not (unless heterosexual women face even stronger discrimination). But even among men, the evidence is mixed. Discrimination should be particularly strong among disclosed sexual minorities in rural areas (Meyer et al., 2024). This is, indeed, what we find; the largest earnings penalties are observed among rural-hukou holders (Table 5, column 1) reporting exclusive same-sex attraction (Table 3, column 1). However, discrimination should also be stronger in explicitly LGB-unfriendly labor markets. This is not what we find; if anything, the penalties for gay and bisexual men are larger in LGB-friendlier provinces (Table 5, column 6).

Another standard mechanism is differences in productive skills. The standard human capital skill measures include educational attainment and labor market experience (or potential experience proxied by the worker’s age). We find little evidence for these observable human capital skill factors. Compared to heterosexual men and women, gay men should be

¹⁶We focus primarily on gay and lesbian workers where the clearest earnings patterns emerge. We further note here one more time that our interpretation is merely speculative and should be read with caution, given the small number of gay and lesbian workers and the limited information we have on (potentially overlapping) mechanisms.

younger and less educated, while lesbian women should be older and more educated. In our data, gay men are indeed younger but more educated, whereas lesbian women are neither older nor more educated. Moreover, earnings regressions controlling for education and age continue to show significant penalties for gay men and insignificant premiums for lesbian workers (Table 2, column 1).

Other observable factors in our earnings regression, such as having a partner and children, seem to substantially reduce (but not eliminate) the earnings penalty for gay men (Table 2, columns 2 and 3). This reduction points, we think, to a specialization mechanism. Children, or the anticipation of children, may encourage heterosexual couples to specialize along traditional gender lines, with men focusing on market work and women on home production and child-rearing. Consistent with this, we find that gay men and lesbian women are less likely than their heterosexual counterparts to have children, that gay men specialize less in market work and earn less, and that lesbian women specialize more and earn more (Table 1).

We have reestimated the earnings regression on samples of partnered women as well as partnered women with children. We find that partnered lesbians earn more than their heterosexual counterparts, regardless of their parental status. The estimated premiums (and standard errors) are 0.090 (0.073) for all partnered lesbians and 0.136 (0.079) for those with children. We hypothesize that these premiums capture less conventional specialization patterns in lesbian couples. When we distinguish between lesbians who specialize in either market or household work, the estimates are as follows: for those specializing in housework, the estimates are 0.018 (0.108) overall and -0.027 (0.113) for lesbians with children; for partnered lesbians specializing in market work, the estimates are 0.168 (0.102) for all and 0.304 (0.101) for those with children. The latter estimates, which are sizeable and (nearly) significant, show that the overall earnings premium for partnered lesbians, particularly those with children, is largely driven by those lesbians who specialize in market work. When we repeat the same exercise for all partnered men, the estimates are -0.333 (0.152) and -0.180 (0.213) for gay men specializing in housework and market work, respectively. With an overall significant gay penalty of -0.262 (0.130), these estimates again show that gay men who specialize in household work bear the bulk of the gay penalty.¹⁷

The last two mechanisms concern China’s one-child policy (OCP). Perhaps the most direct mechanism operates through OCP’s birth restrictions and corresponding fines, which effectively reduced fertility rates and challenged conventional gender norms (Hesketh, Lu, and Xing, 2005; Huang, Lei, and Sun, 2021). For homosexual men and women, who are far less likely to have children, these constraints are expected to have little effect. For

¹⁷We do not repeat this exercise for men with children, as the sample of partnered men with children contains too few gay respondents specializing in either housework or market work.

heterosexual men and women, however, the same constraints are expected to reduce gender-based specialization. As a result, we expect smaller gay penalties and lesbian premiums in high-fine regions.

Another OCP mechanism, with different predictions, relies on intergenerational fertility expectations in one-child families. Many Chinese parents expect and pressure their children to marry and have grandchildren. For homosexual men and women without siblings, these unshared expectations can be particularly burdensome and stressful, since they are far less likely to meet their parents' demand for grandchildren. As a result, we expect that homosexual men and women without siblings face much stronger parental pressure and therefore fare worse than those with siblings, leading to larger gay penalties and smaller lesbian premiums in high-fine regions.¹⁸

Our estimates appear most consistent with the latter parental expectation channel; that is, in regions with higher fines, we find substantially larger penalties for gay men and comparable premiums for lesbian women (Table 5, columns 7 and 8).

6 Concluding remarks

This study presents the first evidence on the labor market earnings of LGB people in China. We find that gay men earn significantly less than comparable heterosexual men, with the largest penalties for rural-hukou holders and for men reporting exclusive same-sex attraction. Lesbian women tend to earn more than heterosexual women, but the differences are small and mostly insignificant. The estimates for bisexual men and women are uniformly insignificant. While we find some modest penalties for bisexual men, the estimates for bisexual women are all close to zero and statistically indistinguishable from those of heterosexual women. Our heterogeneity analysis does not reveal any systematic earnings patterns for bisexual men and women either. Based on these LGB earnings patterns, we conclude that the gay penalties and lesbian premiums in China, albeit less precisely estimated, broadly mirror those observed in Western labor markets.

The appropriate mechanisms underlying these Chinese gay penalties and lesbian premiums are not that clear, however. At the start of our study, we expected that discrimination against LGB people would be particularly strong in China, leading to lower earnings for both gay men and lesbian women. But this is not what we found. While the earnings penalties for gay men appear consistent with this interpretation, the lesbian premiums are not (unless

¹⁸Stronger family pressure may also affect heterosexual men. If high-fine regions are also regions with imbalanced sex ratios, these men may feel more pressure to get high-paying jobs and work harder to improve their marriage prospects (Edlund et al., 2013; Rossi and Xiao, 2025), which could further amplify the gay penalties.

heterosexual women face stronger discrimination). But even among men, the discrimination story is not that clear. Standard taste-based discrimination models (Becker, 1971) predict that gay penalties should be stronger among gay men with disclosed orientation (as discriminatory employers can only discriminate against gay workers if they know their sexual orientation), and in labor markets with many discriminatory employers (as gay men are less likely to end up working in nondiscriminatory firms). In line with these predictions, we find the largest earnings penalties among men reporting exclusive same-sex attraction (assuming that explicit disclosure in surveys correlates with disclosure to employers), and among rural-hukou holders (assuming that discrimination is more prevalent among rural employers than urban ones).¹⁹ At odds with these predictions, however, are the larger penalties we observe in LGB-friendlier areas (assuming that local intolerance rates mirror local shares of discriminatory employers).

A more appropriate mechanism, which is reasonably consistent with the gay penalties and lesbian premiums we observe in China, relies on conventional gender norms and household specialization models. Children, or the anticipation of children, may encourage heterosexual couples to specialize along conventional gender lines, with men focusing on market work and women on home production and childrearing.²⁰ Consistent with this, we find that gay men and lesbian women are less likely than their heterosexual counterparts to have children, that gay men specialize less in market work and earn less, and that lesbian women specialize less in home production and earn more. Moreover, we find that earnings penalties and premiums for partnered gay men and lesbian women are largely driven by those gays who specialize in home production and lesbians who specialize in market work.

Overall, our results indicate that gay penalties and lesbian premiums largely reflect differences in household and market work specialization between same-sex and opposite-sex couples. Similar earnings and specialization patterns documented in many Western countries seem to suggest that Chinese LGB individuals face broadly comparable environments. At the same time, our results also indicate that China-specific institutions shape the earnings of sexual minorities. In particular, we find some evidence that gay penalties are amplified by the hukou system, which limits earnings opportunities for rural-hukou holders, and by the legacy of the one-child policy, which intensified parental pressure on LGB children to conform to heterosexual marriage and childbearing norms. Taken together, our results imply that the combination of less conventional specialization in same-sex couples and China’s unique

¹⁹Meyer et al. (2024) document lower LGB tolerance in rural areas; in our sample, we find that the association between LGB tolerance and rural-hukou status is also negative and statistically significant.

²⁰We recognize that those couples who choose to specialize along conventional gender lines are, in effect, responding to the same incentives as those created by discriminatory employers who refuse to hire women with young children or dismiss them when they get pregnant.

institutional context generates LGB earnings patterns that are both distinctively Chinese and internationally comparable.

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