

“Supply-Side” Reform of the Rainbow Economy

LU Haina, Darius Longarino: The “Rainbow Economy” means vastly more than just looking at LGBTI persons as consumers. Workplaces that fight discrimination help the economy grow.

In recent years, the “Rainbow Economy” has become a hot topic. Many articles have discussed the purchasing power of LGBTI persons (“LGBT” is an abbreviation for lesbian, gay, bisexual, and transgender; a more inclusive phrasing is LGBTI, with the “I” meaning intersex persons). These articles have highlighted that, in today’s slowing economy, China’s 70 million LGBTI persons are a massive \$3 billion market that has not been fully developed.

However, this definition of the Rainbow Economy—which just focuses on the purchasing power of LGBTI persons—is rather narrow. The meaning of the Rainbow Economy is actually much richer, and includes the idea that LGBTI-friendly workplaces not only help enterprise profits increase but also promote growth in the macroeconomy. Recent discussions of the Rainbow Economy have been overly optimistic, because they have not recognized the many barriers that exist in the Rainbow Economy’s “supply-side.”

First, although the prospect of the purchasing power of the LGBTI persons is great, it is not easy to cut out a piece of this market—no matter how small. The main problem is society’s discrimination toward and misunderstanding and fear of LGBTI persons, and the institutional barriers that these sentiments create. For example, the lesbian social networking app “Rela” recently told the media, that Tencent, Xiao Mi, and Today’s Headlines all rejected its requests for cooperation. The decisions were not based on commercial factors, but because they were not allowed to advertise LGBTI-related products. In Dalian, an entrepreneur who sought to open elder homes focused on serving the LGBTI community at first received the support of the government and investors. However, later, for various reasons, this support suddenly disappeared, and he had to abandon the project.

If these non-commercial barriers are not dismantled, the potential of the Rainbow Economy will never be fully developed. The Rainbow Economy needs “supply-side” reform that will eliminate these barriers and lower costs for producers. Otherwise, the potential of the Rainbow Economy to drive economic growth will remain extremely limited. Central to this supply-side reform is eliminating discrimination and encouraging inclusivity and diversity.

Secondly—and momentarily putting aside the moral and legal problems with discrimination—there is a large amount of research from abroad that demonstrates that workplace discrimination has an economic cost, while a diverse and inclusive workplace improves profits and stock prices for companies, and ultimately improves growth for the national economy.

A 2016 survey by the United Nations Development Program shows that over half of LGBTI persons in China have experienced discrimination or unequal treatment at work. For this reason, the percentage of LGBTI persons who are “out” in the workplace is extremely low—only about 5% (compared to about 33% in the United States). This is to say that 95% of LGBTI persons have to conceal their true selves at work, and pretend that they are “straight” or that they are a

gender they do not identify with. If someone is not allowed to be their true self, this can be extremely taxing both mentally and physically. This harm though is invisible—even the sufferer may not be clearly aware of it—and so for a long time this topic has not been discussed publicly. However, in recent years, European and US academics have been concerned with this problem and have done a great deal of research conceptualizing and analyzing this phenomenon. Economists have even begun to quantify the economic consequences resulting from these harms.

For example, US sociological research uses the term “minority stress” to describe the pressure employees feel when they worry about losing their job because of discrimination towards their sexual orientation or gender identity. This pressure results in lower productivity and greater rates of absenteeism and turnover. There is also research that shows that many LGBTI employees avoid getting promotions because they are worried that promotions will promote their visibility and make concealment of their identity more difficult. One US study calculated that workplaces unfriendly to LGBTI people led to \$1.4 billion in economic loss for the national economy each year. The Williams Institute at the UCLA School of Law analyzed 36 research reports, and found that LGBTI-friendly companies will have employees that invest themselves more in their work, have better workplace relations, and have greater levels of workplace satisfaction, health, and productivity.

With regard to corporate management, an increasing number of companies have realized that discrimination does not only have a moral cost, but creates concrete economic loss, while diverse and inclusive workplaces help companies increase profits. For example, according to IBM’s officer responsible for global diversity programs, “The contributions that are made by [gay and transgender] IBMers accrue directly to our bottom line and ensure the success of our business.” IBM’s attitude represents an important trend: multinationals are paying greater attention to the benefits of LGBTI-related diversity policies.

According to the US Human Rights Campaign’s 2017 Corporate Equality Index, 92% of Fortune 500 companies have prohibited discrimination based on sexual orientation and 82% have prohibited discrimination based on gender identity (in 2002, only 5% of companies had this kind of policy). In 2017, 86% of participating employers provided gender diversity trainings (while in 2002, it was only 54%); 88% have LGBTI employee resource groups (in 2002, it was only 40%). In 2017, companies that achieved a perfect score included Walmart, General Motors, and Apple.

These companies have not only taken action internally, but they are also speaking out publicly. For example, in 2012, Lloyd Blankfein, the CEO of Goldman Sachs, published a video on YouTube expressing support for same-sex marriage rights, and said “equality is just good business and is the right thing to do.” In 2015, during the famous US marriage equality case *Obergefell v. Hodges*, 379 enterprises including Amazon, Citibank, and General Electric, sent an amicus brief to the Supreme Court stating that supporting the gay community benefited economic growth since “people can bring far more of themselves to their jobs because they are required to suppress far less.”

In 2017, in a US case about what bathroom a transgender public school student could use, 53 companies including Yahoo, Microsoft, and Intel, sent an amicus brief to the Supreme Court clearly supporting the free choice of the student, stating that the school’s discriminatory

bathroom policy “adversely affects amici’s businesses, employees, and customers, and undermines amici’s ability to build and maintain the diverse and inclusive workplaces that are essential to the success of their companies.” Recent research confirms this point. According to a 2016 UBS research report, in the past six years, 270 companies that adopted LGBTI-friendly policies grew 3% faster than other companies. Research from the Miami University School of Business in 2010 after adopting diversity policies, companies noticeably increased in valuation.

Having workplaces and a public environment that discriminate against LGBTI people also harms the national economy. For example, numerous research reports show that “minority stress” incurs great financial losses for public health systems. In one research report supported by the World Bank on India estimated that homophobia costs India \$31 billion annually. Another report calculated that the cost of homophobia represents 0.1%–1.7% of national GDP.

It is often said that pursuing justice requires a sacrifice, but it perhaps has been hard to realize that discrimination also costs dearly. While we have delighted in the potential \$3 billion market of the Rainbow Economy, we have not seen the invisible economic loss incurred by an environment unfriendly to LGBTI persons. We have not seen the potential increases to productivity and the benefits to the national economy that an inclusive environment could contribute. From this perspective, the size and importance of the Rainbow Economy have been greatly underestimated.

As we emphasize the supply-side reform in the national economy, supply-side reform in the Rainbow Economy is a component that we cannot ignore. Eliminating structural barriers should be the core of these reforms. Companies should institute diversity policies, including trainings on LGBTI issues, and establish mechanisms for preventing harassment. The numerous European and US Fortune 500 companies that have implemented diversity policies can serve as a model. Additionally, Chinese-owned companies that are operating abroad that have similar policies can bring this culture of diversity back home.

This article has emphasized the economic costs of discrimination, but of course we do not intend to neglect the social costs of discrimination. Encouraging diversity and inclusion is the right thing to do. It will allow us to live in a more harmonious and safer society. Furthermore, to be able to express one’s true self is fundamental to dignity.

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