Businesses support the freedom to marry in Taiwan as an economic growth imperative

As a coalition of companies that provide economic opportunities to thousands of people in Taiwan, we write to support the Executive Yuan’s proposed act to extend the freedom to marry to same-sex couples.

Many companies in Taiwan are supportive of marriage equality and understand that a more LGBT+ inclusive Taiwan will be better for our companies and for Taiwan’s overall economic growth. In November 2018, 27 companies issued a joint statement in support of marriage equality.1

Marriage will be a strong step toward a more open and LGBT+ inclusive society, which is good for business and economic growth. In particular, the freedom to marry and LGBT+ inclusion can help Taiwan:

- **Shift to high-value industries and foster innovation**: Evidence shows that LGBT+ inclusive environments are better for innovation and entrepreneurship, attract higher levels of foreign direct investment and connect more easily with global markets.

- **Slow the economic losses that may result from demographic shifts**: Marriage equality will make it easier for companies to relocate and attract top talent to Taiwan and will reduce discrimination which could increase workforce productivity.

- **Help companies perform better as a result of their commitment to inclusion and diversity**: Companies which are more LGBT+ inclusive are better able to attract and retain talent, have higher levels of innovation and collaboration, and have better financial performance.

Marriage for same-sex couples would help Taiwan develop its economic competitiveness and facilitate an environment for companies to thrive. We know this from our deep expertise and experience, and now we have additional data to support these claims, which is included in the attached brief.
Taiwan’s Economic Opportunity

Inclusive, long-term economic development is a priority for politicians and policymakers around the world, and Taiwan is no exception. But although some countries are successfully creating prosperity for their citizens, others are struggling to make progress.

Taiwan has one of the highest GDPs per capita in the world, though it has encountered economic problems in recent years. GDP growth has been sluggish recently. After a financial shock in 2015, the economy has recovered slightly, although GDP growth hovers under 1%. The economy faces strong challenges from a rapidly aging population, which threatens national productivity, and exposure to shifts in consumer demand in its main trading partners.

In response to these economic headwinds, Taiwan’s government has begun prioritizing policies aimed at creating more high-value industries, boosting productivity, attracting foreign professionals and deepening economic cooperation and access to global markets. As this paper will show, extending marriage to same-sex couples and LGBT+ inclusion can help create the environment for these priorities to be successful.

LGBT+ inclusion is a predictor for economic growth in the global economy.

A growing and increasingly global body of evidence clearly shows that open, inclusive and diverse societies are better able to transition to higher value industries. The evidence also shows that discrimination based on sexual orientation or gender identity can damage long-term economic prospects. This is made clear when comparing attitudes towards the LGBT+ population with economic growth metrics. For example:

- **Each additional LGBT+ right is associated with $300 more per capita GDP.** Using data going back to the 1960s, Dr Kees Waaldijk developed the Global Index on Legal Recognition of Homosexual Orientation (GLRHO). By correlating this Index with GDP data, a study led by Professor Lee Badgett found that one additional right is associated with $300 more in per capita GDP in emerging economies.

![Figure 1: LGBT+ inclusion and rise in GDP per capita](image1)

- **LGBT+ inclusion is closely correlated to economic development.** Data on LGBT+ tolerance in 43 countries, measuring the degree of support for same-sex relationships published by ILGA correlates (0.61) with the historic absolute rise in GDP per capita between 1980 and 2016.

![Figure 2: LGBT+ inclusion and competitiveness](image2)

- **LGBT+ inclusive countries are more competitive.** The annual World Economic Forum Competitiveness Index gives a comprehensive assessment of the competitiveness of national economies around the world. Net approval of same-sex relationships is a clear predictor of competitiveness.
- **Ease of doing business is higher in LGBT+ inclusive countries.** The World Bank publishes annual data on how easy it is to do business in countries around the world. Net approval of same-sex relationships is a clear predictor of how easy it is to do business in a country.⁷

- **Taiwan’s competitiveness has stalled.** Taiwan’s performance on the World Economic Forum Competitiveness Index has been strong but seems unable to improve. As the charts above show, higher levels of LGBT+ inclusion predict more competitive economies.⁸
The Economic and Business Case for LGBT+ Inclusion in Taiwan

A move toward a more open and inclusive Taiwan, signaled by implementing the freedom to marry, can create the infrastructure for sustained economic growth. As the global data shows above, LGBT+ inclusion is a predictor of competitiveness, economic development and ease of doing business. In addition to these economic trends, LGBT+ inclusion can have a positive impact on Taiwan’s economy in the following ways.

(i) Shift to high-value industries

LGBT+ inclusion can help facilitate a shift to high-value industries and foster innovation.

The government’s 5+2 Innovative Industries Plan aims to “stimulate innovation, boost the competitiveness of industry and increase corporate profitability”.
One of the cornerstone initiatives of this plan is the development of Asia Silicon Valley in Taoyuan City. The government aims to move Taiwan’s low-margin contract manufacturing backbone to create innovative leaders in the global “internet of things” (IoT) marketplace. The minister of the National Development Council stated in 2018 that Taiwan would have its first unicorn, or young company with USD 1 billion market capitalization, by 2020. The American Chamber of Commerce notes that this will not be easy and will require “capital, a culture of daring innovation, and an international presence”. LGBT+ inclusion is a valuable ingredient in achieving this shift.

LGBT+ inclusive environments are better for innovation and entrepreneurship.

For the Asia Silicon Valley to be successful, it needs to be part of an overall “innovation ecosystem”: globally integrated, with a culture of openness and inclusion — allowing for a free flow of ideas and human capital to take those ideas to market. Evidence shows that LGBT+ inclusion is a necessary ingredient to create the environment necessary to meet these requirements.

- LGBT+ inclusive cities have higher levels of entrepreneurialism, research has shown. These entrepreneurs tend to start companies in higher value sectors.
- Inclusion attracts the highly skilled “Creative Class” to a city, according to studies. Diversity feeds a “clustering effect” for young talent, and LGBT+ inclusion is a signal of openness, diversity and culture.
- LGBT+ inclusion is a predictor of high-tech entrepreneurship. In a study of US cities, those with a greater concentration of LGB people had higher concentrations of high-tech industries.

LGBT+ inclusive environments attract higher levels of foreign direct investment, which is a necessary ingredient for shifting to high-value industries.

In addition to fostering a strong innovation ecosystem, a focus on LGBT+ inclusion can attract stronger foreign direct investment, which can supercharge innovation and growth. Research has shown that:

- Tolerance and inclusion help attract FDI. Quality of life factors, such as tolerance for LGB people, help attract the international workforce and investment required for highly skilled industries, such as finance; they are “equally important” factors as infrastructure, education and personal and political security.
- LGBT inclusion is a predictor of higher FDI. Correlating the Pew Global Attitudes survey with FDI data shows that inward FDI flows are positively correlated with societal acceptance of LGB people. The same study shows that more tolerant countries also get better sovereign debt ratings.
- Many global companies are factoring inclusion and diversity into their expansion and investment decisions. Attracting these companies is essential for the success of start-up hubs.

LGBT+ inclusion can help Taiwan’s businesses connect more easily with global markets.
Taiwan needs a strong business sector that can effectively connect to global markets and supply chains. The companies and organizations trading in this global marketplace tend to be those who have implemented global standards of best practice with regard to diversity and inclusion – and they expect the same of those they do business with. Therefore, local companies in countries that foster a culture of diversity and inclusion may find it easier to engage with global markets.

An increasing number of global companies are beginning to incorporate LGBT+ inclusion into their supplier codes of conduct, and these companies are more likely to work with suppliers in countries that are LGBT+ inclusive. Companies that prohibit LGBT+ discrimination in their supply chain include EY, Google, GSK, IBM, KPMG, LinkedIn, Mastercard, McKinsey, and Microsoft.

(ii) Talent and productivity

LGBT+ inclusion can help slow the economic losses that may result from demographic shifts.

Taiwan has a low birth rate and rapidly aging population. According to economists, national productivity tends to decline as the age of a population rises. Two ways to combat these demographic challenges are by attracting more talented professionals to live and work in Taiwan and to increase the productivity of the Taiwanese workforce. LGBT+ inclusion, signaled by allowing same-sex couples to marry, is a key strategy to implement both.

Marriage equality will make it easier for global companies to relocate and attract top talent to Taiwan.

- Many multinational companies offer equal benefits for their employees, regardless of sexual orientation. Despite laws which do not recognize marriage equality, 81% of global companies offer equal life, medical and retirement benefits for LGBT+ couples. However, this is administratively burdensome and costly for companies that operate in markets that do not recognize marriage equality, such as Taiwan. A study in the US found that unequal marriage laws in 2014 cost companies $11 billion total, with a cost of up to $250,000 per company.

- These costs undoubtedly exist in Taiwan as well and serve as unnecessary barriers for companies to move their LGBT+ talent to Taiwan. Given that 78% of companies have trouble hiring talent in Taiwan, the economy would benefit by lowering barriers for talented professionals to live and work here.

LGBT+ inclusive societies have higher concentrations of skills and talent.

- Attitudes of tolerance towards same-sex partnerships and also immigration attracts highly skilled workers to a city, according to a study which compared data across a ten-year period to determine a causal link. The study, which focused on Switzerland, finds that “the tolerance index for same-sex partnerships has a strong significant influence” on the decisions of highly skilled workers to live in a city.

- A survey of skilled workers who had moved to one of 13 cities found that motivating factors included “hard factors” (transport, connectivity, etc) and “soft factors” (openness, diversity and culture). The survey found that “gay/lesbian friendliness” was a factor considered by skilled workers. This is likely to send a clear signal about the culture of the city – the crucial “icing on the cake”, according to the study.

- In a highly competitive Asian market, whether or not same-sex couples can marry could be the deciding factor for many talented and skilled workers.
Creating a more inclusive Taiwan, signaled by allowing same-sex couples to marry, will help reduce discrimination, which is a drag on national productivity.

- LGBT+ discrimination leads to lower levels of national productivity. This discrimination creates economic inefficiencies, which manifest themselves in unemployment, underemployment, wage gaps and lower productivity.\(^{38}\)
- 40% of Taiwanese LGBT+ people fear that their sexual orientation will affect their careers due to discrimination.\(^{39}\)
- Studies from around the world have quantified the economic cost of dampened productivity due to LGBT+ discrimination. In 2014, this cost India between $1.3 billion and $7.7 billion.\(^{40}\) In 2018, this cost Kenya $105 million.\(^{41}\)

(iii) Stronger business performance

Marriage equality can help enable companies to be more competitive and perform better.

There is a strong evidence base which shows that LGBT+ inclusive companies perform better and are more competitive. However, businesses cannot see the full benefit of their inclusion and diversity efforts when their employees are not able to freely be themselves outside of the workplace. Currently, businesses rank Taiwan’s level of inclusion and diversity as the third least favorable aspect of doing business in Taiwan.\(^{42}\) The freedom to marry can create a more inclusive Taiwan, which in turn would allow companies to realize stronger returns on their efforts. For example, LGBT+ inclusive companies perform better on several metrics.

- LGBT+ inclusive companies are better able to attract and retain talent.
  - LGBT+ inclusion is a key factor for individuals – even those who are not LGBT+ – when deciding where to work. For instance, 72% of allies across multiple markets say they are more likely to accept a job at a company that’s supportive of LGBT+ employees.\(^{43}\)
  - LGBT+ inclusive policies are crucial to retaining LGBT+ talent in Asia. A recent survey of Hong Kong residents found that 80% of LGB people surveyed said that they are more likely to work for an LGB-friendly organization.\(^{44}\)
  - LGBT+ discrimination dramatically increases the voluntary turnover level in companies. Gay men and women leave their employers due to workplace unfairness at twice the rate of straight males.\(^{45}\) 22% of LGBT+ people in Hong Kong have left or considered leaving a job due to discrimination.\(^{46}\)

- LGBT+ inclusive companies have higher levels of innovation and collaboration.
  - 62% of employees at LGBT+ inclusive companies say their team is not afraid to fail. This is compared to only 47% which say the same at less inclusive companies.\(^{47}\)
  - LGBT+ individuals who are out at work have better co-worker relationships, driving greater collaboration. 92% of LGBT+ business leaders believe being out at work improves their relationships with colleagues.\(^{48}\)

- LGBT+ inclusive companies have better financial performance.
  - LGBT+ inclusive companies have better share price performance. A basket of 275 companies with openly LGBT+ management, companies voted in a recent survey as a leading LGBT+ company, or companies whose employees are openly members of local LGBT+ business networks, outperformed global stocks and benchmarks, according to a Credit Suisse study.\(^{49}\)
• LGBT+ inclusive companies have higher stock returns and higher market valuation: using a four-year longitudinal dataset of public firms in the U.S., a study shows that firms with a higher degree of “corporate sexual equality” have higher stock returns and higher market valuation.\textsuperscript{50}

• LGBT+ inclusive companies have higher cash flow: a study of 450 global companies (with revenues above $750M) shows that inclusive companies had 2.3 times higher cash flow per employee over a three-year period. The effect is even greater for smaller companies, which had 13 times higher mean cash flow from operations.\textsuperscript{51}

Figure 5: Share price performance of LGBT 275 basket vs benchmarks
Sources

3. 5 City GDP data from McKinsey Global Institute (2013), McKinsey Urban World Phone app. To ensure like-for-like comparisons, we have removed cities with extractive intensive economies from this correlation.
10. See Source 9.
20. Open For Business (2018), Strengthening the Economic Case available at: https://open-for-business.org/reports
23. GaoSmithKline, “GSK third party code of conduct,” available at: https://www.gsk.com/media/226197/SupplierCodeofConduct.pdf?
to-accommodate-evolving-workforce/
34. See Source 13.
35. See Source 15.