

# ECONOMIC BRIEF

The Economic and Business Case  
for Marriage Equality in Japan



Open  
For  
Business

## **DISCLAIMER**

This report is prepared for information purposes only by Open For Business. While the report has been prepared based upon sources, information, and systems believed to be reliable and accurate, they are provided on an “as-is” basis. The information contained in this report is intended as a guide only, and whilst believed to be correct at the date of publication, is not a substitute for appropriate legal or financial advice, detailed specific research or the exercise of professional judgement. Open For Business, its coalition partners, the contribution authors to this report, or the members of the Open For Business Research Advisory Board have not, and will not, verify the information in this report, and in no event will they be liable for any decision made or action taken in reliance of the results obtained through the use of, or the information or data contained in, this report. Neither the authors nor any contributors to this report make any representation, expressed or implied, or accept any responsibility, with respect to the accuracy or completeness of the information in this report. The opinions expressed in this report are those of the editorial team and do not represent an official position of Open For Business or any of the companies supporting the coalition

**CONTACT:** [info@open-for-business.org](mailto:info@open-for-business.org)

**FIND OUT MORE:** [open-for-business.org](http://open-for-business.org)

**FOLLOW US:** [@OFB\\_LGBT](https://twitter.com/OFB_LGBT)

# Japan's Economic Opportunity

Japan has a long history of strong economic growth. It is the world's third-largest economy and is ranked sixth on the World Economic Forum's Global Competitiveness Index<sup>1</sup>. It is the birthplace of some of the world's largest and most innovative companies, including Mitsubishi, SoftBank and Sony. In fact, 52 of the Fortune Global 500 companies are headquartered in Japan, placing the country behind only China and the United States<sup>2</sup>. In addition to being an economic leader, Japan also plays a key role in global leadership as the only Asian member of the G7 and one of just two Asian members of the OECD.

However, this past success is beginning to falter. Japan finds itself in a difficult economic situation, with a rapidly ageing population, stagnant labour productivity growth, and increased regional competition from countries such as China, Korea and Singapore. To make matters worse, each of these issues will only be exacerbated by the COVID-19 pandemic.

Taken individually, each of these factors would be a significant challenge to Japan's economic competitiveness. Together, they make it clear that Japan must urgently adopt new strategies shown to create economic prosperity. There are already significant efforts underway to foster sustainable growth and create "Society 5.0"<sup>3</sup>. But there are additional strategies that Japan can implement to improve its economic competitiveness. As this paper will show, creating a more LGBT+ inclusive society by extending marriage to same-sex couples is a key strategy for Japan to accomplish its economic development goals.

## **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 good for business and key to sustainable economic growth. 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 \$1,694 more per capita GDP.** Using data from over 120 countries between 1990 and 2014, Dr. Lee Badgett and colleagues at the Williams Institute developed the Legal Count Index<sup>4</sup>, which measures how LGBT+ inclusive a country's laws are. By correlating this index with GDP data, the researchers found that having one additional right, such as marriage equality, is associated with an additional \$1,694 in GDP per capita.<sup>5</sup> This translates to a 4% increase to Japan's GDP per capita.<sup>6</sup>
- **"Fully inclusive" countries can add \$8,259 to their GDP per capita.** In the same study, the authors found that the countries that are "fully inclusive" (i.e. have non-discrimination laws inclusive of sexual orientation and gender identity and extend the right to marry to same-sex couples) have \$8,259 higher GDP per capita than similar economies that are not inclusive (i.e. have no legal protections and criminalize same-sex acts).<sup>7</sup>

**LGBT+ inclusive economies are more resilient.** Data from 120 countries shows a strong connection between how accepting a society is of LGBT+ people and how resilient an economy is.

There is a strong positive correlation (0.67) between how resilient an economy is and how accepting it is of LGBT+ people.

A multivariate regression analysis, where resilience is the dependent variable and LGBT+ inclusion and GDP per capita are the independent variables, shows that a one-point increase in LGBT+ acceptance corresponds to a three-point increase in resilience even when controlling for a country's wealth. This is statistically significant at the .05 level.

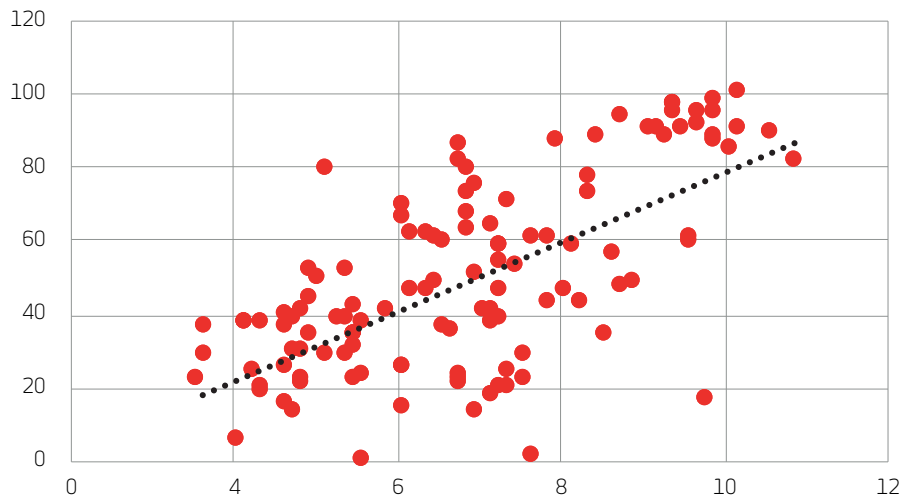


Chart 1: The social acceptance of a country (x axis) from the Williams Institute's Global Acceptance Index<sup>i</sup> vs. the country's score on the FM Global Resilience Index<sup>ii</sup> (y axis). 120 countries are included.

**LGBT+ inclusive economies are more competitive.** The annual World Economic Forum Competitiveness Index<sup>8</sup> gives a comprehensive assessment of the competitiveness of national economies around the world. Social acceptance of LGBT+ people is a clear predictor of competitiveness, with a correlation of 0.63.

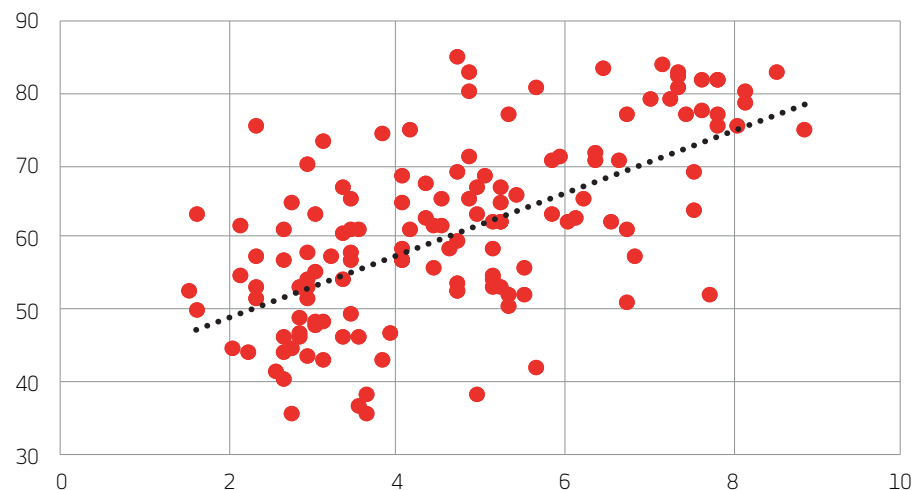


Chart 2: The social acceptance of a country (x axis) from the Williams Institute's Global Acceptance Index vs. the country's score on the World Economic Forum Competitiveness Index (y axis). 137 countries are included.

i. The Global LGBT Acceptance Index (GAI) incorporates survey data about public beliefs regarding LGBT people and policies in order to create a single country-level score for acceptance.  
 ii. <https://www.fmglobal.com/research-and-resources/tools-and-resources/resilienceindex/explore-the-data/>

**LGBT+ inclusive cities have higher levels of GDP per capita.** Cities that are more LGBT+ inclusive also tend to have higher GDP per capita (correlation of 0.30). A one-point increase in the social attitude score suggests a \$2,800 increase in GDP per capita.

A univariate regression analysis, where GDP per capita is the dependent variable and LGBT+ inclusion is the independent variable, shows that a one-point increase in LGBT+ acceptance corresponds to a \$2,800 increase in GDP per capita. This is statistically significant at the .05 level.

This pattern is even stronger for cities located in countries whose economies are not propped up by oil and other extractives, such as Tokyo and Osaka. When cities with high reliance on extractives are excluded, the correlation between GDP per capita and LGBT+ inclusion rises to 0.65. Additionally, a one-point increase in the social attitude score suggests a \$4,600 increase in GDP per capita for these cities.

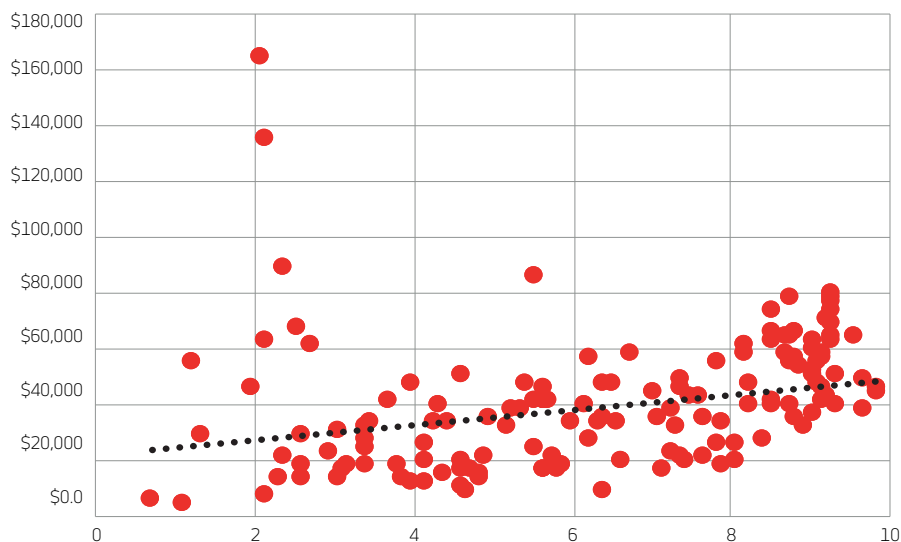


Chart 3: The social acceptance of a country (x axis) from the Open For Business City Acceptance Index<sup>iii</sup> vs. the GDP per capita (y axis). 145 cities are included.

As shown above, LGBT+ inclusion is a strong indicator of economic growth. Japan, however, lags behind leading global economies.

**Japan’s economy is lagging compared with other OECD countries with marriage equality.** There are 21 countries in the OECD that also have equal marriage for same-sex couples. Japan’s GDP per capita is 25% lower than the average of these countries’ GDP per capita.

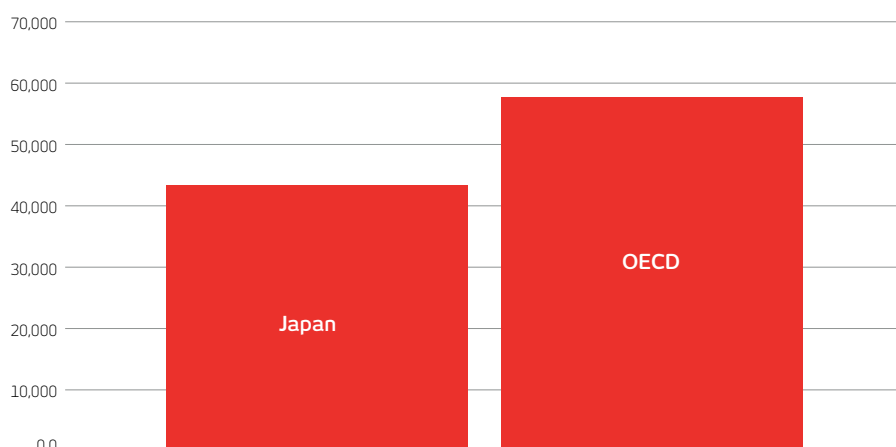


Chart 4: The GDP per capita of Japan compared with the average GDP per capita of the 21 OECD countries that recognize same-sex marriage.

As shown above, LGBT+ inclusion is a strong indicator of economic growth. Japan, however, lags behind leading global economies.

iii The City Acceptance Index comprises four equally weighted indicators that approximate a city’s and its home nation’s attitudes toward LGBT+ people. The indicators include the William’s Institute Global Acceptance Index, the change in the Global Acceptance index over a 30-year period, the friendliness of a city toward LGBT+ tourists using Lonely Planet data, and a measure of how supportive of LGBT+ inclusion a city’s politicians are. For a full explanation of the measure, please see Open For Business City Ratings 2020, available at: <https://open-for-business.org/city-ratings-2020>.

# The Economic and Business Case for Marriage Equality in Japan

## (i) Economic competitiveness

**Marriage equality sends a strong message that a society is LGBT+ inclusive, which attracts talented foreign workers to slow the economic losses that may result from demographic shifts.**

### Marriage equality may help attract top talent to Japan

Another strategy that Japan is employing to slow the economic losses from its aging population is to attract foreign workers. One of the key goals of Abenomics is to actively attract overseas professionals. Talented individuals are more attracted to open and inclusive cities and economies. Legalizing marriage equality can help Japan position itself as an inclusive place to live and work.

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<sup>9</sup>. However, this is administratively burdensome and costly for companies that operate in markets that do not recognize marriage equality, such as Japan. A study in the US found that unequal marriage laws in 2014 cost companies \$1.1 billion in total, with a cost of up to \$250,000 per company<sup>10</sup>.

These costs undoubtedly exist in Japan as well and serve as unnecessary barriers for companies to move their LGBT+ talent to Japan. This directly conflicts with Japan's goal of attracting more overseas talent. A forthcoming survey of more than 400 LGBT+ professionals who have received an international assignment found that only 2% of these professionals would choose Japan as their first choice for a future assignment. Many individuals preferred more inclusive countries with marriage equality, such as the United States (26%), United Kingdom (15%) or Australia (11%).

### LGBT+ inclusive societies, signalled by marriage equality, 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.<sup>11</sup> 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).<sup>12</sup> 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.

## (ii) National productivity

**LGBT+ inclusion, signalled by same-sex marriage, can create a favorable environment to improve productivity that has stalled owing to demographic changes.**

One of the best tools for Japan to overcome the challenges created by its ageing workforce is to improve productivity to catalyze growth. According to a report by McKinsey, "The Future of Japan", productivity has fallen over the past two decades in almost every sector, and there is a widening gap between Japan and other developed economies.<sup>13</sup> The report goes on to state that Japan can close 50% to 70% of this gap by applying best practices from other countries. Studies around the world have shown that open and LGBT+ inclusive societies are more productive and perform better. Japan can signal its LGBT+ inclusiveness by extending the freedom to marry to same-sex couples, which will combat productivity-dampening discrimination in the economy and workplace.

### **Japan's productivity growth is lagging other OECD countries that recognize marriage equality, a key signaller of LGBT+ inclusion.**

Japan has seen two decades of lacklustre productivity growth. This has created a growing gap between other advanced economies, particularly those that are LGBT+ inclusive and recognize the freedom to marry. By comparing productivity growth trends and projections from 2010 to 2021, as shown in the graph below, we find that Japan's productivity growth is:

- 5 percentage points behind other OECD economies with same-sex marriage
- 6.5 percentage points behind other G7 economies, all of which have same-sex marriage (or legal protection equivalent to marriage)

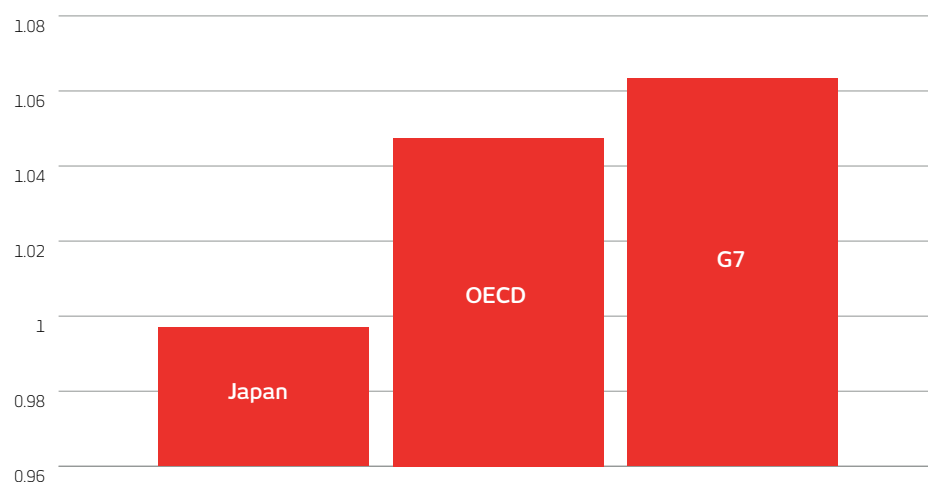


Chart 5: Comparing Japan's labour productivity growth from 2010 to 2021 (projected). The y-axis is the projected change in productivity from 2010 to 2021.<sup>14</sup>

While LGBT+ inclusion is not the only factor responsible for this productivity gap, the evidence below will show that it does play a factor in increasing productivity.

### **LGBT+ discrimination creates wage gaps and acts as a drag on national productivity. These can be reduced by implementing marriage equality, a key signaller of LGBT+ inclusion.**

Research has found that exclusionary treatment of LGBT+ people causes lost labour time, unemployment and underemployment, and lower levels of educational attainment among LGBT+ people. This is manifested in an LGBT+ wage gap that lowers productivity. Realizing marriage equality will provide true equality among all employees and fully eliminate exclusionary treatment of LGBT+ employees. This will lead to an increase in employee motivation and retention that will advance both national and corporate performance.

- Two quantitative studies in Japan have found that gay men and lesbian women earn less than their straight counterparts.<sup>14,15</sup> Realizing marriage equality will help eliminate such discrimination in the marketplace.
- The results of the above study found that this is due to differences in educational attainment and less stable employment. For example, interviews with 22 Japanese lesbians found that lesbians are more likely to have temporary or part-time work than straight women.<sup>16</sup>
- Gay men in Japan tend to be in low-paying industries and lower occupational positions than their straight counterparts, likely driven by discrimination in the marketplace.<sup>17</sup>
- This is in line with Japan's very high gender wage gap, which is 26% compared with an average of 15% in other advanced economies and further underscores the need for Japan to realize marriage equality to eliminate such a wage gap.<sup>18</sup>

### **Marriage equality can increase workforce participation among LGBT+ people.**

In addition to breaking down discriminatory barriers that create wage gaps, the freedom to marry can also boost productivity by increasing the workforce participation of LGBT+ people.

- A 2019 study focusing on the US found that "legalizing same-sex marriage led to higher integration of same-sex couples in the labour market, thus potentially stimulating economic growth and a more efficient allocation of human capital".<sup>19</sup> The study found that same-sex couples worked an average of 1.3 more hours per week after same-sex marriage was legalized. Also, there was a 3% higher chance that both people in the relationship worked 40 hours per week after legalization. These were both statistically significant at the .01 level.
- A paper that looked at labour force participation of women and the elderly in Japan found that "a rise in female labour force participation has large positive effects on aggregate labour supply, output and eventually wages and reduces the fiscal burden and tax rate necessary to finance rising expenditures".<sup>20</sup>
- Therefore, by legalizing same-sex marriage and reducing LGBT+ discrimination, Japan can increase the labour force participation of LGBT+ people, which would increase productivity, wages and economic growth.

### **LGBT+ inclusion, signalled by marriage equality, can help Japan boost its productivity by continuing to foster innovation.**

Another key aspect of productivity growth is strengthening innovation<sup>21</sup>. Multiple studies have confirmed a strong link between LGBT+ inclusion and innovation.

- An analysis of 97 countries found a strong link between LGBT+ acceptance and national innovative capacity. The study found that "reducing discrimination against LGBT people may advance economic prosperity through strengthening innovation".<sup>22</sup>
- Previous Open For Business reports have documented the strong link between LGBT+ inclusion and the innovative capacity of cities around the world. For example, LGBT+ inclusive cities have higher rates of new firm formation, and these new firms tend to be in higher-value service sectors.<sup>23</sup> Additionally, LGBT+ inclusive cities tend to register more patents than their less inclusive counterparts.<sup>24</sup>



### (iii) Business performance

#### Marriage equality can create an environment for improved business performance.

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 the workplace. Marriage equality would signal that Japan is LGBT+ inclusive, which in turn would allow companies to realize stronger returns on their efforts.

#### LGBT+ inclusive companies are better able to attract and retain talent. It is impossible for corporations to provide full LGBT+ inclusion without marriage equality.

- 61% of companies in Japan state that focusing on LGBT+ inclusion increases a company's attractiveness to potential employees.<sup>25</sup> Realizing marriage equality will put Japan and Japanese companies on an equal footing with leading global economies that have already realized marriage equality.
- 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.<sup>26</sup>
- 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.<sup>27</sup>
- 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.<sup>28</sup> 22% of LGBT+ people in Hong Kong have left or considered leaving a job due to discrimination.<sup>29</sup> Such discrimination and true equality for all employees cannot be achieved by an employer without legal marriage equality.

#### LGBT+ inclusive companies have higher levels of innovation and collaboration.

- 81% of companies in Japan state that focusing on LGBT+ inclusion could improve innovation and productivity.<sup>30</sup>
- 62% of employees at LGBT+ inclusive companies say their team is not afraid to fail. This is compared with only 47% that say the same at less inclusive companies.<sup>31</sup>
- 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.<sup>32</sup> Improved co-worker relationships can only be achieved if employers are able to provide full equality to all their employees, including LGBT+ employees, which is only possible by Japan realizing marriage equality.

#### 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.<sup>33</sup>

- LGBT+ inclusive companies have higher stock returns and higher market valuation: using a four-year longitudinal dataset of public firms in the United States, a study shows that firms with a higher degree of “corporate sexual equality” have higher stock returns and higher market valuations.<sup>34</sup>
- The report found that a 10-point increase in a company’s score on the Corporate Equality Index is associated with stock returns that are between 0.65 and 0.85 percentage points higher per year. This finding is statistically significant and holds when controlling for other firm characteristics, such as beta, leverage and book-to-market ratio.
- 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.<sup>35</sup>

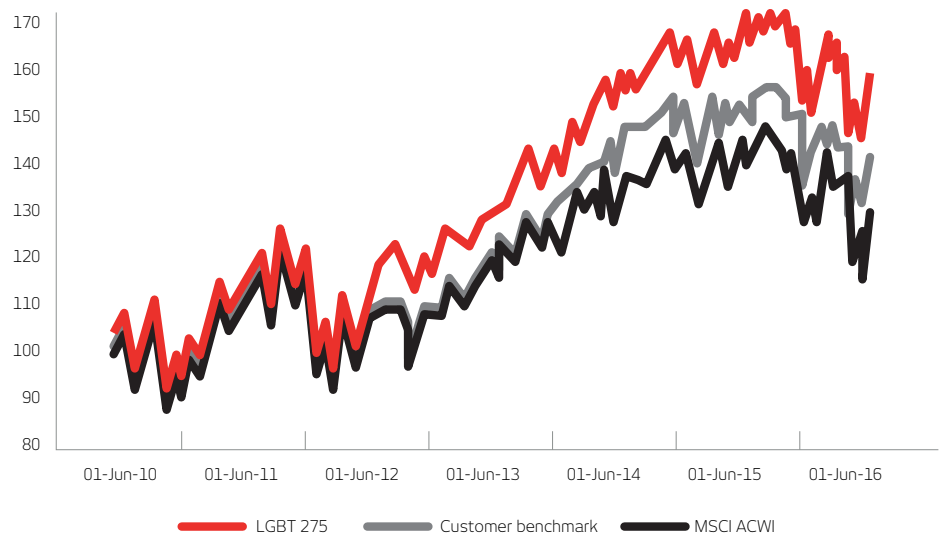


Figure 6: Share price performance of LGBT 275 basket vs benchmarks

Chart 6: Weighted share prices indexed to 100 on 1 Jan 2010 over time. Stock index (100 = stock price on 1 Jan 2010) on the y-axis and date on the x-axis.

# Sources

1. [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)
2. <https://fortune.com/global500/>
3. <https://www.japan.go.jp/abeneconomics/index.html>
4. The Legal Count Index consists of seven policies related to homosexuality: (1) same-sex sexual activity is decriminalized, (2) gay people can serve in the military, (3) sexual orientation discrimination in employment is banned, (4) sexual orientation discrimination in public accommodations is forbidden, (5) joint and/or second parent adoption by same-sex partners is legally possible, (6) same-sex couples can legally marry, and (7) a constitutional provision prohibits discrimination based on sexual orientation. The LCI adds up the number of such laws, so the Legal Count Index ranges from zero to seven.
5. <https://williamsinstitute.law.ucla.edu/wp-content/uploads/Global-Economy-and-LGBT-Inclusion-Mar-2018.pdf>
6. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=JP>
7. <https://williamsinstitute.law.ucla.edu/wp-content/uploads/Global-Economy-and-LGBT-Inclusion-Mar-2018.pdf>
8. [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)
9. Mercer (2017), "Employers recognize the importance of LGBT benefits to accommodate evolving workforce, new Mercer survey finds," available at: <https://www.mercer.com/newsroom/employers-recognize-importance-of-lgbt-benefits.html>.
10. Kopansky, K., Cacciotti, J. (2014), "The cost of inconsistency: Quantifying the economic burden to American business from the patchwork quilt of marriage laws," available at: [https://freemary.3cdn.net/facada4cfca211bbb5c\\_8pm6bp6n4.pdf](https://freemary.3cdn.net/facada4cfca211bbb5c_8pm6bp6n4.pdf).
11. Haisch, T. and C. Klopfer (2014), "Location Choices of the Creative Class: Does Tolerance Make a Difference?" *Journal of Urban Affairs* 37, 3: 233-254
12. Musterd, S. and O. Gritsai (2012), "The Creative Knowledge City in Europe: Structural Conditions and Urban Policy Strategies for Competitive Cities," *European Urban and Regional Studies* 20, 3: 343-59
13. [https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20a%20private%20sector%20transformation%20could%20revive%20Japan/Future\\_of\\_Japan\\_Executive\\_summary\\_March\\_2015.ashx](https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20a%20private%20sector%20transformation%20could%20revive%20Japan/Future_of_Japan_Executive_summary_March_2015.ashx)
14. Hiramori, Daiki. 2015. "Shokuba ni okeru Seiteki Mainoriti no Konnan: Shunyu oyobi Kinzoku Iyoku no Tahenryo Kaiseki" (Challenges of Sexual and Gender Minorities in the Workplace: Multivariate Analyses of Income and Willingness to Continue Working). *Gender and Sexuality: Journal of the Center for Gender Studies, ICU* 10:91-118
15. [https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/36842/Hiramori\\_washington\\_02500\\_15882.pdf?sequence=1&isAllowed=y](https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/36842/Hiramori_washington_02500_15882.pdf?sequence=1&isAllowed=y)
16. Kamano, Saori. 2009. "The Reality of the Work and Economy of Lesbian (Couples)." Presented at the Annual Meeting of the Women's Studies Association of Japan, June 27, Tokyo, Japan.
17. [https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/36842/Hiramori\\_washington\\_02500\\_15882.pdf?sequence=1&isAllowed=y](https://digital.lib.washington.edu/researchworks/bitstream/handle/1773/36842/Hiramori_washington_02500_15882.pdf?sequence=1&isAllowed=y)
18. <http://www.oecd.org/economy/japan-economic-snapshot/>
19. <https://www.sciencedirect.com/science/article/pii/S0047272719301471>
20. <https://www.sciencedirect.com/science/article/pii/S0889158320300022>
21. <https://www.oecd.org/japan/japan-strengthening-innovation-for-productivity-and-greater-wellbeing.pdf>
22. [https://www.researchgate.net/publication/339496566\\_Does\\_LGBT\\_Inclusion\\_Promote\\_National\\_Innovative\\_Capacity](https://www.researchgate.net/publication/339496566_Does_LGBT_Inclusion_Promote_National_Innovative_Capacity)
23. Lee S. Y., Florida R. and Acs Z. J. (2004) "Creativity and entrepreneurship: a regional analysis of new firm formation", *Regional Studies* 38, 8:879-891
24. Data from the OECD REGPAT database, quoted by Brookings Institution. Brookings Institution (2016), *Redefining Global Cities*, available at: <https://www.brookings.edu/research/redefining-global-cities/>
25. [https://www.keidanren.or.jp/en/policy/2017/039\\_outline.pdf](https://www.keidanren.or.jp/en/policy/2017/039_outline.pdf)
26. Centre for Talent Innovation (2016), *Out in the World: Securing LGBT Rights in the Global Marketplace*
27. Suen, S.T. et al. (2016), *Study on Hong Kong Public and LGB People's Attitudes towards LGB-friendly Business Organizations*
28. Level Playing Field Institute (2007), *The Cost of Employee Turnover Due Solely to Unfairness in the Workplace*
29. Community Business (2012), *Hong Kong LGBT Climate Study 2011-2012: Attitudes to and experiences of lesbian, gay, bisexual and transgender employees*
30. [https://www.keidanren.or.jp/en/policy/2017/039\\_outline.pdf](https://www.keidanren.or.jp/en/policy/2017/039_outline.pdf)
31. Centre for Talent Innovation (2016), *Out in the World: Securing LGBT Rights in the Global Marketplace*
32. *Out On The Street* (2014), *Europe LGBT Leadership Summit Learnings Summation*
33. Credit Suisse (2016), *LGBT: the value of diversity*, Credit Suisse Environmental, Social and Governance Research
34. Shan, L., Fu, S. and Zheng, L. (2017), "Corporate sexual equality and firm performance, strategic management," 38, 9: 1812-1826.
35. Bersin, J. (2015) *Why Diversity And Inclusion Will Be A Top Priority For 2016*, published by Forbes



Open  
For  
Business