

Course: ECON 613

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Reading Notes of “Gender Gaps in Performance: Evidence from Young Lawyers”

The paper describes gender gap in terms of earnings and promotions in the legal profession and explores its determinants. The original regression model is $Y = \alpha + \beta X + \epsilon$, where Y is the earning and promotion outcomes, X represents gender and ϵ is the error term. In this model, the author found 18% gender gap. Next the author applies individual fixed effects and firm fixed effects, $Y = \alpha_i + \gamma_j + \beta x + \epsilon$, then there is a 9% gap between men and women left to be explained, and the missing regressors are included in the error term. One of the hidden regressors is performance, which may differ between genders. In the end, we have the model $Y = \alpha_i + \gamma_j + \text{performance}_{ij} + \beta x + \epsilon$ and the gap is 0%. The paper sets up $P_{ij} = P(z_{ij})$ to test whether the performance gap is an endogenous variable.

Unlike many industries having heterogeneous standards of measurements, the legal profession applied two main transparent metrics across firms to assess performance: annual hours billed and new clients introduced by lawyers. The paper first shows that both individual and firm factors help explaining the gender gap by 9%, and then reveals that the performance gap is another significant factor. The paper found that male lawyers work 10 percent more hours than female lawyers and bring in more than twice as much new clients revenues. To see whether performance gap is due to gender discrimination, the paper examines potential relevant factors.

The empirical strategies applied in this paper is worth mentioning. To reveal the existence of gender-based inequality in earnings, Fig1 plotted the median weekly earnings of male and female lawyers when controlling the individual characteristics. Figure2 provides the gender coefficients and the quantile regressions ranging from 0.10 to 0.90 as well as draw the gender gap in performances at 5 percent confidence interval. Besides, based on AJD data, Table1 used descriptive statistics to present the variables that would cause the gender gap. In the end, the paper applies OLS method to depict gender gap by controlling other independent variables such as individual and firms with the intension of isolating those effects and find the causal-effect of performance gap.

Here are the findings of this paper. The performance between male and female lawyers are significantly different. (1) Working hours: Male lawyers spend an average of 1,826 hours per year, while female lawyers spend an average of 1,677 hours. Their annual target number of working hours is also different. It is shown from Table 1 that the average target for male lawyers is 1,827 hours, compared with 1,759 hours for female lawyers. (2) New clients: New client revenue, with male lawyers bringing in more than twice as much new client revenue as female lawyers (\$30,000).

The paper first analyzes the potential prejudices in the world place, which can be detected from the following perspectives: Female lawyers did not get enough tasks; Partners discounted the working hours of female lawyers and the lack of interactions between female lawyers and clients. But all those concerns were not statistically significant, and thus irrelevant to the gender differences in the performance measurements. However, there're also some relevant factors that explains the performance gap. The author found that having toddlers in the household reduced the working hours of female lawyers. Female lawyers with children under 4 worked approximately 200 fewer hours per year, while male lawyers with young children are not affected. Furthermore, the variation in career aspirations among young lawyers can lead to the gap in hours billed; personal career aspirations had a strong positive impact on new client revenue.

In summary, when controlling the individual and firm factors, the gender gap in earnings and promotions in the legal firms can be explained by a factor that are often overlooked: workplace performance. The paper explored two main reasons to show that gender gap is endogenous: (i) The existence of toddlers under 4 in the household; (ii) Occupation aspirations. The paper concluded that gender gap may not decrease or even increase in the future, since more high-tech companies will evaluate workers based on working performances. Although, the limitation of this paper is that it did not further explore the possibility of female lawyers' lack of aspiration due to the prejudices or stereotypes they encountered in school or gender expectations in family. It is reasonable to suspect that all those social issues cause the lack of aspirations for female workers.