

Reading Notes 1

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In the paper *Gender Gaps in Performance: Evidence from Young Lawyers* (2017), Ghazala Azmat and Rosa Ferrer showed the existence of gender gaps in career outcomes in the legal profession, and uncovered performance to be one substantial determinant.

In contrast to the rich literature on showing the persistent gender earnings gap (Lazear and Shaw, 2007; Lemieux, MacLeod, and Parent, 2009), relatively less research had examined their determinants beyond individual and firm characteristics. The gender earnings gap for high-skilled positions also lacked investigation.

Therefore, the authors attempted to fill the blank in the literature. First, they analyzed the determinants of gender gaps in performance, mainly focusing on three hypotheses—employer discrimination, child rearing, and career aspiration; then showed the important role of performance measures in explaining gender gaps in career outcomes; finally concluded that performance, together with individual and firm characteristics, explain almost entire gender gaps in career outcomes.

This paper relied on data from AJD in 2002 and 2007, a national-wide survey of lawyers in the US. It was because first, the legal profession shares homogeneous and transparent performance measures, unlike other professions; second, lawyers' career outcomes heavily depend on their performance. The authors used hours billed and new client revenue as two measures of performance, and used earnings and promotion as measures of career outcomes. Apart from performance and career outcomes measures, the dataset also contains variables such as gender, marital status, age, years of tenure, the size of the firm. This allowed the authors to analyze the gender gap, control individual and firm characteristics, as well as solve endogeneity problems.

By adding more and more control variables in the regression model, and comparing the change of point estimate and t-statistics for the dummy variable "female", the authors narrowed and finally closed the gender gap. To be specific, the point estimate of "female" changed from negative to approximately zero, from significant to insignificant.

The raw gap in log earnings between male and female lawyers is 18 log points and is statistically significant. It was obtained by simple linear regression, so the error term should contain lots of omitted variables. In the next step, the authors controlled for individual and firm

characteristics. They together explain about 50% of the raw gender gap, and the gender gap drops from 18 log points to 10 log points. Having some basic control is indeed effective, however, the remaining unexplained gender gap implies some unobserved effects. Due to the performance concern in the legal profession, the authors added performance measures (hours worked, hours billed & new client revenues) into the regression model, the gender gap becomes 2.45 log points and statistically insignificant. It means that we do not have enough confidence to reject the null hypothesis that the gender gap is different from zero. Similar logic applied to another career outcome measure, promotion. The raw gender gap in partnership likelihood is 9.13%, basic controls have no obvious effect in narrowing this gap. Once the authors added performance measures in the model, the gender gap reduces to 5.96% and becomes insignificant. The gender gaps in log earnings and promotion are closed.

The gender gaps in performance could be explained by three hypotheses, employer discrimination, child rearing, and career aspiration. Examining the hypotheses, the authors found that discrimination does not significantly affect gender gaps in performance. The presence of young children has no effects on log earnings though, it has a small effect on the hours billed, which makes sense because women physically experience pregnancy and traditionally shoulder more household responsibilities. The key determinant is career aspiration to be a partner. It substantially explains the gender gap in hours billed and can even fully explain the gender gap in new client revenue. Therefore, there is no endogeneity problems.

To sum up, this paper sheds light on the determinants of gender gaps in performance and career outcomes among high-skilled individuals. The presence of young children and career aspiration "lend to" gender gaps in performance, gender gaps in performance then "lend to" gender gaps in career outcomes. The results are impressive, however, there might be one limitation on the empirical strategy, that is, linear regression can only show correlation rather than causality. More advanced strategies related to causal inference can be used in future studies.