

## Reading Note: Gender Gaps in Performance: Evidence from Young Lawyers (Azmat & Ferrer, 2017)

Gender gaps in career outcome among high-skilled workers still persist despite the success on social side in promoting gender equality. What are the factors that driven such persistent phenomenon? One of the most important determinant of a person's career outcome is naturally his/her performance, and male and female workers could have systematically different performance which could potentially explain the observed gender gaps. Unfortunately, the measure of performance is heterogeneous across firms in almost every industry, so previous studies need to rely on indirect proxies for the performance which might be inaccurate and cause measurement errors. This, however, is not true for legal profession; law firms use common objective methods to evaluate lawyers. Hence, it allows this paper to compare performance data across firms and eventually evaluate the contribution of performance on gender gaps.

The 2 methods that law firms use to measure their lawyer performance are 1) lawyer's annual hours billed to customer, and 2) annual revenue a lawyer get from new clients. These data is obtained from *After the JD* which is the survey of all lawyers admitted to the bar in 2000.

Using the OLS regression with the dependent variable being the 2 performance measures and the independent variable being female dummy variable and other controls<sup>1</sup>, the study found a significant gender gap in performance. On average, Female lawyers bill approximately 100 hours less and bring in only a half of the new client revenue of their male counterpart. This gender gap in performance is relatively stable across the distribution as confirmed by the quantile regressions of the same model. The study also decomposed performance into total work hours and productivity and found that the difference in performance comes from the difference in productivity, as in terms of how much revenue created per hour worked, rather than total hour works.

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<sup>1</sup> Control variables include both individual characteristics (marital status, age, number of children, the presence of children at preschool age, ethnicity, years of tenure, working full time and education) and firm characteristics (size of firm, and type of organization).

Next step is to find the determinants of the performance gap. By introducing these determinants and the interaction term with gender to the model, the study can evaluate the effect of them on performance gap. The study found no significant relationship between gender gap in performance and these factors: expected work hours, how a lawyer is sorted into specialty areas, and discrimination<sup>2</sup>, overbilling behavior, health issues, networking behavior, weekend working.

However, the study found that having a preschool child reduces hours billed for female lawyers but not male lawyer. This suggests that woman tends to take a larger share of childrearing responsibility. The finding was subjected to 2 possible selection issues. First, lower productivity women might have more children. The paper accounts for this issue by comparing predicted earning and performance, which are forecasted by pre-labor market information, between lawyers with and without children and found no significant different. Secondly, women could choose to have children when they are at the lowest productive period in their careers. The study calculated earning for a year before having birth and found that there is no drop in earning. Hence, this issue is, again, not a problem.

Another significant determinant is that male lawyer has stronger career aspiration. The survey indicates that 60 percent of the male lawyers responded with a strong aspiration to become an equity partner with their firm compare to just 32% for female. The result shows that aspiration have similar positive effect on career outcome for both male and female. However, the fact that male have stronger aspiration can explain a large portion of the performance gap especially in new client revenue. Furthermore, quantile regression analysis reassures the result by showing that the result does apply throughout the distribution. This difference in aspiration is likely influenced by social values that causes male to value work and money more. To account for possible contemporaneous feedback, the study tested using only the aspiration data from

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<sup>2</sup> Forms of discrimination investigated are whether a female lawyer receive less assignment, hours reported being discounted more, giving tasks that have less interaction with the client or being less favoured by a male mentor.

the first wave of the survey, which collected from lawyers that has been working for only 2 years, and the result remained robust.

The last part of the paper involves estimating how much these performance differences account for the gender gap in earnings and promotion. The method used is comparing how much the magnitude of gender gap coefficient drops when introducing new factors. The result shows that around half of the gender gaps can be attributed to hours billed and new client revenue.

In conclusion, the paper utilize the data from legal profession, which use similar performance measure across the industry, to examine gender differences in performance. It found that having a preschool child and career aspiration are two determinants of the performance gap, and this difference performance can explain around half of the gender career outcome differences.

One remark I have about the paper is that the method it uses to assess contemporaneous feedback between career aspiration and performance is not very assuring. The study proxies the “pre-labor market” aspiration to become a partner by the response of how satisfied the subject is with his / her decision to become a lawyer and how long will he / she would like to remain with the current employer, all of which surveyed 2 years after the subject got a job. Then the study argues that 2 years is not enough for the feedback from the employer to have an effect on the aspiration. I found this very unlikely. Normally, employee performance evaluation is done annually, so within that 2 years the subject must have been evaluated at least once. This evaluation can have a significant impact on subject’s perception of the job and career path especially for those that have no past work experience because the evaluation will tell his/her placement in real working environment. Hence, those received poor evaluation might be less satisfy with their choice to become lawyer and/or plan to change the employer sooner, and vice versa, so there is still a contemporaneous feedback with the selected proxy.