

READING NOTES FOR AZMAT AND FERRER (2017)

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The existence of two sizable gender career outcome gaps, an earnings gap and a promotion gap, is well documented in the economic literature. On average, women earn less wages and are less likely to be promoted to high level managerial positions. In this paper, Azmat and Ferrer focus on the legal profession. They find a persistent 18 log points gap in earnings and a 10 percentage points gap in partner status (highest manager position in a law firm). Controlling for individual and firm characteristics only reduces 50% of the earnings gap but further controlling for performance explains 50% of the remaining earnings gap and makes the gap in partner status statistically insignificant. Using homogeneous performance metrics, the authors document a large gender performance gap in the legal profession which explains most of the gender outcome gap. They then identify child-rearing and differences in aspiration levels as critical factors contributing to the performance differences. They reject other hypotheses, including discrimination, areas of specialization and over-reporting of accomplished work, as unlikely to be significant.

The authors study the legal profession for its wide usage of transparent performance metrics. Prior studies show that employers in the legal profession use homogeneous performance metrics to calibrate compensations and make promotion decisions for lawyers. The metrics used are annual hours billed and the amount of new client revenue brought to the firm. The first metric, annual hours billed, directly affects a firm's current revenue. Even though the number of hours to bill is self-reported by the lawyers, the risk of over-reporting is low for two reasons. First, lawyers tend to have the desire to uphold their reputation for productivity and second, partners of law firms adjust the hours billed on lawyers' behalf to ensure the hours billed are reasonable. The second metric, the amount of new client revenue, further captures the quality of a lawyer's work and measures the lawyer's ability to make connections, uphold the reputation, and maintain visibility, which are skills essential for the long-run success of law firms and critical determinants for lawyers' readiness for promotion into partner status. The transparency and broad application of the metrics allow the authors to obtain relatively objective performance measures for a sample of lawyers that is representative of a large proportion of practitioners in the industry.

The data on the two metrics, annual hours billed and amount of new client revenue, come from the "After the JD" (AJD) data set, which includes lawyers employed across all sectors. A group of lawyers was surveyed twice, once in 2002 and again in 2007. The authors use the data from the 2007 survey, because it added questions on hours billed and aspirations to become a partner. Because of the self-reporting nature of the surveys, the authors validate their results with firm-reported data sources on crucial variables, yielding statistics similar to that of the AJD.

Utilizing the AJD data-set, Azmat and Ferrer document sizable gender gaps for annual hours billed and amount of new client revenue. A gap of about 100 annual hours billed and 30,000 dollars new customer revenue remain unexplained after controlling for lawyers' abilities proxied by educational

records and other firm level and individual characteristics. The gender gap for hours billed is stable across hours billed distribution, but the gap for new customer revenue is the largest at the right end of its own distribution. The gaps persist after the authors further control for billable hour targets at firms as proxies for possible unobserved firm-level heterogeneities and hours-worked to hours-billed ratio in place of work quality.

Having documented the persistent performance gaps, Azmat and Ferrer identify child-rearing to be the main cause of the hours billed gap. They find that the presence of young children at home almost fully explains the gap in hours billed, suggesting that female lawyers shoulder more responsibilities in raising children. There are two potential selection issues. Women with lower skills might spend more time raising children and choose to work in firms with lower hours billed or women might time their pregnancy during a low productivity period. However, the authors find no evidence for either to be the case. But child-rearing does not explain the new client revenue gap.

The gap in new client revenue is explained by a gender difference in career aspiration levels, which is measured by self-reported desire level to become a partner. Further controlling for aspiration levels, the authors find the new client revenue gap closing up across its distribution and the remaining gap statistically insignificant. They also find the explanatory power of aspiration levels to remain after controlling for a series of variables that possibly co-determine aspirations and outcomes, suggesting the likelihood of a causal relationship is high. To rule out the possibility that aspiration levels are mostly driven by the feedback lawyers receive at work for their performance, the authors utilize responses collected when lawyers first join the firm in place of aspiration levels and acquire consistent results.

Authors also reject other hypotheses for gender performance gaps, including discrimination and lawyer specialty. The authors find no evidence for significant discrimination after controlling for self-reported discrimination and examining if partners treat women differently in adjusting billable hours and in assigning tasks. There is also no evidence for female lawyers systematically sorting into legal areas with low hours billed. Finally, the authors note that while there exist gender gaps in over-billing behaviors, networking patterns, type of mentoring received and weekend works, the effects are either not statistically significant or not significant enough to explain the performance gaps.

One limitation of the paper come from the huge number of confounding factors that possibly affect both aspiration levels and career outcomes. It is still possible that women encounter more difficulties in securing new client revenue from a client base that might be predominantly male and it might be harder to build deeper connections with male clients. This might not be perceived as discrimination even by lawyers themselves, as shown in Barbara, Heather (2022), which shows that female teachers don't feel discrimination when it's harder for them to negotiate a wage raise against a male superintendent. While the gender ratio is balanced within law firms, the gender imbalance among clients might play a role. Using responses before lawyer time might not correct for this potential problem because these are informations that women can learn from networking before starting as a lawyer.

Azmat and Ferrer demonstrates that, in the legal profession, the gender career outcome gap in terms of earnings and promotion can be attributed to gender differences in performance. They further identify that child-rearing and differences in aspiration levels exogenously drive the gender performance difference. Other high-skilled occupations where quantifiable performance metrics play dominant roles in earnings and promotions are likely to share the same trait. This suggests that gender career outcome gaps, especially among high-skilled professionals, are unlikely to close and might increase without further intervention, even in the absence of discrimination.