READING NOTE FOR AZMAT AND FERRER (2017)

JOSH (YUERU) LI

The authors study gender career performance gaps and their possible explanations and connections to differentials in career outcomes among high-skilled workers focusing on the legal profession. The Legal profession was ideal for the study for the availability of transparent employee performance evaluation metrics that are homogeneous across employers in the industry. The authors found a sizable gender gap in performance, identified child-rearing and differences in aspiration as critical factors contributing to performance differentials, rejected other hypotheses including discrimination and over-reporting, and argued that the difference in performance explains most of the gender gap in career outcome in earnings and promotion.

Prior studies on the wide usage of transparent metrics by employers in the legal profession to calibrate compensation for lawyers and make decisions on promotion provide the foundation for Azmat and Ferrer's paper. The two metrics are annual hours billed and the amount of new client revenue brought to the firm. A firm's current revenue is directly dependent on the number of billed hours reported to clients. The desire to maintain a good reputation from the lawyers and the firm's partners and the partners' ability to discount billable hours on behalf of the lawyers ensures that hours billed correspond to high-quality work and the risk of over-reporting is low, which authors verified empirically. The second metric 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 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.

Building on the theoretical foundation, the authors use the data-set "After the JD" (AJD) for the empirical analysis part of the paper. The data set includes lawyers employed across all sectors focusing on but not limited to those in private practice law firms. The same group of lawyers was surveyed twice, once in 2002 and again in 2007. The authors focus on the data from the 2007 survey, which added questions on hours billed and aspirations to become a partner. Because of the self-reporting nature of the surveys, the authors validated their results with firm-reported data sources on crucial variables, yielding conclusions similar to

that using AJD. Not all lawyers bill hours, so the study focuses on those that do. They either work in private practice law firms or work in solo practices.

Utilizing the ADJ data-set, Azmat and Ferrer applied multiple regressions and quantile regressions to document observations from data and identify the critical factors contributing to the observed data trends. They use multiple regression to demonstrate the gender performance gap conditioning on individual and firm-level characteristics. Multiple regression also allows the authors to test for different hypotheses of explanations of the gender performance gap and estimate the contribution of the gender performance gap to the gender career outcome gap. The authors use quantile regression to document the gender gap in performance across performance levels and the gender gap in earnings across earnings distribution.

Authors document the existence of a sizable gender performance gap for both hours billed and new client revenue. A gender gap of about 100 annual hours billed and 30000 dollars new customer revenue remain unexplained after controlling for individual and firm-level characteristics and ability, with the educational record as a proxy. 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 the distribution. These gaps remain after accounting for possible unobserved firm-level heterogeneity, using firm lawyer billable hour target as a proxy, and per hour productivity through ratio of hours worked and hours billed.

Prominent factors contributing to the gender performance gap identified by the authors are child-rearing and career aspirations. After accounting for potential selection issues from active selection into childbearing, they find that child-rearing explains the gap in hours billed, which might reflect that female lawyer shouldering more responsibilities in raising children. Correcting for endogeneity issues from the employment feedback vicious circle, authors use aspiration data predate lawyer times for lawyers in the sample to identify that the difference in aspiration explains the gap in new client revenue. Authors also entertained and rejected other hypotheses, including discrimination, lawyer specialty, over-billing behavior, networking patterns, and weekend works.

The authors finally demonstrate that the gender performance gaps explain nearly all the remaining gender career outcome gaps. A gender earnings gap at all quantities and a gender gap in promotion persist after controlling for a comprehensive set of individuals and firm-level characteristics. Both gaps become statistically insignificant after controlling for performance.

Azmat and Ferrer show that child-rearing and career aspirations exogenously result in a significant gender performance gap in the absence of discrimination in the legal profession. Other high-skilled occupations where performance metrics play a dominant role in determining pay and promotion are likely to share the same trait. This result 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.