

# Reading Note of the Paper entitled “Gender Gaps in Performance: Evidence from Young Lawyers”

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## ***Introduction***

This paper focuses on two main concentrations: whether exists gender gap on the performance of young lawyers and if so, the key determinants of such a performance difference. The authors acknowledge that female young lawyers, compared to their male counterparts, do behave lower level of legal performance in terms of both *billed hours* and *new client revenue*. The authors discover that the presence of preschool-aged children functions as a crucial factor on explaining the gender-oriented performance difference. Apart from that, the authors also recognize the role of aspirations to be promoted as an influential determinant.

## ***Overview of the Theoretical Foundations***

Due to the room limitation, I only present theoretical explanations of two main factors that have statistically significant impacts. The first one is *The Theory of Child Rearing* proposed by Altonji and Blank (1999)<sup>1</sup>. That is to say, gender differences in earnings are often attributed to women having children and gender differences in child care responsibilities. Compared to male young lawyers, female young lawyers will spend more time on nurturing preschool-aged children, which will significantly decrease the time that could be used for billed hours. The alternative theory is *the Explanation of Career Aspiration* proposed by Fama (1980)<sup>2</sup> and Holmstrom (1999)<sup>3</sup>. Agents who assign greater importance to their future earnings have stronger incentives to contribute effort, which affects performance. Since less female young layers hold the ambition to become an equity partner in their firm<sup>4</sup>, it is intuitive to believe that gender differences in the career aspirations of young lawyers may theoretically contribute to differences in performance.

## ***Overview of the Data and Empirical Strategy***

The authors implement “After the JD” (AJD) dataset in this research. AJD dataset project is a nationally representative survey of young lawyers in the U.S. which is conducted in 2002 and re-interviewed at 2007. Due to the limitation of room, I only present two main measurements of the dependent variable: *legal performance*. The authors firstly focus on *billed hours* and measure the billable hour requirement as typical lawyers’ overall number of hours billed in 2006. They turn to the concentration of *new client revenue* and describe the measurement of repayment of making new customers as the revenue attributed to new clients “personally brought” by the lawyers to their law firm in 2006. Since AJD project is fulfilled with panel data, the authors implement Fix-Effect estimation with Individual Controls, Firm Controls, Region Fixed Effect and Education Controls as their main empirical strategy.

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<sup>1</sup> Altonji, J. G., & Blank, R. M. (1999). Race and gender in the labor market. *Handbook of labor economics*, 3, 3143-3259.

<sup>2</sup> Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of political economy*, 88(2), 288-307.

<sup>3</sup> Holmström, B. (1999). Managerial incentive problems: A dynamic perspective. *The review of Economic studies*, 66(1), 169-182.

<sup>4</sup> See the detailed information on Page 1334 of the representative paper.

## Overview of the Findings

From the result of Table 2, it is clear that compared to their male counterparts, female young lawyers are accountable to smaller number of billed hours and receive less amount of new client revenue at 1% statistical significance level, which affirms the existence of gender gap in performance among high-skilled lawyers.

From the result of column (1) and (2) of Table 9, I find out that before including the intersection term named “Female \* child age < 4”, the coefficient of Female variable is negative and significant and that the 1%-level statistical significance of variable Female’s coefficient immediately lose after the inclusion of this mentioned intersection term. This loss of significance implies that billing a persistently large number of hours is difficult for female young lawyers with less-than-four-year-old children because women tend to share larger responsibilities on child nurturing. However, by observing column (3) and (4) of Table 9, I also find out that the Theory of Child Rearing only applies to explain gender difference in hour billed *but not client revenue*.

From the result of column (3) of Table 10, it is clear that after including the independent variable Aspiration, the 1%-level statistical significance of variable Female immediately disappear, which indicates that the gender differences in aspiration levels explain the remaining gender difference in the new revenue generated by lawyers.

## Conclusion

This paper reaffirms the existence of gender gap in annual permeance of young lawyers. What’s more, its largest contribution is to discover that “the presence of children aged under four” and “the aspiration difference to become a partner” explain substantive share of the empirical effect of the gender gap.

However, this paper lack one main problem. That is to say, among the influential explanations, the authors do not indicate which ones are the most explanatory factors. For solving this unfinished problem, I personally recommend to adopt casual mediation analysis proposed by Imai *et al.* (2010a, 2010b)<sup>56</sup>. One successful implementation of this methodology is Dang *et al.* (2020) where Professor Edmund Malesky employs this mentioned causal mediation approach to estimate the indirect effects of the poorest income quintile on the overall assessment of government responses through several economic and non-economic outcomes that are caused by the Covid-19 pandemic<sup>7</sup>.

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<sup>5</sup> Imai, K., Keele, L., & Tingley, D. (2010). A general approach to causal mediation analysis. *Psychological methods*, 15(4), 309.

<sup>6</sup> Imai, K., Keele, L., & Yamamoto, T. (2010). Identification, inference and sensitivity analysis for causal mediation effects. *Statistical science*, 51-71.

<sup>7</sup> Dang, H. A., Malesky, E., & Nguyen, C. V. (2020). *Inequality and Support for Government Responses to COVID-19* (No. 13816). IZA Discussion Papers.

## ***Reference***

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