

Hannah Marsho
Econ 613 Reading Notes #1
Wednesday, January 26th at 11:00pm

Gender Gaps in Performance: Evidence from Young Lawyers

Azmat and Ferrer (2017) attempts to further our understanding of gender gaps in highly skilled professions, specifically in earnings and subsequent promotions. The article achieves this through taking a closer look at what the authors deem to be the primary determinant of the gap, job performance. The literature has struggled to accurately study the effect that job performance has on the gender gap in the workplace. The authors attribute this issue to the heterogeneous nature and subjectivity of job performance metrics in many fields. To overcome this challenge, the authors focus in on the legal profession, which evaluates job performance using measures that are transparent and homogenous across firms and areas of law. The two proxies used for job performance are annual hours billed and the amount of new client revenue brought to the firm.

By using these two proxies and a comprehensive, nationally representative dataset on young lawyers in the United States, the authors assert the external validity of their findings, likely allowing for extrapolation to other highly skilled professions in the United States. Azmat and Ferrer (2017) documents a gender gap in performance among the young lawyers. Additionally, the article finds that, through the differential impact across genders of having young children and differences in career aspirations, job performance explains a significant amount of the gender gap in the lawyers' earnings and subsequent promotions.

In determining earnings and subsequent promotions for highly skilled professions, job performance appears to be a clear factor. This is due to the well-established fact that higher pay and promotion are often associated with (annual) performance reviews (Lazear and Shaw 2007; Lemieux, MacLeod, and Parent 2009). Azmat and Ferrer (2017) seeks to explain gender gaps in highly skilled professions through identifying and examining gendered differences in job performance. As mentioned previously, the authors use annual hours billed and the amount of new client revenue brought to the firm as proxies for job performance. The authors then proceed to explore potential determinants for gendered differences in performance. They examine factors such as discrimination, child rearing, human capital differences, differences in areas of specialization, the inclination toward overbilling, networking behavior, and career aspirations. Many of these factors have intuitive connections to a potential gender gap in job performance and are theoretically founded in literature cited by the authors.

The article uses data from After the JD (AJD), a nationally representative, longitudinal survey of lawyers in the United States, who were first admitted to the bar in 2000. Respondents provided detailed information on their job characteristics, job performance, employment history, educational background, and family status. The survey first took place in 2002, with a follow-up survey taking place in 2007. Due to the self-reported nature of the AJD data, to avoid potential issues with misreporting, the authors complemented the AJD data with external, firm-reported data sources. Namely, the authors use firm-reported data on target hours, hours billed, new client revenue, and earnings from various sources.

Due to the relative strength of the article's theoretical foundation and data, Azmat and Ferrer (2017) is able to employ a relatively simple empirical strategy. Ordinary Least Squares (OLS) is a linear estimation strategy which finds the parameters of a linear function for independent variables which will minimize the sum of the squared differences between the observed and the

predicted dependent variable. Through OLS multivariate regressions, the authors can isolate the relationships between a dependent variable and each of the independent variables, holding all else constant. Azmat and Ferrer (2017) conduct numerous OLS uni- and multivariate regressions to explore the relationships between the factors described above and their statistical significance in explaining gender gaps in job performance and career outcomes for highly skilled professions.

The article first finds and documents a sizeable gender gap in performance. On average, male lawyers bill 153 more hours per year than and generate more than twice as much new client revenue (\$30,000) as their female counterparts. The authors show that the gender gap persists even after accounting for individual and firm characteristics, educational background, differences in target billing, the difference between hours billed and hours worked, and areas of specialization.

Of the two most theorized factors that might contribute to the gender gap in performance, discrimination and child rearing, Azmat and Ferrer (2017) finds that discrimination does not affect performance or the corresponding gender gap, and child rearing, specifically having young children, affects performance and explains the gender gap in hours billed but not in new client revenue. The authors believe that the effect on the gender gap of hours billed is due to women shouldering more responsibility in child rearing, making it more difficult for female lawyers to consistently bill many hours. They further believe that child rearing does not affect the gender gap in new client revenue because having young children does not affect a lawyer's reputation, the quality or importance of the referrals they obtained, or their ability to use networking hours effectively, which are all stronger determinants of new client revenue.

The authors then look to other hypotheses to explain the remaining gendered performance gap, especially in the new client revenue metric, whose gap has yet to be adequately explained. Azmat and Ferrer (2017) finds that individual career aspirations have a strong positive effect on performance, and aspirations explain much of the remaining gendered difference in new client revenue, though not in hours billed. Other factors such as overbilling, networking, and working weekends are unable to explain gendered performance gaps.

Through their careful analysis, the authors of this article make significant progress in understanding and explaining the gender gap in highly skilled professions. As described above, Azmat and Ferrer (2017) finds that job performance has a significant impact on career outcomes for the young lawyers in their sample, and the presence of young children and career aspirations both explain much of the gender gap in hours billed and new client revenue, respectively. In terms of limitations, the article is likely constrained to explaining the gender gap in career outcomes in highly skilled professions or in professions where career outcomes are strongly tied to performance reviews. Additionally, since this article is an observational study, we cannot draw any causal conclusions from the article's findings. Further research would need to be conducted for such a result. Despite these concerns, it is likely that, due to the comprehensive and representative nature of their data as well as the homogeneity of the two proxies for performance studied, Azmat and Ferrer (2017) has some external validity, meaning that the article's findings might apply to other highly skilled professions in the United States, representing a meaningful contribution to the peripheral literature for years to come.