

**Reading Note: Azmat and Ferrer – *Gender Gaps in Performance* (2017)**

Extensive literature has documented the existence of a persistent gap in both career earnings and outcomes between male and female workers in many professions. When including general fixed effects in this study of gender and career earnings and outcomes, both career gaps are reduced by roughly half but a large gap still persists between genders. When adding performance to the study, the career gaps seem to close but one question remains: why is there a significant gap in performance between genders? Dr. Azmat and Dr. Ferrer, authors of *Gender Gaps in Performance*, investigate the causes of the performance gap between genders by looking at various plausible determinants to explore if the performance gap is either due to some endogenous characteristics<sup>1</sup> or simply an exogenous reflection of reality.

Although the question seems relatively straightforward, the evidence required to even measure “performance” is difficult to find as it is generally subjective and heterogeneous across firms. This inconsistency of performance metrics makes it troublesome to study the effects of potential determinants of the performance gap as it is difficult to accurately and consistently measure performance and how it changes. What makes this paper unique is that it looks at a specific profession, law, that has transparent performance metrics – annual hours billed and new client revenue generated – that are homogenous across firms and are significant determinants in earnings and promotional decisions. Having raw data on performance, and an extensive list of controls, allows the authors to investigate potential explanations for the gap in performance between genders in the legal world.

Throughout the paper, the authors extensively used data from After the JD, a nationally representative, longitudinal survey of young lawyers in the United States. The data showed that male lawyers, on average, billed roughly 150 more hours and generated nearly twice as much new client revenue which quantitatively corroborates the existence of a significant performance gap between genders in the legal profession. Moreover, the data showed that male lawyers were 10% more likely to become partners at their firms. To investigate determinants of this performance gap, the authors looked at different explanatory variables and their respective effects on the performance gap in the legal profession between genders.

The authors first addressed traditional hypotheses and found that factors (such as selecting firms with varying billing requirements, differences in total hours worked, distributions in specializations, and discrimination) did not explain the performance gap. However, the authors did observe that the presence of young children did have differential effects on hours billed between male and female lawyers<sup>2</sup>. This differential effect could be explained by the reality that female lawyers shouldered a disproportionately higher share of household responsibilities due to perceived gender norms in 2007. Although the impact of child-rearing seemed to explain the gap in hours billed, it did not explain the gap in newly generated client revenue so the authors continued searching for other potential determinants of this performance gap. They found that the critical factor that largely explained the gap in newly generated client revenue and, to a lesser extent, the gap in hours billed was career aspirations. The data indicated that lawyers with higher career aspirations, which were proxied for by asking individuals how satisfied they were with their decisions to be lawyers and how much they would like to remain with their current employer, also had

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<sup>1</sup> This gap may be efficient (and exogenously determined) if, in reality, females simply worked less (for a variety of reasons) and thus their performance levels were lower than their male counterparts; the gap may be inefficient if there are endogenous factors that contribute to lower performance such as discriminatory practices.

<sup>2</sup> When comparing female lawyers who had young children with those that did not, female lawyers with young children had roughly 100 fewer hours billed; male lawyers with young children did not see a similar difference.

higher performance measures<sup>3</sup>. As new clients can be seen as a long-term investment, they are more valuable to lawyers with high career aspirations who plan to stay with and progress within the firm for a longer period. Substantiating that finding, the authors also saw that male and female lawyers with similar career aspirations did not have significant performance gaps.

In an effort to explain the performance gap between genders, the authors found two critical exogenous determinants that largely explained the gap: career aspirations and the presence of young children. Once these determinants were taken into account, the performance gap nearly closed. Moreover, the authors see that the gaps in career earnings and outcomes also reduce in the legal world when controlling for performance. The authors also asserted that the performance gap could explain the gaps in career earnings and outcomes in other high-skilled professions as well. Although the paper rigorously explained the empirical basis behind its methodology, there is a limitation to address when discussing this paper in 2022. While this paper was published in 2017, its primary data source was from 2007 and there can be an argument made for the existence of broad changes in behavior in the last decade and a half. Specifically, with the relaxation of gender norms towards gender equality, we can reasonably expect that newer datasets would not show as dramatic differential effects of child-rearing as they did in 2007. If the differential effects of child-rearing are less significant in more recent data but the gap in hours billed still persists, other potential determinants would need to be examined to explain the performance gap between genders that account for changes in societal norms.

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<sup>3</sup> From the data, the authors saw that roughly 60% of male lawyers had high career aspirations whereas only 32% of female lawyers had similar aspiration levels.