

Revised Econ 613 Reading Note #1

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We know that there is a considerable gender gap in earnings. In the paper “Gender Gaps in Performance: Evidence from Young Lawyers”, Ghazala Azmat and Rosa Ferrer (2017) demonstrated that the gender gap in earnings and promotions can be explained by performance differences, individual and firm characteristics. According to previous studies, individual and firm characteristics have explained half of this gap which is around 9 log points (Wood, Corcoran, and Courant 1993; Dinovitzer, Reichman, and Sterling 2009). Thus, this paper focuses on another half of the gap. Since earnings and promotion are associated with people’s performance, authors work on how the performance differences influence gaps in the legal profession. There are two fair and common used methods to measure performance across firms in the legal profession sector. One of the methods is to calculate the annual hour billed. Another is to take new client revenue into account. Throughout analysis, authors have concluded that the performance differences are associated with child-rearing and career aspirations instead of explicitly discrimination on these two methods. So, the paper’s main argument is that performance differences, determined by child-rearing and career aspirations, are important for the gender gap in both current and future earnings.

The data used for the research is collected from After the JD, which bases on surveys conducted in 2002 and 2007. The difference between surveys in these two years is that in 2007, the survey takes questions about aspirations and child-tearing into account. Besides the variables we’re interested in, the data set also includes independent variables like education level and region to live in. However, the data set has some limitations. Since it is collected from surveys, lawyers can misreport their performances. To minimize the misreport, the authors add complementary data set which includes some data sources reported by firms instead of lawyers.

The first central part of this paper is to analyze factors that explain gender gaps in performance. The authors use OLS regression with fixed and control variables. Even though we control individual and firm characteristics in the regression, the differences in annual hours billed and new client revenue between genders cannot be explained. Thus, the authors pay attention to possible determinants: discrimination, child-rearing, and aspiration. After controlling regional fixed effects, educational fixed effects, individual characteristics, and firm characteristics, they regress the number of hours billed and new client revenue on these determinants twice. One regression will not include interaction terms. The other will consist of these terms. By comparing regression tables, the primary findings are that having young children with age less than four significantly explains differences in hours billed, and career aspirations are important in explaining differences in new client revenue. However, discrimination doesn’t help on explaining gender gap in performance because interaction terms on discrimination and gender are not significant and the female coefficient remains substantial. Moreover, three more explanations are mentioned in this paper: overbilling, networking, and working weekends. Although these have effects on performances, these cannot explain performance differences in gender.

The second main part of this paper is to analyze gender gaps in earnings and future promotions with or without controlling performance. The author runs log regression on annual earnings and control variables. Without controlling performance, individual and firm characteristics can explain 50 percent of the raw gender gap in earnings, which is around 9 log points. With variables of hour billed and new client revenue, the gender gap in earnings decreases to 3.8 log points and becomes insignificant. Also, the authors do a similar analysis on partnership and performance. The result shows a strong and positive relation between promotion and performance.

In conclusion, the performance difference is crucial when explaining gender gaps in earnings and future promotions. Also, it can be explained by having young children and different career aspirations. Although this paper is well-organized and does comprehensive analyses, it still has limitations. Since the analysis of aspiration is important on the number of hours billed, this paper can be improved if authors can focus more on why aspiration only explains a small shares of gender difference in the number of hours billed. Also, the paper uses linear regression which can be easily affected by outliers.

