

Reading Note on “Gender Gaps in Performance: Evidence from Young Lawyers”

Extensive previous research has shown that significant gender gaps exist in career outcomes, particular among high-skilled professions¹. Although previous studies have tried to explain these gaps with individual characteristics, sizable gender gaps among high-skilled professions remain². To further explain these remaining gender career outcomes differences, this paper provides an analysis by using the main two measures of performance in the legal profession, *annual hours billed* and *new client revenue*. From results in this paper, half of the remaining gender gaps in career outcomes in the legal industry are explained by the two measures of performance mentioned above, and the gaps are no longer significant. In addition, this paper digs further on career performance. The authors not only documented the gender performance gaps in the legal profession, but also found the two main determinants of the gender gaps in performance, one is the presence of pre-schooled children, and the other is the aspiration. In this paper, gender gaps in career outcomes in high-skilled professions are linked with gender performance gaps, as well as with two main determinants of gender performance gaps.

To examine the gender gaps in career outcomes and performance, the authors use data from After the JD datasets. The AJD dataset surveyed nationally representative young lawyers in 2002 with detailed questions on job characteristics, employment history, educational background, and family status. And the same young lawyers were reinterviewed in 2007 with additional questions on hours billed and aspirations. The main reason for choosing the legal profession and this dataset is that the measurement of performance in the legal profession is homogeneous across firms and areas of specializations. With the transparent measurement in legal profession, this paper could be able to measure career outcomes with *annual earnings* and *partnership status*, and measure performance with *annual hours billed* and *new client revenue*. Also, this dataset provided detailed information on interviewees, so the authors could analyze gender gaps in career outcomes and performance with individual characteristics, firm characteristics, region effects and other controls.

Using the data in 2007 from the AJD dataset and linear regression model, this paper finds that the gender *annual earnings* gap in the legal profession is 18 log points without controlling any other variables (in Table 14, column 1). When controlling individual characteristics and firm characteristics with fixed effect model, fifty percent of this raw gender gap in *annual earnings* is explained (in Table 14, column 5). The authors also finds that the *annual hour billed*, and *new client revenue* explain approximately half of the remaining gender gap in earnings (in Table 15, column 2). Moreover, with areas of specialization controlling, the left gender earnings gap is no longer significant (in Table 15, column 5). For the other aspect of career outcomes, *partnership status*, the data used in this paper shows that the gender gap is approximately 10 percent (in Table 17, column 1). And with performance included this gender gap in *partnership status* is explained 40 percent and is no longer significant (in Table 17, column 4). From results in this

¹ Bertrand, M., and K. F. Hallock. 2001. “The Gender Gap in Top Corporate Jobs.” *Indus. and Labor Relations Rev.* 55 (1): 3–21.

² Wood, R. G., M. E. Corcoran, and P. N. Courant. 1993. “Pay Differences among the Highly Paid: The Male-Female Earnings Gap in Lawyers’ Salaries.” *J. Labor Econ.* 11 (3): 417–41;

Dinovitzer, R., N. Reichman, and J. Sterling. 2009. “The Differential Valuation of Women’s Work: A New Look at the Gender Gap in Lawyers’ Incomes.” *Social Forces* 88:819–54.

paper, the authors link the gender gaps in career outcomes with gender performance gaps, with external validity, and gender performance differences almost explain the remaining gender gaps in career outcomes after controlling individual and firm characteristics.

To further examine on gender differences in career outcomes, the authors further dig on career performance. The authors document the substantial gender performance differences and find two main determinants of gender differences in performance, one is the presence of pre-schooled children and aspiration. Using data in 2007, this paper shows that the number of *annual billed hours* of male lawyers is 10 percent more than female lawyers, and male lawyers bring in more than twice as much new client revenue as female lawyers in 2006.

With identifying significant gender gaps in performance, the authors try to find determinants of these gender performance gaps with several possible hypotheses. Based on the theory proposed by Altonji and Blank in 1999³ on *child rearing*, the authors find that the presence of preschool-aged children significantly decrease the hours billed of female young lawyers (approximately 200 fewer hours per year), but not significantly affect the new client revenue (in Table 9). In addition, based on another theory about *career aspirations* proposed by Fama (1980)⁴ and Holmstrom (1999)⁵, the authors find that the career aspirations have a strong positive effect on the hours billed and the new client revenue, and it fully explained the gender differences in new client revenue (in Table 10). In addition, the authors use *career aspirations* to explain *partnership status*. The results show that aspiration explain over 50 percent of *partnership status* and the *new client revenue* is no longer a significant explanatory variable of *partnership status*. Moreover, to eliminate the possible reverse causality between career aspirations and career outcomes, the authors use pre-labor experience as a proxy of the aspiration and find that there is no reverse causality. These results show the importance of child rearing and career aspirations on gender gaps in performance, as well as on gender career outcomes gaps.

To sum up, this paper shows the existence of the gender gaps in performance in young lawyers and uncovered that the presence of preschool-aged children and aspirations are the main two determinants of the gender gaps in performance. Also, the authors use the performance explained a large part of the gender gaps in career outcomes.

It is a big step that this paper used the legal professions as a proxy of high-skilled works because there is a homogeneous evaluation measurement in the legal industry helping to quantify the variable of performance with *hours billed* and *new client revenue*. Also, with quantification of performance, the authors then could directly link the gender gaps in performance with career outcomes. However, there are still some limitations in this paper. First, the explanations on how aspirations decide the career performance are still inferences. Although with theoretical foundation, there still lack of support of data evidence. Second, the discrimination was not one of the determinants of gender performance gap as data shown, but the first two years (2000-2002) for these interviewees in work may have already been through discrimination through work feedback. So the data in 2002 and 2007 doesn't show the discrimination is a determinant of gender performance gap.

³ Altonji, J. G., & Blank, R. M. (1999). Race and gender in the labor market. *Handbook of labor economics*, 3, 3143-3259. "Women take more responsibilities in childcare than men which results in gender differences in earnings."

⁴ Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of political economy*, 88(2), 288-307.

⁵ Holmström, B. (1999). Managerial incentive problems: A dynamic perspective. *The review of Economic studies*, 66(1), 169-182. "people with more career aspirations will concern more about their future earnings and will have stronger incentives to contribute effort which affects performance"