**Reading Note on Azmat and Ferrer (2015)**

“Gender Gaps in Performance: Evidence from Young Lawyers” by Ghazala Azmat and Rosa Ferrer is a 2015[[1]](#footnote-1) study in the intersection of labour economics and gender studies, and draws seminal conclusions regarding the true causes of gender pay gap in high paying occupations by using data from law professionals. Authors highlight the fact that their choice of law as the field of interest is not coincidental; legal professionals, different from many other fields, have easily traceable and quantifiable metrics of wage earning: hours billed and the number of clients earned. Moreover, these metrics are homogeneous across firms unlike many professions therefore within industry comparisons are more consistent. By using data from 684 men and 441 women surveyed on a number of individual and firm characteristics, authors reach the conclusion that individual (career aspirations, child rearing, having young children etc.) and firm (size of firm, type of organization) characteristics only account for 50% of the gender wage gap in legal profession. The residual, which had typically remained unexplained in the literature, is quite aptly attributed to “performance” according to the findings of Azmat and Ferrer (2015). Performance, as they highlight, is an important omitted variable in gender pay gap studies; and ominously it will continue to contribute to the pay-gap in the future.

In the first chapter following the introduction, authors make a detailed analysis of their data. Hours billed and new clients earned to the firm appear as two important measures of performance for that both variables capture “quality over quantity”. They make the interesting yet expected observations that male lawyers bill more hours and bring in more clients (something highly desired especially by the private law firms) compared to female lawyers. They also observe that while the education attainments and firm types of the individuals are highly comparable across the dataset, regardless of the gender, women tend to be younger, single or married with few children and less likely to belong to a minority. After these observations, they present the striking gender wage gap of $18,000; which constitutes the main concern of this study.

The fourth chapter makes a series of estimations as to uncover the causal relation between the performance differences and the individual and firm characteristics. A summary of all these variables are presented in Table 1 (and the regression technique involves the addition of a number of controls). As for the hours billed, authors estimate that male lawyers bill almost 10% (153 more hours to be precise, as indicated by -0.153 coefficient in Table 2) more than female lawyers. Even after accounting for a very large set of controls (individual and firm specific variables), the 100 (-0.0971 coefficient wise) hours gap remains unexplained. They make a similar analysis for the new client revenues and find out that a similar pattern of unexplained residual, which in both cases indicate strongly the presence of an omitted variable that explains performance gap among male and female lawyers.

Enlarging their analysis to three possible channels through which the performance gap may form, authors analyse work place discrimination, child rearing and career concerns (captured by networking and working extra hours on the weekend plus the career aspirations such as the desire to become a law firm partner). Although in any one of these variables authors find evidence towards interesting differences (women tend to have lower career aspirations compared to men, having young preschool children contribute to a reduction of 200 hours for women annually, there is some discernible amount of discrimination and work place harassment towards women) none of these potentially explanatory variables truly account for the difference in performance.

After being inconclusive about the gender performance gap, authors in the fifth chapter, analyse the gender wage gap. When they control for all individual and firm level characteristics, they can only account for 50% of the gender gap. Next they study the effect of performance measures (hours billed and new client revenues) on earnings, and find very positive and strong relation in between. They therefore conclude that performance is indeed a very important omitted variable in the study of gender gap. And since they failed to account for what exactly is the root cause of this performance difference, the study ends in a pessimistic note.

The article is quite inspiring and sheds light on the gender wage gap which has become a bone of contention among economists as well as politicians. From what the authors have deduced, and from what I have understood, without understanding the true cause of performance difference (social norms, mentality, societal pressure, a less ambitious self portrayal) we cannot fully understand and address the wage gap.

1. IZA DP No. 9417 version of the paper is used in this assignment for that it presents a more concise and consistent presentation of the tables. http://ftp.iza.org/dp9417.pdf [↑](#footnote-ref-1)