

Review on Azmat & Ferrer (2017) - Revision

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The gender salary gap is well-known in the field, but how can we explain it? Azmat and Ferrer (2017) attempt to explain this gap by examining the legal profession in the US during the 2000s. Since the legal profession mostly uses a standard performance evaluation system which is transparent, the authors can take job performance into account. They follow a three-step process to lay out their argument. First, they show that male “performs better” in the current standard evaluation, hours billed and revenue from new clients. Then, the authors demonstrate that young child-rearing responsibility and aspiration explain this performance gap. Finally, they find performance early on is associated with promotion chance and salary later on. Overall, this paper reveals the underlying cause of the gender gap in salary and promotion in a high-skilled profession: legal service.

The data they use is After the JD, a national representative survey of lawyers, the coverage ensures that the result is generalizable to the whole profession. The respondents were first interviewed in 2002 and again in 2007 when the performance variable, “Hours billed” and “Revenue from new clients,” were collected. Since these variables are self-reported, there is a possibility of misreporting. Nevertheless, the authors reject it by cross-checking firm reports and notice no obvious falsification.

In addition, the richness of data ensures them to have sufficient control variables to deal with endogeneity. For example, the data includes numbers of children, whether the person has children under 4, tenure, their undergraduate and law school (and their ranking), et cetera. Interestingly, they can also control for legal specialization by using data on the time spent on 27 legal issues (e.g., intellectual property and civil rights law). Of all the available data, the most crucial one could be “aspiration” since it can explain the performance gap and indirectly influence career outcome.

Regarding the empirics, the authors rely on OLS and t-test throughout their study. Their reliance on OLS is not problematic as the link between performance and promotion or salary in a law

firm is rather clear, and they have sufficient data to reject alternative theories. I admire how they meticulously examine multiple alternatives to guide us toward their conclusion. Also, they often display the gender gap under different quantiles of hours billed or new clients revenue. Showing the distribution is more informative than just the statistical table.

Because of their solid specification, they can explain the gender salary gap or promotion gap with convincing evidence. First, they find that there is a gender gap in the two performance variables, and the gap can be explained by having preschoolers at home and aspiration to become a partner. Not surprisingly, this performance gap explains later career outcome in salary and chance of promotion to partner. Overall, the results point to a story that could go as follows: On average, women have relatively low career aspiration than men and more responsibility to take care of preschoolers. This leads to lower performance under the current evaluation method, and the evaluation results determine the gender gap in later salary and partner status.

Although the paper has solid results and reasonable interpretation, some limitations result from the design. Perhaps the most important issue is the scope. Since the authors' chain of reasoning hinges on the performance evaluation method: hours billed and new client revenue, any change in how law firms conduct evaluations can alter the result. This reliance means that under different performance measurements, there could be less gender gap, or the performance gap can no longer be explained by aspiration. Likewise, if the weight of performance in decisions on salary raise or promotion fluctuates over time, the coefficient of performance gap might also vary. Of course, my argument does not challenge the robust results we see. Instead, I question the extent we can apply to more settings across time and firms.

I am also worried about the lack of opinion from the respondents on the evaluation system. If a lawyer does not like the current system, she could perform poorly because of it. We can imagine an aspiring female lawyer who dislikes being judged by how much money she brings to the firm with new clients. Even if she dreams of becoming a partner, she may still score low on the evaluation. If females, on average, tend to dislike this system that favors male lawyers, then the gender gap can be explained.

Despite my argument against their article, Azmat & Ferrer (2017) contribute to the field with their effective control variables and clear reasoning. They also show the psychological factor early on, aspiration, can substantially impact long-term career outcomes. It implies that increasing female lawyers' aspiration before entering the workforce could potentially diminish the gender gap in the labor market.

To conclude, many questions are left unanswered by Azmat & Ferrer (2017). For businesses, what kinds of performance evaluation systems motivate people to do more than their early career aspiration would predict? Are clear-cut evaluation criteria adequate or not for gender equality? It might be decent as individual prejudice may not dictate women's career outcomes. It also may be substandard as there is a substantial gender gap in this case. How will the findings speak to the gender gap of other high-skilled labor markets? Lastly, why does aspiration differ among men and women even in top law schools of the US? Some could say the emphasis on justice in law schools and the liberal attitudes in top-ranked institutions both predict equally (gender equal) high career aspiration.