

in brief...

Gender gaps in performance: evidence from young lawyers

Are differences in earnings between highly skilled men and women the result of differences in performance – and if so, what explains the gender gaps in performance? **Ghazala Azmat** and **Rosa Ferrer** explore these questions by analysing data on the careers of young American lawyers who graduated at the turn of the millennium.

In recent times, women have reached many senior positions in the worlds of politics, business and science. But their under-representation at the top remains a mystery, especially given the numbers coming through. In the United States, for example, nearly a third of people who get an MBA are women; and the share of female law school graduates and female PhD holders is now almost 50%.

To understand differences in the attainment – and hence the compensation – of highly skilled men and women, we need to ask whether there are gender differences in performance. With performance being notoriously difficult to measure (especially in highly skilled occupations), the legal profession provides an ideal setting: it uses annual performance indicators that are relatively easy to measure, transparent and allow for comparisons between people working in different companies.

Lawyers' annual performance is evaluated through one measure in particular: the sum of hours billed to clients over the course of the year. Commonly known as billable hours, this method was first introduced in the 1950s and although its use as a performance indicator is not without controversy, it is the predominant tool used by law firms in the United States.

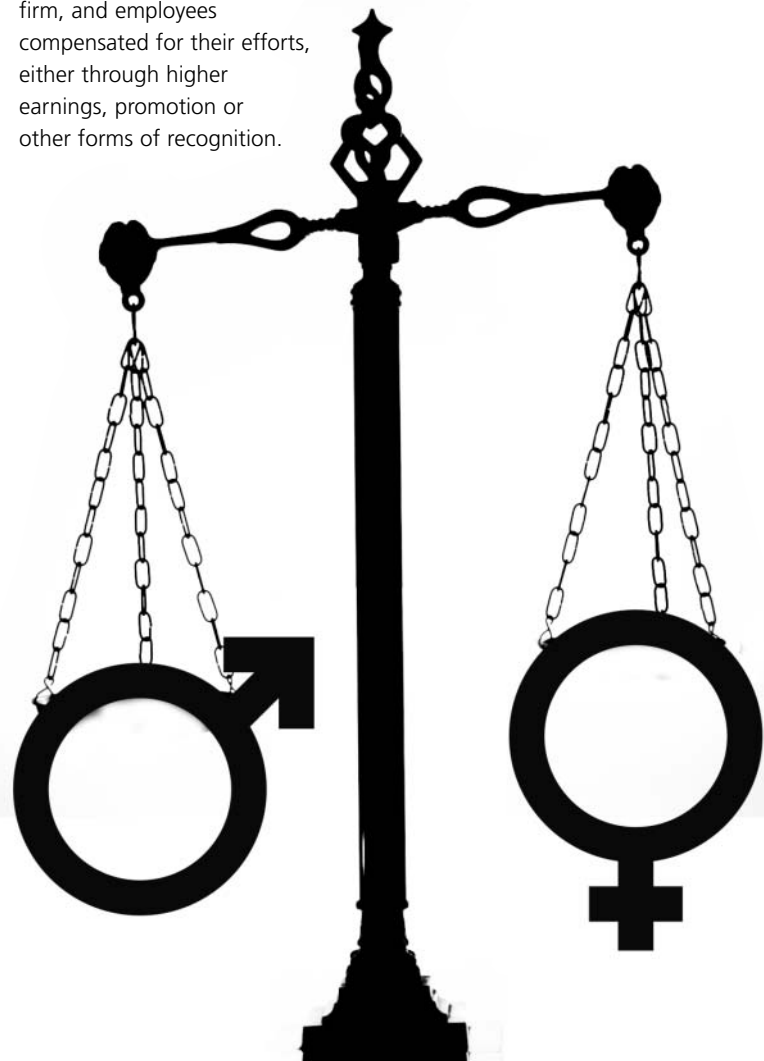
One of the reasons for the success of billable hours is that it accurately measures the revenue generated by the lawyers working in a firm. This is not the same as hours worked, which are usually higher; and more productive lawyers should be able to work less time than others to bill one hour, allowing them to work on more assignments.

Maternity and aspirations generate differences in work performance between the sexes

A second performance indicator is related to lawyers' ability to generate new clients, as measured by the revenue they generate from new clients.

Recommendations from previous clients and other lawyers are important ways to generate new client revenue, so this measure incorporates certain qualitative dimensions of lawyers' performance.

We use data from a nationally representative sample of young Americans, who all graduated from law school in 2000. Initial analysis shows that male lawyers outperform female lawyers on both measures: on average, men bill 10% more hours and generate 50% more revenue from new clients. These are large and important differences, and the likely consequences are higher revenue for the firm, and employees compensated for their efforts, either through higher earnings, promotion or other forms of recognition.



Among young lawyers, a key explanation of gender gaps in performance is the difference between men's and women's desire to 'make partner'

So what explains the gender gaps in performance among these young, highly skilled lawyers? Our research tests a number of hypotheses, the first being discrimination: it may be that senior lawyers influence performance by deciding on the number and type of cases assigned to each lawyer. But this is not what the data indicate: insufficient caseload does affect lawyers' performance, but there is no gender difference in caseload assignment.

The data also show no indication that there are gender differences in assigned tasks, for example, routine tasks versus those that are more intellectually challenging. Nor are the returns to each hour billed significantly different for men compared with women: in other words, billing rates are the same for both.

A second possible explanation is the effect of maternity: the right time to become a parent often coincides with the decisive years for professional success, which generates a choice between career and family responsibilities, one that mainly affects women.

Marie Curie, twice a Nobel laureate, said: 'I have frequently been questioned, especially by women, of how I could reconcile family life with a scientific career. Well, it has not been easy.' According to our analysis, a century later, this statement still holds true: having children of pre-school age adversely affects women but does not affect men. Yet this only explains part of the performance differences.

The final set of explanations is behavioural: for example, a crucial factor in explaining differences in performance could be the desire to 'make partner' – to progress to a more senior position. Asked about their desire to make partner on a scale of 1 to 10, 50% of women responded with 5 or less compared with only 29% of men. This difference in aspiration remains when restricting the analysis to those who have a good chance of making it as partner. It is an important part of the explanation of why male lawyers outperform female lawyers, especially for generating new client revenue.

We also find that men and women differ in their areas of expertise, their time spent 'networking' and working at weekends and their decisions on how to bill their clients. Yet these are much less relevant in explaining performance differences than aspirations. This finding is reminiscent of a comment by Sheryl Sandberg, a senior executive at Facebook, who said that 'as a society, we put more pressure on boys to succeed than we do on our girls'.

So what are the consequences of this difference in performance? Do they help us to explain the wage gap between highly skilled men and women? Yes: performance is actually crucial in explaining the wage gap.

The gender gap in earnings for the lawyers in our data is 20%. Half this gap can be explained by lawyers' characteristics and the size of their firm: working for a large firm pays more. In the absence of performance indicators, the other half would be left unexplained, and the temptation might be to attribute this part to discrimination because there do not seem to be 'observable' differences between the lawyers. But accounting for performance differences, we can explain a large part of the other half.

According to our analysis, maternity and aspirations generate performance differences between the sexes – and these have consequences for employees and the firms that hire them. The impact of maternity has been widely discussed in the context of other outcomes (such as gender gaps in wages and labour market participation) and could, perhaps, be solved with better childcare or parental leave policies.

By contrast, the impact of aspirations seems more complicated and potentially more controversial. Are the differences we find in career aspirations a choice or compliance with a social norm? Our research evidence suggests an answer.

Asked about how satisfied they are with their career progression and opportunities for advancement, the female lawyers in our sample were as satisfied, if not more satisfied, than their male counterparts. While levels of job satisfaction may be driven by a number of factors, they are important indicators of whether these highly skilled women feel fairly treated in the workplace.

This article summarises 'Gender Gaps in Performance: Evidence from Young Lawyers' by Ghazala Azmat and Rosa Ferrer. CEP Discussion Paper No. 1136 (<http://cep.lse.ac.uk/pubs/download/dp1136.pdf>).

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