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Understanding the Conditions of Bias: Essays on Gender Differences in Evaluation Outcomes across Three Empirical Contexts

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ABSTRACT

Whereas existing research has importantly documented that gender differences in evaluation outcomes exist, this dissertation shifts the focus to uncovering the conditions under which this is the case as well as the underlying mechanisms driving these observed gender differences. Specifically, the three papers in this dissertation contribute to our understanding of the evaluative mechanisms perpetuating gender inequality by answering the following overarching research question: Under what conditions and how do evaluation processes lead to different outcomes for comparable men and women, particularly when more relevant indicators of quality are available to evaluators?

Category: Gender inequality

Keywords: Gender, Management, Entrepreneurship, Social Networks, Evaluations, Wages

EXECUTIVE SUMMARY

Dissertation Overview

Gender inequality is a persistent feature of the U.S. economy, with women commonly earning lower wages and being underrepresented in elite occupations and organizational positions. This dissertation focuses on one potential source of unequal outcomes for men and women: the evaluation process. Across a wide range of organizational and market settings, an individual's occupational and financial success is at least partly contingent on the assessment of an evaluator or audience. In making these assessments, evaluators often lack objective information about quality or performance, forcing them to rely on status signals as indicators of expected performance. Prior research suggests that because ascriptive characteristics, such as gender, are associated with widely-held performance expectations, evaluators often rely on gender as an indicator of quality, particularly when quality is uncertain or indeterminate. This reliance on gender often leads to a female disadvantage since, as the lower-status gender, women are commonly expected to be worse performers. There is even some evidence that gender is incorporated into evaluations despite more relevant indicators of quality being available.

To fully understand the effect of gender in evaluative processes, it is necessary to move beyond simply documenting that men and women receive different evaluations, and to instead disentangle the conditions under which this is the case and the underlying mechanisms driving observed gender differences. By more carefully examining how the evaluations of similar men and women differ across distinct evaluative processes, this dissertation first identifies scope conditions for *when* assessments of similar men and women vary, and second identifies *how* evaluative processes contribute to these observed gender differences. Specifically, the three papers in this dissertation contribute to our understanding of the evaluative mechanisms perpetuating gender inequality by answering the following overarching research question: Under what conditions and how do evaluation processes lead to different outcomes for comparable men and women, particularly when more relevant indicators of quality are available to evaluators?

Across the three essays of this dissertation I show that gender plays a role in evaluations beyond serving as a proxy for missing quality information and that male and female evaluators incorporate gender differently under certain conditions. I draw on data from three unique empirical contexts to examine when and how gender affects: resource allocation within social networks, attention and ratings within a financial market context, and wages among employees within an organization. I pay particular attention to the often levied criticism of gender inequality research, namely failure to adequately account for underlying gender differences in quality or performance. Across the three essays of this dissertation, using field-based data and employing both econometric and qualitative research methods, I remedy this by comparing well-matched men and women.

Essay One: Explaining Unequal Returns to Social Capital among Entrepreneurs[1]

In the first essay, I examine whether resource exchange within social networks leads to unequal benefits for male and female entrepreneurs. I re-examine the dominant claim that women generate less value from using social ties because they tend to be embedded in less resourceful networks. Although lacking access to resourceful others constrains women's ability to exploit network resources, it is unclear whether men and women with the same opportunity to access resources through social ties generate equal benefits. The mere presence of social ties does not necessarily mean that resources will be exchanged. For networks to yield benefits, resource-holders serve as evaluators deciding with whom to share resources, or activate a social tie.

The goal of this paper is to move beyond structural network accounts of gender inequality among entrepreneurs and determine whether having the same opportunity to mobilize resources leads to equal benefits, or returns to social capital. I study business referral networks to examine how business referrals, or connections to potential new clients, are exchanged between entrepreneurs. This empirical context allows me to uncover how within network resource exchanges contribute, or not, to gender inequality. Entrepreneurs join business referral networks with the explicit goal of establishing and leveraging social

[1] This research was funded in part by the Ewing Marion Kauffman Foundation. The contents of this chapter are solely the responsibility of the author.

ties with other members of the group to generate new business. I profit from three unique features of this setting to unravel the role of gender in mobilizing social capital through network ties. First, in these business referral networks, men and women are co-located within the same networks and thus have the same opportunity to access resources, which allows me to hold network structure constant and identify how resource exchange within networks affects gender disparities. Second, I unobtrusively observed through analysis of network records the actual exchange of resources among entrepreneurs allowing me to move beyond common approaches relying on self-reports. Third, I analyzed cases where a member exits a group and is replaced by a member in the exact same occupation ("replacers"), but of the opposite gender. This offers a natural laboratory for examining my research question. Leveraging these replacers allows for a comparison of men and women in the same occupations, with access to the same social ties, providing controlled conditions for better identification of the gender differences in returns to social capital where they exist.

I find that despite having access to the same social ties, women still receive fewer referrals than similar men in the same social structure. In addition to identifying this gender imbalance, this paper suggests a new network mechanism for gender inequality: anticipatory third-party bias. I show that evaluators do not favor men when deciding whether to hire a fellow male versus female network group member for their own personal use. However, they do exhibit a male preference when connecting their outside contacts—clients, family members, and friends—to their fellow network group members.

Essay Two: Naming Your Daughter Jack: The Effect of Gender in Attention and Evaluation[2]

In the second essay, together with my coauthor Tristan Botelho, I examine whether there are differences in the attention and subsequent ratings men and women receive in a financial market setting comprised of investment professionals. This research assesses whether gender remains salient in the evaluation process within a competitive market setting, despite the presence of more prevalent and freely available performance information. We study an online platform where investment professionals openly share and view investment recommendations. Because there is a visible market-based performance metric assigned to each recommendation and investment professionals strive to identify the most lucrative recommendations, we would not expect gender to play a role in the decision making process about which investment recommendations to view.

However, we find that recommendations posted by women receive less attention than do recommendations posted by men, though there is no evidence of a gender-related performance difference. We find evidence that a driving force of this bias stems from attempts to reduce search costs. This gender difference in attention is most prevalent when

[2] Co-authored with Tristan Botelho, PhD Candidate, MIT Sloan.

evaluators are selecting recommendations from a large set of possible options where search costs are higher. Furthermore, we do not find a gender difference in subsequent stages of the evaluative process, where the evaluator is focused on a single, as opposed to comparing across, investment recommendations.

Essay Three: Formalization Revisited: Considering the Effects of Manager Gender and Discretion on Closing the Wage Gap

The third essay shifts the focus to the relative impact of male versus female evaluators for gender pay inequality. Specifically, I examine whether male and female evaluators, in this setting managers, differ in how they use the discretion afforded by less formalized pay systems to affect gender pay inequality among employees. In an effort to uncover the sources of this pay inequality, a growing body of research has focused on the role of organizational practices and pay systems. In particular, the degree to which organizational systems are formalized, or governed by clear written rules and procedures, has been shown to have direct implications for the level of pay inequality among employees.

Existing research in management, economics, and sociology has largely argued that allowing managerial discretion through less formalized pay systems perpetuates inequality. However, implicit in this argument is that organizational decision makers uniformly adopt these policies, and specifically adopt these in a way that leads to a male advantage. I draw on social identity theory and status characteristics theory to argue that this is unlikely to be the case because it is important to consider how male and female managers may use discretion differently. I consider both the gender of the decision maker and the job of the employee being evaluated. The goal of this study is to determine whether male and female managers differ in how they use the discretion afforded by less formalized pay systems and to identify the implications for pay among employees at different levels of the organizational hierarchy.

Among 857 employees in 120 retail branches of a financial services firm, I find evidence of less gender pay inequality in terms of less formalized components of pay for employees reporting to a female manager. However, this effect is only among employees in the lowest organizational ranks. These findings demonstrate that it is critical to take manager gender and the organizational position of the employees being evaluated into account when assessing the relationship between formalization of pay and gender pay inequality.

Conclusion

Together the three papers in my dissertation reveal that evaluators play a central role in contributing to the degree of gender inequality across a number of contexts and in a number of roles. Importantly, my studies show that reliance on gender in evaluations is not based solely on a ubiquitous preference for men. Rather, gender factors into evaluative processes only under certain conditions. In particular, I find that gender is more apt to influence assessments when the success of the evaluator's decision is contingent on approval from a third-party and when the evaluator is faced with high search-costs. Furthermore, these processes may differ based on the gender of the evaluator.