

## Gender gaps and the rise of the service economy

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Has the growth of services contributed to the narrowing of gender gaps in wages and hours? Our focus on the evolution of the industry structure for recent gender trends is motivated by a few stylized facts. First, the sustained rise in female work since the late 1960s in the U.S. has been accompanied by a fall in male work, and a rise in women's relative wages. Second, the entire (net) rise in women's hours took place in the broad service sector, while the entire (net) fall in male hours took place in goods-producing sectors, including the primary sector, manufacturing, construction and utilities. This pattern is closely linked to the process of structural transformation, and specifically the reallocation of labor from goods to service industries. Finally, the rise in women's hours in the service sector was accompanied by a strong decline in their working hours in the household, consistent with substantial marketization of home production.

In order to provide a framework to evaluate these channels both qualitatively and quantitatively, we propose a model economy with goods, services and home production sectors, in which women have a comparative advantage in producing market and home services. Labor productivity growth is uneven, reducing both the cost of producing goods, relative to services, and the cost of producing market services, relative to home services. As goods and services are poor substitutes, faster labor productivity growth in the goods sector reallocates labor from goods to services, resulting in structural transformation. As market and home services are good substitutes, slower labor productivity growth in the home sector reallocates hours of work from the home to market services, resulting in marketization. Both processes lead to the expansion of the service sector and – due to gender comparative advantages – jointly act as a gender-biased demand shock, generating a simultaneous increase in women's relative wages and market hours. Indeed, in a shift-share framework, as much as one third of the rise in female hours took place via the expansion of services, at constant female intensity within each sector.

While the source of both forces is gender neutral, their combination has female friendly outcomes. Marketization draws women's time into the market and structural transformation creates the jobs that women are better suited for in the market. These outcomes are consistent with evidence on gender convergence in wages, market work, and household work. When calibrated to the U.S. economy, our model adequately predicts the rise in services and it explains about a half of the rise in women's market hours and 20% of the rise in the wage ratio.