1. Introduction

Objective: Examine China’s rebalancing (shift in consumption and employment toward service sector) from a gender perspective.

Contributions

- Document widening gender inequality in hours and wages for married and unmarried women in China in the last two decades.
- Estimate women’s time-varying labor supply elasticities to own and spouse’s wages.
- Examine widening gender inequality in China in a model of structural transformation with home production.

3. Who Drives Gender Gaps?

Married women saw a bigger increase in conditional hours and earnings gaps. The effect is more pronounced in urban areas.

3-stage Heckman selection correction approach.

- Estimating equation:
  \[ h_i = \alpha^h + \beta_1^h \log(\bar{w}_i) + \beta_2^h \log(w_i) + \beta_3^h \lambda_i + \beta_4^h X_i + \epsilon_i^h \]
  - \( h_i \): own annual hours of work; \( \log(\bar{w}_i) \): own, spouse’s log hourly wages.
  - \( \lambda_i \): inverse Mills ratio; \( X_i \): controls.
  - Instrument wages: (quadratic) experience

4. Labor Supply Elasticities

Table 1: Rising Labor Supply Elasticities of Married Women

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Log Wage</td>
<td>0.050</td>
<td>0.303</td>
</tr>
<tr>
<td>Spouse Log Wage</td>
<td>-0.074</td>
<td>-0.173</td>
</tr>
</tbody>
</table>

5. Model of Structural Transformation

Build on Ngai and Petrongolo (2017)

- 3 sectors: goods, market and home-produced services.
- Key prediction: structural transformation and marketization of home-produced services narrowed gender wage and hours gaps.

Technology

- Goods and services \((j = g, s)\) are produced using female \((L_f)\) and male \((L_m)\) labor:
  \[ Y_j = A_j L_j, \quad L_j = \left( \xi_j \frac{\hat{w}_j}{\hat{w}} + (1 - \xi_j) \frac{\hat{w}_j}{\hat{w}_s} \right)^{\frac{1}{\beta_j}}. \]
- Women have comparative advantage in services: \(\xi_s > \xi_g\).
- Labor productivity, \(A_j\), grows faster in goods sector.

Households

- Households derive utility from consuming goods and services:
  \[ U = \ln c, \quad c = \left[ \omega \hat{w}_g + (1 - \omega) \hat{w}_s \right] \frac{1}{\beta_s}. \]

6. Model Counterfactuals

- Time-varying productivity wedge, \(\pi_j\)
  - Calibration: widening productivity wedge (barriers to FLFP) over time.
- CF1: Reduce \(\pi_j\) to 1 – no barriers to FLFP (relative to case of the U.S. in 2008).
- CF2: Marketization—increase market sector productivity growth relative to home production.

Table 2: Counterfactual results

<table>
<thead>
<tr>
<th></th>
<th>Wage Gap</th>
<th>Market Hours Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2013</td>
</tr>
<tr>
<td>Model Baseline</td>
<td>84.4</td>
<td>69.1</td>
</tr>
<tr>
<td>CF 1</td>
<td>77.9</td>
<td></td>
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<tr>
<td>CF 2</td>
<td>78.1</td>
<td></td>
</tr>
</tbody>
</table>

8. References
