Box 5.3 Global Gender Distortions Index: Measuring economic growth lost to gendered barriers

In the United States, policies that reduced labor market barriers and other forms of discrimination against women and African Americans contributed up to 30 percent of post–World War II economic growth. How can today's middle-income countries evaluate the economic dividends of progress toward equal opportunity and improved talent allocation? How can policy makers identify specific barriers within their labor markets that need to be addressed and given priority?

Researchers at Yale University's Economic Growth Center, working under the Gender and Growth Gaps project, are developing a Global Gender Distortions Index (GGDI) to measure the losses in global economic growth stemming from gender gaps in the labor market. The GGDI links changes in gender gaps in the labor market to productivity growth through improvements in the allocation of women's talent. Specifically, this index measures by how much the gross domestic product (GDP) of a country (or subnational unit) has grown, or could grow, from improvements in women's labor market opportunities.

The index highlights that women often do not choose the occupation in which they have a comparative advantage because of (1) labor demand distortions that lead to a wedge between wages and marginal products and (2) differences in occupational preferences that capture factors such as social norms and other labor supply distortions. The GGDI is computed by using observed differences in women's wages, labor supply, and employment across job type (formal versus informal) to derive an estimate of economywide productivity losses or gains. By quantifying growth losses stemming from gender inequality and distilling them into a single measure, the GGDI allows comparisons across time and locations that can inform policy decisions. It can also complement the World Bank's *Women, Business and the Law* (WBL) index by measuring the aggregate consequences of de facto labor market barriers, whereas the WBL measures de jure barriers.[a]

In a proof-of-concept exercise, the GGDI team uses a cross-sectional analysis across Indian states for 2018 and finds that labor demand distortions are negatively related to state-level economic development.[b] Poorer states such as Bihar gain 10 percent in state GDP from removal of labor demand distortions, whereas richer states such as Kerala gain 4 percent in GDP. By contrast, labor supply distortions are not related to state-level GDP.

The GGDI, which will be computed for 30 countries over the next 24 months, can act as a dynamic barometer for countries and regions, providing researchers and policy makers with a valuable new resource.

a. World Bank (2024).
b. Goldberg et al. (2024).