

Can Stock Index Improve Gender Diversity in Corporate Leadership?

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Gender diversity in the workplace has emerged as a central concern for corporations, investors, and policymakers worldwide, driven by growing recognition of its implications for economic performance and social equity. For more than a decade, the World Economic Forum has emphasized the importance of advancing female representation, systematically tracking progress through its Global Gender Gap Index across four dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment. While global progress has been uneven and slow, many countries, including Thailand, have demonstrated incremental improvements over time. In 2025, Thailand achieved an overall gender gap score of 0.728, ranking 66th globally and third within the region.

Thailand's experience mirrors a broader pattern of steady improvement. Female representation on boards of firms listed on the Stock Exchange of Thailand increased from 12.7% in 2018 to 22.1% in 2024, representing nearly a 75% rise over five years. At the same time, the share of firms with more than 30% female board representation reached approximately 21% in 2024. Women's participation in senior and middle management has also improved steadily, rising from about 25% in 2010 to roughly 35% in 2024. While encouraging, these figures still fall short of parity and highlight the persistent gap between progress at the board level and advancement within the broader corporate leadership.

Policy interventions to promote workplace gender equality have proliferated globally, particularly at the board level. Several European Union countries have mandated gender quotas, requiring listed firms to ensure that at least 40% of non-executive directors are women by mid 2026. These initiatives have yielded measurable gains in female board representation across advanced economies. By 2024, countries such as Denmark, France, Norway, and the United Kingdom had achieved or surpassed this threshold among publicly listed firms. However, progress beyond board representations, especially in executive and senior management roles, remains limited and highly heterogeneous across countries, even among more developed economies. In Asia, China stands out with relatively high female board representation, while Japan remains a clear outlier, with persistently low shares of women serving as board and other leadership roles.

This research investigates whether capital market mechanisms can serve as an effective mechanism to promote gender diversity in leadership positions within corporations. Specifically, we study the introduction of the MSCI Japan Empowering Women Index (WIN) in 2017, a purpose-driven equity index designed to incentivize Japanese firms to improve gender diversity outcomes. Japan provides a compelling setting for this analysis, given its exceptionally high gender gap and long-standing challenges in female workforce participation and leadership representation. Despite decades of policy efforts, Japan ranked 118th out of 148 countries in the World Economic Forum's gender gap rankings, underscoring the need for alternative policy tools.

The WIN was initiated by Japan's Government Pension Investment Fund (GPIF), the world's largest pension fund, as part of a broader strategy to address gender inequality through market-based incentives. Developed by MSCI, the index includes firms that outperform their industry peers in gender diversity metrics, effectively creating a tournament-style framework in which firms compete for inclusion. Endorsement by influential public institutions, namely the GPIF and the Bank of Japan enhanced the credibility and visibility of the initiative, making WIN inclusion economically meaningful for firms.

We find robust evidence that capital market incentives can influence corporate behavior. Stock market reactions to WIN inclusion are positive and economically significant, while exclusion is met with negative market responses, indicating that investors value firms' gender diversity performance. Using a difference-in-differences research design, we find that firms near the threshold for WIN inclusion respond more strongly to these incentives than firms further away from the cutoff. More importantly, firms facing stronger incentives to qualify for the index significantly increase female workforce participation following the WIN's introduction. These gains are substantial relative to pre-WIN trends and extend beyond general employment to leadership roles, including boards, executive positions, and senior management.

Beyond quantitative increases in female representation, our findings also point to meaningful changes in workplace culture. Firms close to the WIN inclusion threshold exhibit greater adoption of family-friendly practices, such as increased uptake of paternity leave by male employees and reductions in overtime hours. These changes suggest a broader shift toward more inclusive organizational norms that support women's long-term labor force attachment.

We identify two primary mechanisms driving these effects. First, WIN inclusion enhances firms' public visibility with respect to gender diversity, which is particularly valuable for consumer-oriented firms and those operating in domestic markets. Second, firms experience increased institutional ownership, especially from the GPIF and domestic institutional investors upon inclusion, creating strong financial incentives to improve gender diversity performance. Consistent with this, we document significant post-inclusion increases in institutional and GPIF ownership, without evidence of adverse effects on short-term operating performance.

Overall, this study demonstrates that a well-designed, tournament-style equity index can induce meaningful improvements in gender diversity, even in a context characterized by entrenched gender norms and limited success of traditional policy interventions. The WIN experience offers important lessons for policymakers and regulators not only in Thailand but also globally: capital market instruments, when thoughtfully structured, can complement or even outperform regulatory mandates in promoting gender equality across multiple organizational levels. These insights are particularly relevant for countries seeking alternative approaches to address persistent gender gaps in leadership and labor market participation.

The detailed analysis is available in the paper: Roth, Mehrotra, Tsujimoto, and Wiwattanakantang, *Capital Market Incentives and Corporate Gender Diversity*, 2025.