

Comment on  
“Empower Women by Index Membership” by Vikas Mehrotra,  
Lukas Roth, Yusuke Tsujimoto, and Yupana Wiwattanakantang

At 2023 Global Corporate Governance Colloquium

Takeo Hoshi

University of Tokyo, ABFER, and TCER

# Summary 1/2

- Examines impacts of introducing a new stock price index that includes only those firms that are making better than average efforts on women's empowerment at workplace
- Compare (a) Firms that may or may not be selected into the index depending on their efforts (treated) and (b) Firms with no chance of being selected (control)
- Check how their actions related to improving female employment diverged after the introduction of the index and find that treated firms:
  1. Increased the fraction of women in the workforce without reducing the number of men
  2. Increased the proportion of women in supervisory positions, among executive officers, and on the board of directors
  3. Saw more of their male employees take paternity leavesmore than the control firms, following the introduction of the index

# Summary 2/2

- Also find the treated firms that were actually included in the index:
  1. increased their institutional ownerships, but
  2. did not change performancescompared with the treated firms that were not included in the index
- Paper concludes that the introduction of the WIN index made a significant contribution in improving the workplace gender diversity at Japanese corporations

# Comments

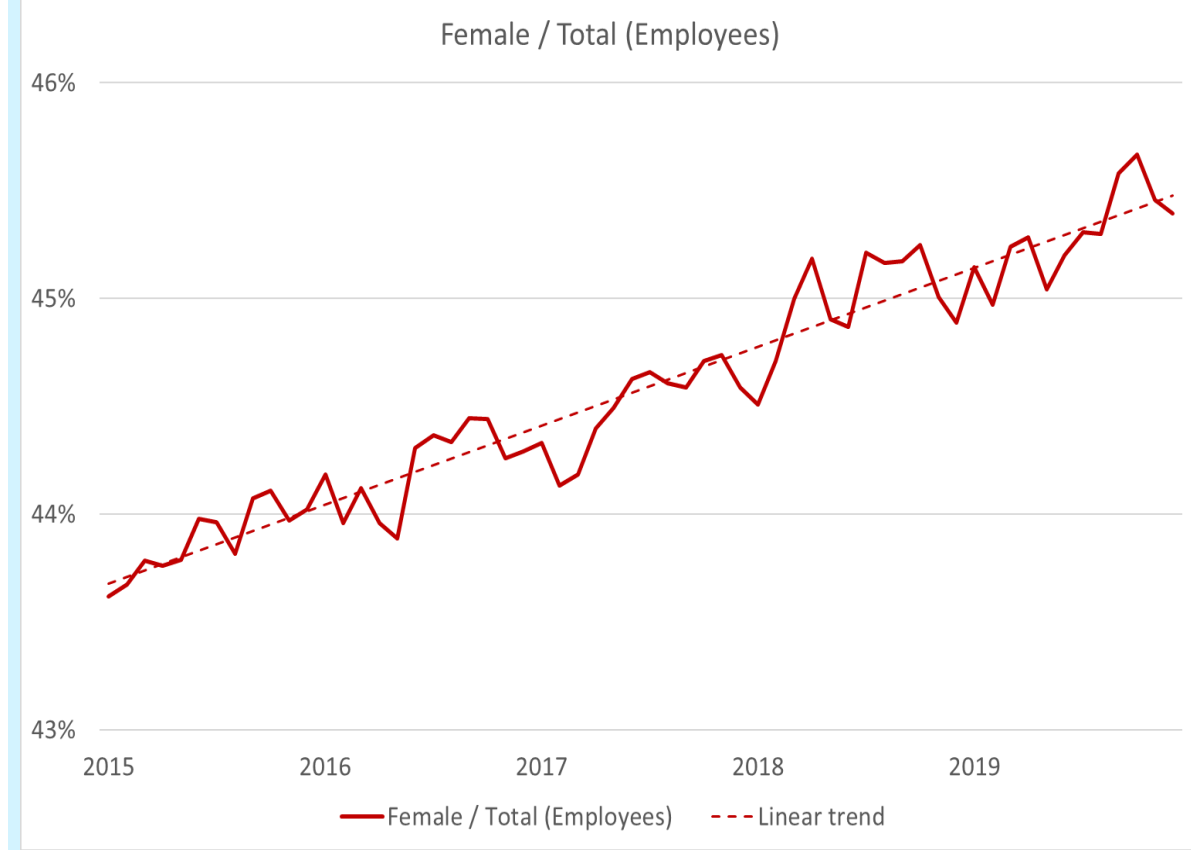
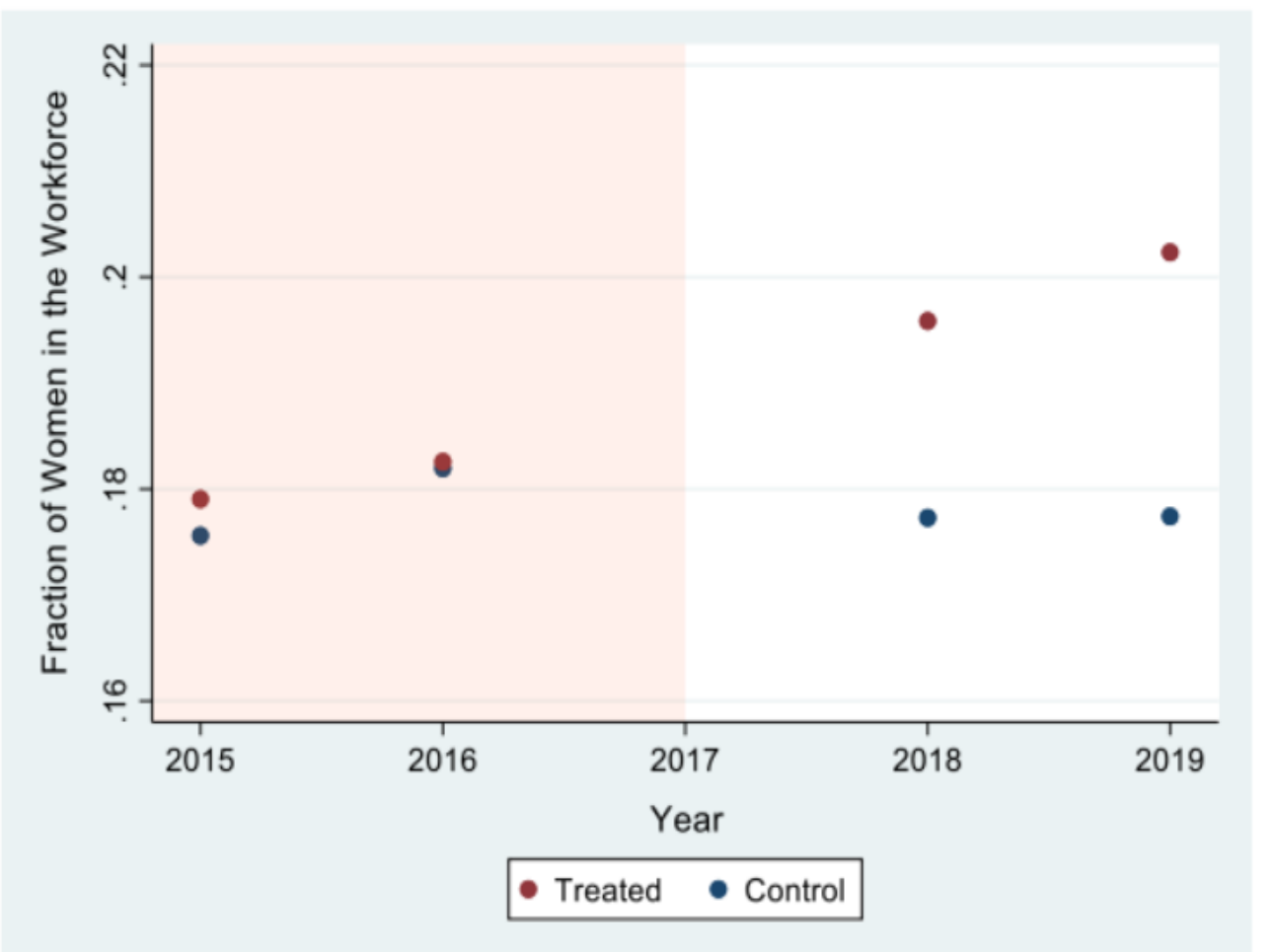
- Very nice paper that asks important questions about the Japanese economy
- Take advantage of differential impacts of the introduction of the WIN index and examine “difference in difference”
  
- But I don’t think the findings are sufficient to establish “social power of index creation” firmly
- My comments:
  1. Does the paper really establish the success of the MSCI WIN?
  2. Are the improvements really “real”?
  3. Are male employees in treated firms really more likely to take paternity leaves?

# 1. Success of MSCI WIN?

- The authors claim “We believe that the creation of a purposefully designed index with gender empowerment scores as the basis for qualification has the potential to bring out faster change than government edicts and exhortations that in practice lack the bite of enforcement penalties, relying instead on the softer principle of comply or explain.”
- I don’t think the findings of the paper necessarily support the belief.
- Two problems:
  - a. The paper finds that the “treated” firms increased female employment more than the “control” firms, but this may be because the introduction of the index encouraged the “treated” or discouraged the “control”
  - b. A break in the trend of female employment in Japan is found around 2013, not 2017

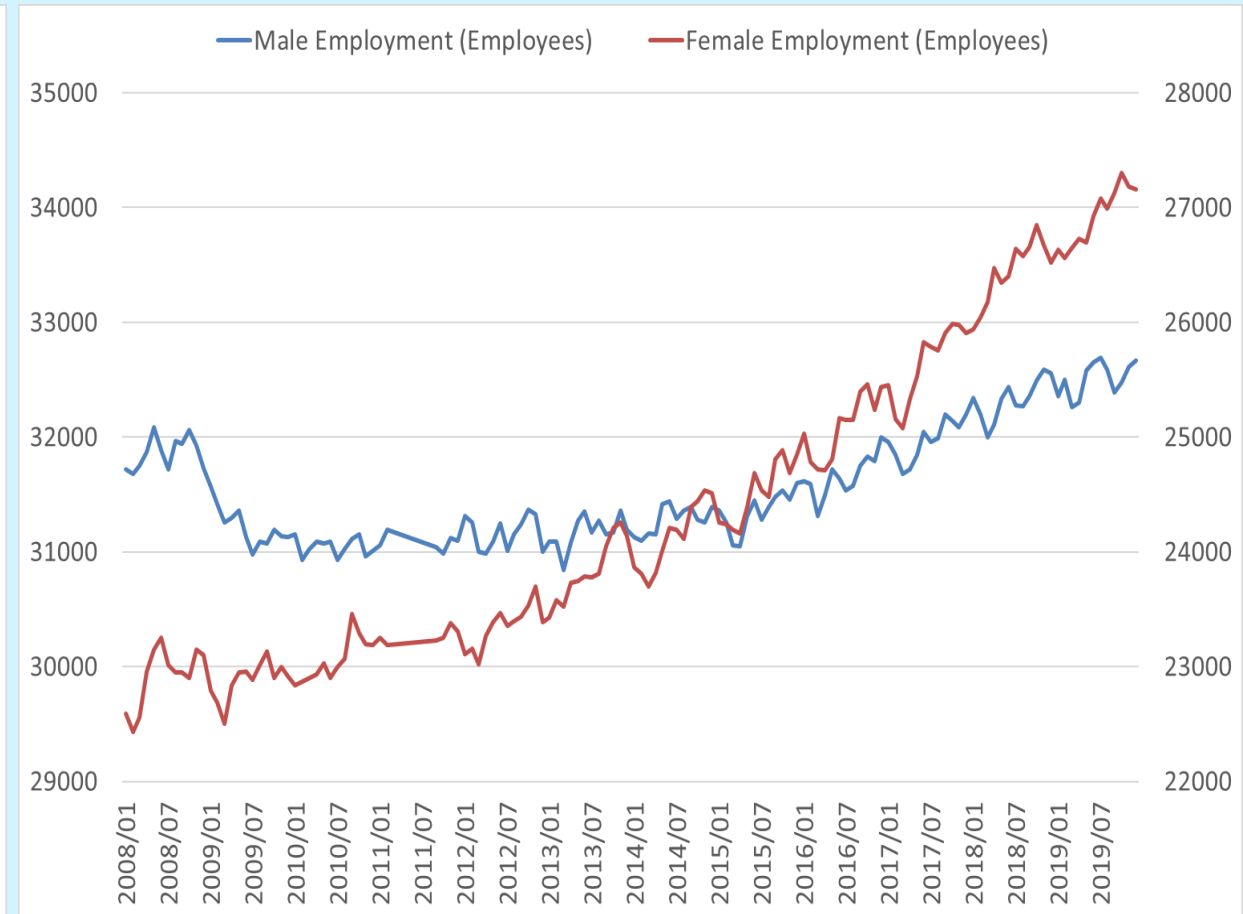
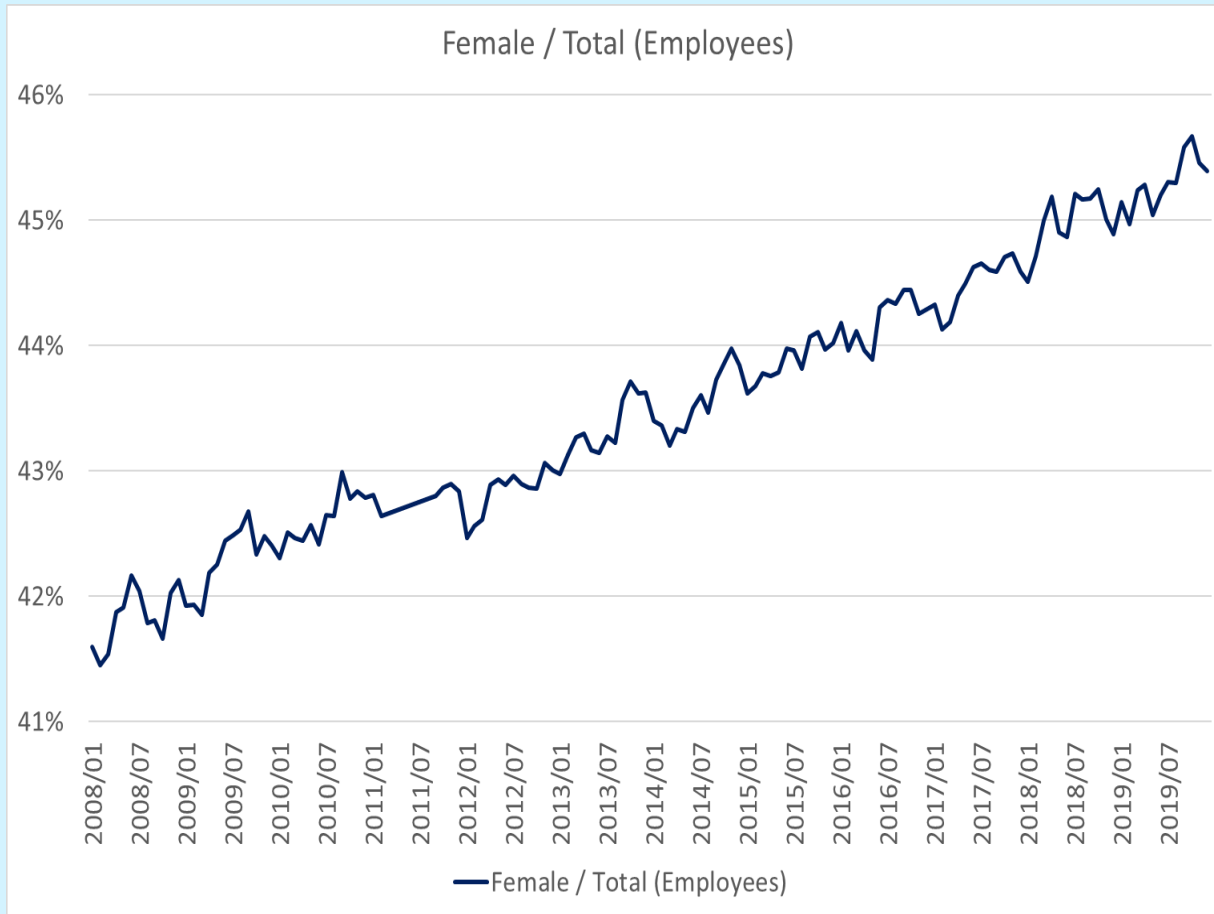
# Encouraged treated? Discouraged controls?

Figure 1 Panel A (Fraction of Women) compared with the aggregate trend



# Break in 2013 rather than in 2017

Clearer when we see the trend of female employment separately



# To get a better idea ...

- Worth looking at the firms that have very high MSCI Gender Diversity Scores (above 60<sup>th</sup> percentile?): Did the “treated” firms try harder than these high score firms?
- Worth considering longer time series and finer distinctions (along the line of Table 4), especially by age (employment trend of young male and old male in this century has been very different)

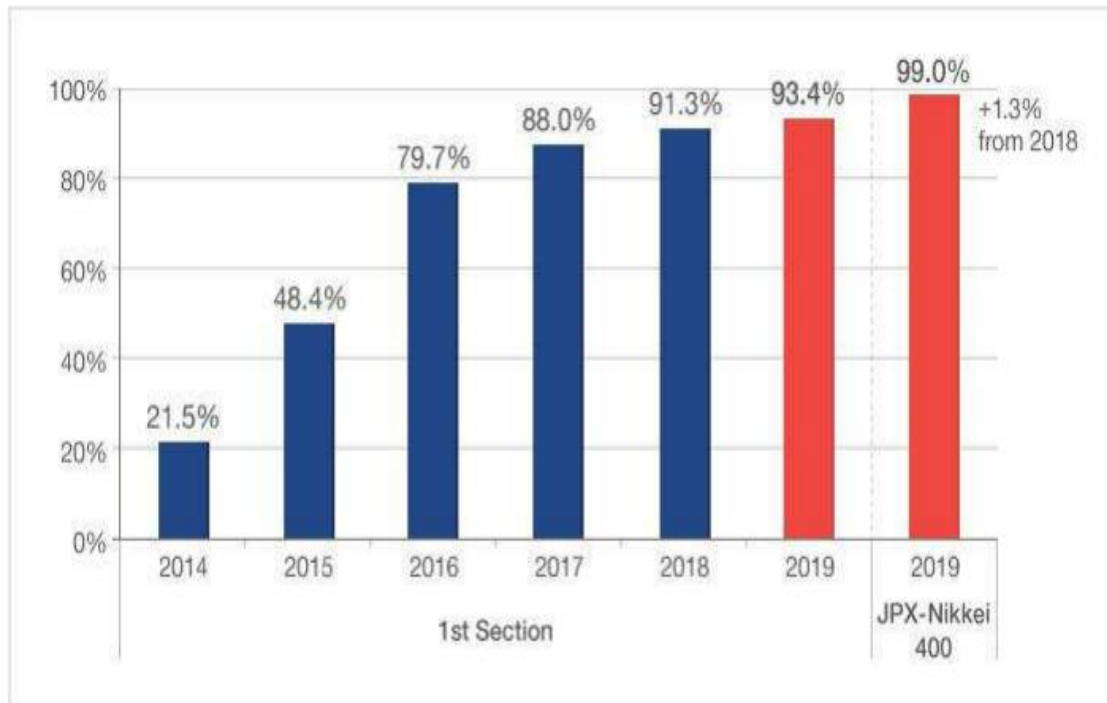


## 2. Are the improvement real?

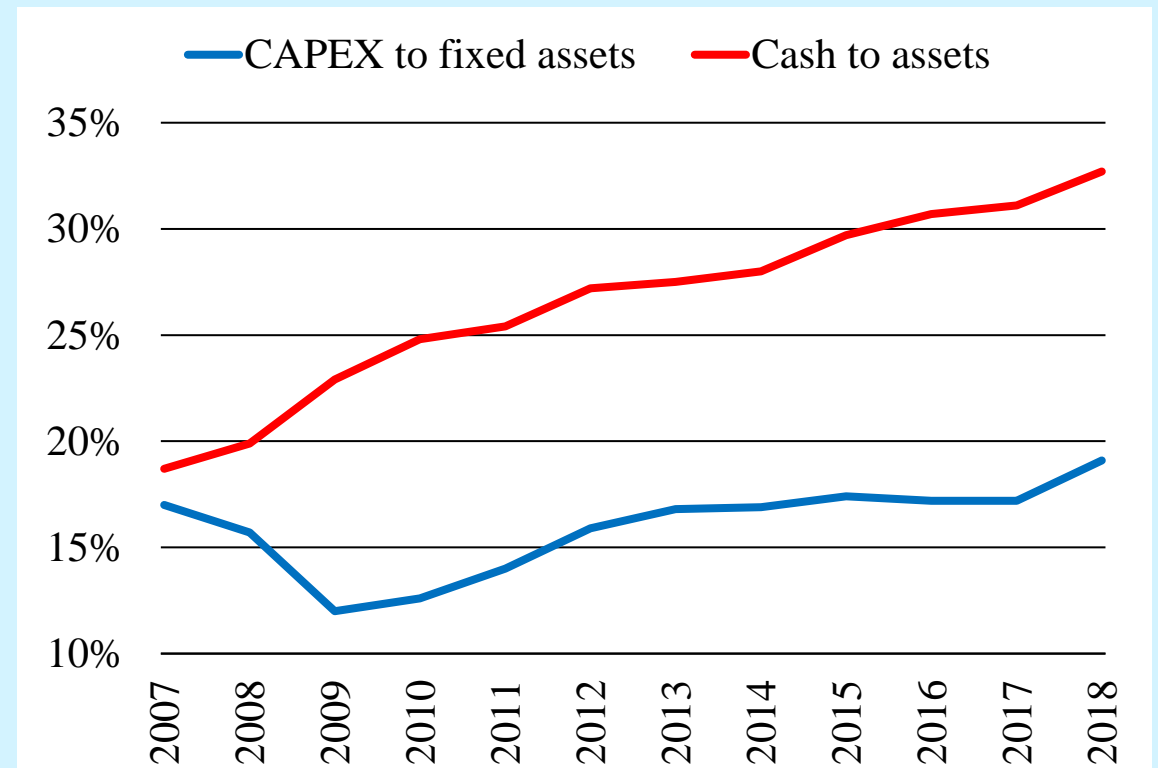
- Increased number of women even at the management level may not represent “real” change of corporate culture
- Similar inquiries in the study of corporate governance reform in Japan
- Chattopadhyaya et al. paper cited in this paper (Chattopadhyaya, Akash, Matthew D. Shaffer, and Charles C.Y. Wang, 2020, Governance through shame and aspiration: Index creation and corporate behavior, *Journal of Financial Economics* 135, 704-724.) looks at the impacts of a similar stock price index for “better” firms (high ROE and good governance).
- They find that the firms in the neighborhood of the selection threshold managed to increase ROEs
- Although they did not seem to rely on accounting manipulation, but the increase in ROEs was achieved by cutting discretionary spending, such as R&D expenditure
- As Hideaki Miyajima and his co-authors have documented (e.g., Miyajima, Hideaki, and Takuji Saito “Corporate Governance Reforms under Abenomics: The Economic Consequences of Two Codes,” in Takeo Hoshi and Phillip Y. Lipsky (Eds.) *The Political Economy of the Abe Government and Abenomics Reforms*. Cambridge University Press, pp.357-393.)

# Remarkable change in the form but not much change in substance

- Ratio of TSE 1st Section companies with two or more independent directors  
(<https://www.jpx.co.jp/english/listing/others/ind-executive/index.html>)



- But investment did not increase and companies continued to accumulate cash  
(Based on Table 12.6 in Miyajima and Saito (2021).)



# Increase in women in the managerial positions

- The paper finds that the number of women in the managerial positions at “treated” firms also increased, but this is again compared with “control” firms
- Again one cannot tell whether the “treated” did more or the “control” did less
- Nagase (2021) (Nobuko Nagase, “Abe’s Womenomics Policy: Did It Reduce the Gender Gap in Management,” in Takeo Hoshi and Phillip Y. Lipsky (Eds.) *The Political Economy of the Abe Government and Abenomics Reforms*. Cambridge University Press, pp.310-356.) finds a small upward trend in the proportion of women employees that advance to managerial positions, but her sample stops at 2017.
- Would be interesting to find out how the trend changed in Toyo Keizai Data
- Note that Nagase’s study that used individual employee data showed that women’s promotion chances did not increase more at large firms (treated by various policies) during Abenomics period than at smaller firms
- Would be interesting to look at the wage gap as well

### 3. Are male employees in treated firms really more likely to take paternity leaves?

- Another “real change” identified in the paper
- But here we should look at the sum of two coefficients

	Women Taking Maternity Leaves			Men Taking Paternity Leaves		
	All	Under 30	Under 40	All	Under 30	Under 40
	(1)	(2)	(3)	(4)	(5)	(6)
Treated × Post	0.002 (0.91)	-0.004 (-1.27)	0.004 (1.23)	0.001** (2.56)	0.007*** (3.85)	0.002*** (3.35)
Treated	-0.002 (-0.96)	-0.003 (-0.86)	-0.005 (-1.67)	-0.001* (-1.79)	-0.004* (-2.00)	-0.001 (-1.37)

Is the sum significantly positive?

- Even if they are positive, we need to check if this shows that the “treated” did better or the “control” did worse
- Moreover, men taking paternity leaves is different from men sharing family responsibilities. There seem to be emerging empirical studies on this point.