SLEEPING BEAUTY
Awakening the Slumbering Potential of Women for the German Economy
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Awakening the Slumbering Potential of Women for the German Economy

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March 2016
Quotas, mentoring programs, coaching—for years, business and society have debated ideas for getting women into management. The results are sobering: Today, there are proportionally fewer women in managerial positions than there were twenty years ago. The share of women with university degrees has increased significantly, yet the share of women in management has hardly increased at all. Too many talented females work in part-time positions, limiting the opportunity for potential promotion. For women without children, the chance of getting a leadership position is three times higher than for women with families. Furthermore, there is no sign of cultural change in companies. The enormous potential of the labor pool comprised of women represents a huge opportunity for Germany: Strengthening their participation in the employment market could raise the country’s aggregate value added by up to €200 billion.

It’s time for a rethink. Companies can profit from diversity by honestly identifying implicit barriers in their culture, creating the structural basis for change, ensuring that members of top management act consistently and credibly as role models, and effectively communicating the company’s progress.
The Fairy Tale of Educational Advantage

**IT TAKES MORE THAN A UNIVERSITY DEGREE TO RISE THROUGH THE RANKS**

In view of their solid qualifications, women’s career opportunities should be excellent—after all, women constitute 55 percent plus of Germany’s university graduates. But the reality looks different, and is more sobering than it has been for decades. “If more women study, more women will get managerial positions,” many reason. In fact, women’s chances of getting managerial positions are sinking, even if they have a university degree. In 1994, the share of female managers was 25 percent—three percent more than the share of women with university degrees and at least ten years of professional experience.¹ This ratio has changed dramatically.

Currently, 29 percent of private-sector managers are women. But the percentage of female university graduates with at least ten years of professional experience is now well above 35 percent (see exhibit 1).

**EXHIBIT 1 | Education Isn’t Everything**

*A University Degree Is No Guarantee of a Managerial Position*

At 2.4%, yearly growth in the share of women among cumulative university graduates¹ is considerably higher than yearly growth in the share of women in management (0.7%).

1Excl. teaching majors  2Assumptions: Graduation at age 25 and work through the age of 65; cumulative graduates who graduated ten or more years earlier

**Source:** Destatis; Eurostat; BCG analysis

¹University graduates excl. teaching majors. No student unemployment—students gain work experience after completion of studies; studies completed at age 25; employment to age 65 → 40 years employment; Cumulative graduates with degrees completed at least ten years earlier
Within the last 20 years, women have made almost no progress in capturing managerial positions, despite the increasing share of women holding university degrees. From 1994 to 2014, the proportion of female university graduates with at least ten years of professional experience rose by an average of 2.4 percent. But the share of women in managerial positions has been stagnating, growing at an average of just 0.7 percent per year—the positive trend was reversed as early as 2001: That year, for the first time, the share of women with university degrees and at least ten years of professional experience was higher than the share of female managers.

The deteriorating situation for women is also evident in direct comparison with men. The days have passed when a university degree was still a guarantee for climbing the career ladder, regardless whether for men or women. This is due to the fact that an increasing number of young people are graduating from university. Therefore, regardless of gender, the number of managers per university graduate is declining—but on average, it is sinking much faster for women, at an average annual rate of -7.4 percent, compared to an average annual rate of -5.2 percent for men. Twenty years ago, women made up a greater share of potential managers than men. Today, they lag woefully behind (see exhibit 2).

| EXHIBIT 2 | The ratio of graduates to managers is sinking across the board—but faster for women |
|-------------------------------|
| **Number of managers to graduates (excluding teaching majors) who graduated more than ten years ago** |
| **Managers per potential manager** |

- **Good start:** Fewer women graduates, but relatively high number of women managers
- **Downward development:** More women graduates, but more male managers per graduate
- **More women graduates does NOT mean more women managers**

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<th>Year</th>
<th>Women</th>
<th>Men</th>
<th>Cumulative annual growth rate</th>
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<td>1994</td>
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**Assumptions:** Graduation at age 25, work through the age of 65; cumulative graduates who graduated ten or more years previously

**Source:** Destatis; Eurostat; BCG analysis

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1 Potential managers = graduates (excl. teaching majors) who graduated at least ten years previously
2 Source: Destatis; Eurostat; BCG analysis
3 Source: Eurostat; BCG analysis
4 Potential managers: Cumulative graduates with degrees completed at least ten years earlier. Source: Eurostat; Destatis; BCG analysis
5 CAGR from 1994 to 2014
**End of the Road: Middle Management**

Though the advantages of gender diversity for companies have been discussed for years, management positions are still a man’s world. This is true even for the public sector, although government organizations are expected to play a greater role in societal change. But whether private or public, only 29 percent of managers are women in each respective sector.

With each hierarchical peak women successfully scale, their situation worsens dramatically. Middle management is often the end of the road. On the path from middle to top management, the share of women drops by around 40 percent in all industries. Only a paltry 5 percent of top executive positions at Germany’s 200 largest companies are held by women. In this regard, the public sector performs better: Here, 18 percent of the top positions are held by women. Even so, there is plenty of catching up to do.

![Exhibit 3 | End of the road: Middle management](image-url)

The representation of women in middle management is largely balanced ...

... but they are strongly underrepresented in top management

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\*Source: Destatis; BCG analysis; Führungskräfte-Monitor 2015 (2015 executive monitor) from the German Institute for Economic Research (DIW)

\*Definition of manager: In the public sector, salary grades B, C, and A15, employees not covered by collective bargaining agreements, and E15. In the private sector (per the German Socio-Economic Panel SOEP), highly skilled employees and employees with leadership or full management functions

\*Source: Führungskräfte-Monitor 2015 (2015 executive monitor) from the German Institute for Economic Research (DIW)

\*Source: Destatis; BCG analysis
In nearly all industries, women are underrepresented at the top. This even includes segments like health, education, and child care, which employ 76 percent women, but where only 46 percent of managers are female. The financial industry is a particularly glaring example: Women make up the majority of the industry’s employees (55 percent), but only 27 percent of them manage others, and only 11 percent of the top positions in the industry are held by women.

Maternity for Life
THE MYTH OF RETURNING TO FULL-TIME WORK
The political and business realms have striven for years to find better ways to combine family and career. But in reality, women without children still have a better shot at promotion. And women without children are three times likelier to end up in managerial positions.

In addition to the fact that the most relevant phases in life for career development and family overlap, the move to part-time often means the permanent end of full-time work: Starting at age 40, the ratio of women (among all employed women) working part-time reaches a plateau of 54 percent and stays there. And when women reduce their work hours after maternity leave, they often never return to full-time work (see exhibit 4).

Exhibit 4 | Maternity break for life: Once part-time, always part-time
Rise in part-time work makes reentry harder → stagnation at a high level

A high share of women work part-time already at an early age
Significant increase in women working part-time at phases crucial to career building
Stagnation, with over 50% of women working part-time through retirement

Part-time ratio
10 20 30 40 50 60

Women
Men

1Employed persons
Source: Destatis; special analysis from microcensus; BCG analysis

1IAB Establishment Panel, Kohaut/Möller 2013; BCG analysis
11Source: Destatis; BCG analysis
12Source: Germany’s Federal Employment Agency: Arbeitsmarkt in Zahlen – Beschäftigungsstatistik 2014 (labor market in numbers-employment statistics 2014)
The discrepancy between women and men in part-time work is astounding: On average, around 46 percent\(^{13}\) of women in Germany were working part-time in 2014, compared to only 9.3 percent of men.\(^{14}\) The reasons cited by men and women for working part-time provide a possible explanation for this phenomenon:

- 76 percent of women say they moved to part-time work due to familial obligations such as caring for children or the elderly.
- 81 percent of men, on the other hand, reduce their work hours only when there is no other option—such as when no full-time work is available, or illness or continuing education prevents them from pursuing full-time work.\(^{15}\)

Flextime is one way for women to raise their weekly working hours, enabling them to perform qualitatively more interesting tasks and still to have enough time for family. Women with career ambitions, especially, appreciate the ability to individualize their work hours.

A survey of around 6,800 women in Germany, conducted by The Boston Consulting Group,\(^{16}\) showed that more women with career ambitions find flexible work hours important than those without.

The Necessary Shock

**MALE-ORIENTED NORMS HOLD WOMEN DOWN**

With the stretch required to navigate between job and family, managers are pushing for solutions—but in doing so, they enter another battlefield: In a survey of 36 large companies in Germany (listed on the DAX or MDAX),\(^{17}\) managers cited the difficulties of combining family with work as one central obstacle to women’s promotion to management. Notably, however, they also blamed male-dominated company culture for stopping women on their way up.

In this context, factors like company values and norms, male-dominated work relationships and networks, and companies that want their employees in the office come to bear (see exhibit 5).

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Going part-time often means saying goodbye permanently to full-time work

„Male-dominated company culture“ stops women on their way to the top

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\(^{13}\)Source: Germany’s Federal Employment Agency: *Arbeitsmarkt in Zahlen – Beschäftigungsstatistik 2014* (labor market in numbers—employment statistics 2014)

\(^{14}\)Source: Germany’s Federal Employment Agency: *Arbeitsmarkt in Zahlen – Beschäftigungsstatistik 2014* (labor market in numbers—employment statistics 2014)

\(^{15}\)Source: Germany’s Ministry of Family Affairs, Senior Citizens, Women and Youth: *Bilanz Chancengleichheit* (equal opportunity balance sheet). Reasons cited: No full-time work available; completing training/education; illness/accident

\(^{16}\)Source: Global 2014 BCG study involving around 200,000 people of employment age—across all relevant ages, employment types, experience and educational levels, and career positions—from manual laborers to managers, in all industries. Shown here: All surveyed women in Germany (around 6,800)

“Very important” = responses with 10 out of 10 points to the question: “How important to you are flexible work models (e.g., part-time work and the possibility to work from home)?” For respondents with management ambition: Responses with 10 out of 10 points to the question: “How important to you is a career opportunity with management and responsibility?” For respondents with no management ambition: Responses with 6 out of 10 points or less

\(^{17}\)Source: *bcg.perspectives: Shattering the Glass Ceiling: An Analytical Approach to Advancing Women Into Leadership Roles* (2012). Survey of 44 multinational companies; here, focus on companies in Germany.
But companies do little to address this central barrier to women with career ambitions, and strategies for cultural change are rare. Only 22 percent of the surveyed companies plan to implement measures for cultural change.

We analyzed the corporate communication of DAX 30 companies (websites, press releases, and reports) and independent studies of advancement programs for women to find out whether and how these companies present their gender diversity efforts. Prospective employees seek out this information to get an impression of the respective company or to decide whether to switch employers (see exhibit 6).

The goal was to get an outside perspective of the analyzed companies and to assess their positioning with regard to gender diversity. Internal communication on gender diversity was therefore not considered.

Our analysis showed that it is primarily operative programs for the advancement of women that the analyzed companies have visibly positioned:

- Around 60 percent of companies describe how they advance women’s career development.

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**EXHIBIT 5 | Company culture stops women from rising through the ranks**

*Cultural change is not in focus*

<table>
<thead>
<tr>
<th>% of surveyed companies</th>
<th>Reasons for underrepresentation of women in management positions</th>
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<tbody>
<tr>
<td>Male-dominated company culture</td>
<td>56%</td>
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<tr>
<td>Ability to combine career &amp; family</td>
<td>56%</td>
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<tr>
<td>Limited talent pool</td>
<td>38%</td>
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<tr>
<td>Work times/ hours</td>
<td>19%</td>
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<tr>
<td>Lack of operative measures for women’s advancement</td>
<td>13%</td>
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</table>

- 50% Childcare options
- 33% Flexible work hours
- 28% Women’s talent programs
- 22% Change of company culture
- 22% Coaching for women

For example information and sensitization measures

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*2012 BCG survey of managers at 36 companies in Germany (DAX und MDAX)*

Source: BCG survey 2012
• About one-third of the companies describe retention measures for women employees, such as flexible work hours and locations.

• Measures for the recruiting of women are clearly described by only 7 percent of the companies—a sign that keeping the HR pipeline full can be a challenge.

The analyzed companies mention strategic levers aimed at changing company culture considerably less frequently:

• Just 33 percent of executives at these companies are visibly committed to the topic of gender diversity.

• Just 23 percent of the companies analyzed have made diversity a boardroom topic, with reporting of status and progress directly to the board.

• Only 37 percent of the analyzed companies have demonstrably aligned their diversity strategy with their group strategy—an indication that gender diversity is seen as just one topic among many, not as central to company success.

A few companies are setting the pace as they act to tap women’s dormant potential.
• Ninety percent of the analyzed companies report on concrete targets for women in leadership positions, but very few describe how they plan to fill the required HR pipeline, i.e., how they have backed up targets with detailed measures for the recruiting and promotion of women (7 percent each).

Front-Runners Tap Potential

FRONT-RUNNERS AND LAGGARDS

There is good news: All of the DAX 30 companies have recognized the importance of women in management. However, how they actually implement it differs enormously. Only a few of the analyzed companies have an explicit, holistic concept to address the shortfall of women in management. These companies are the forerunners in tapping slumbering potential (see exhibit 7).

On the basis of our DAX 30 analysis, we identified three main types of companies:

The front-runners (17 percent): Here, gender diversity is viewed as a strategic competitive advantage. In order to utilize it and the potential of women in management, these companies are tackling the topic of cultural change.

• Targets for gender diversity are aligned with company strategy, and target achievement is tracked.
• Executives and managers are committed to gender diversity and systematically integrate it in their daily work, providing role models and catalysts for change at their companies.
• The HR departments at these companies recognize gender diversity as an instrument for strategic talent management. Potential managers—usually both men and women—receive career development and advancement support.

The sprinters (50 percent): These companies have come to recognize gender diversity as an important HR topic and in particular, they are implementing operative measures such as women’s recruiting, retention, and career development.

• The sprinters have defined gender diversity targets, but they tend to be general and lack a clear connection to company strategy.
• The executives at these companies are visibly committed, but managers there have not yet become clearly involved.
• For the most part, there are HR measures in place for women’s recruiting, retention, and career development.
**EXHIBIT 7 | DAX 30 classification**: Overview

<table>
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<tr>
<th>Rank</th>
<th>Information</th>
<th>Operative measures</th>
<th>Strategy and management</th>
<th>Tracking and controlling</th>
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Front-runner (≥ 75 points)  ✓  Sprinter (≥ 50 points)  ✔  Laggard (< 50 points)  ✗

Front-runner ≥ 75 points, Sprinter ≥ 50 points, Laggard < 50 points
Source: BCG analysis, 2015
The laggards (33 percent): At these companies, gender diversity is just one topic among many, with only scattered measures in women’s recruiting, retention, and career development visible on the operative level.

- Gender diversity is treated as a “soft,” exotic topic, separate from company development.
- The commitment of top management to gender diversity is tenuous, and it is viewed as just one of many topics.
- Within HR, women’s recruiting, retention, and career development are supported by a few isolated policies, usually without any visible holistic concept.

Cultural Renewal

How Companies Can Change

Some DAX 30 companies successfully use diversity as a driver of competitiveness—that is, they are putting diversity to work for them and changing their culture to tap the potential of all employees, whether men or women, and ensuring that women have the same leadership opportunities as men. Any company can do the same.

We have identified four areas of action for companies where the potential of women in management can be tapped by means of sweeping cultural change:

1. Make cultural norms explicit
   More by chance than design, the culture at most companies has developed over time and is still rooted in the past. Where management was dominated by men, the culture tends to be recognizably male-oriented, and people are not generally consciously aware of the resulting norms and values. For comprehensive cultural renewal, transparency on these implicit norms and values is needed, along with recognizing the fact that they are barriers to women in leadership positions.

   Here’s what companies should do:

   - Make implicit values and norms transparent and tangible.
   - Raise awareness of gender bias (e.g., with gender bias tests).
   - Make visible both women’s and men’s contributions to the company’s success.
   - Sensitize all employees to the topic of gender diversity.

2. Establish the structural basis for change
   To trigger cultural change, companies must put the required structures in place for the long term. This includes an understanding of whether the instruments deployed are suitable for recruiting and retaining enough women with leadership qualifications and the opportunity to rise through the ranks. Often, people at the
company are not clear on what gender diversity can contribute to the success of the business.

Here’s what companies should do:

• Fulfill the organizational and personnel requirements for women’s recruiting (e.g., creating awareness among interviewers), retention measures (e.g., models for flexible work hours and locations), and career development (e.g., succession planning) to ensure the pipeline remains filled long-term with a supply of managerial talent that includes women.

• Develop a business case for gender diversity that is tailored to the company and broken down to each of its units, while at the same time bringing the business case to the attention of all staff and managers to raise general awareness of the contribution of gender diversity to the success of the business.

3. Place agents of change on a pedestal
Employees tend to view gender diversity as a marginal topic for splinter groups, not necessarily as something that touches the daily work of each individual and strengthens the company overall. In order to accomplish real change, members of top management must serve as role models for the desired diversity and demonstrate how relevant it can be to performance and profits.

Here’s what companies should do:

• Ensure the visible and credible support of top management.

• Make managers both role models and drivers of change.

• Include both women and men in the process of change.

4. Measure and adapt
As is often the case in daily operations, only targets that are measured are actually achieved. To renew company culture, management needs to keep its eye on the ball for years.

Here’s what companies should do:

• Set concrete targets for gender diversity and forge a link with company strategy.

• Continuously measure the level of target achievement.

• Continuously communicate to employees about progress made, putting a spotlight on good practices.

• Systematically track women’s careers to identify and address barriers.
An Economic Miracle

**WOMEN HELP GERMANY WIN**

Tapping the slumbering potential of women in Germany is a worthwhile effort—both for individual businesses and for the country as a whole. BCG’s projections show how Germany’s economy could profit: A stronger role for women in the labor market and women working more hours per week could raise Germany’s aggregate value added by 8 percent, or around €200 billion.

This would also reduce the anticipated labor force shortage by 35 percent. Assuming current labor trends remain unchanged, the German economy will need 5.8 to 7.7 million more workers by 2030.\(^18\)

The resolute advancement of women could integrate an additional 2.2 million female employees\(^19\) into the labor market and dampen the effects of the future shortage of skilled workers.

Already, more and more companies are bemoaning a shortage of managers: Worldwide, 24 percent of companies report the lack of sufficient and adequate management talent as one of their biggest challenges.\(^20\)

More women in the workforce can have direct positive effects on aggregate value added.\(^21\) BCG identified four levers for realizing this value.

1. **More working women**

   If the level of women working in Germany, currently at 69.5 percent, rose to that of Switzerland, or 75.1 percent, it would mean a plus of €55 billion to the aggregate value added and 0.7 million more full-time employees.\(^22\)

2. **More hours per week**

   If women currently working part-time in Germany increased their average weekly hours—currently 19—to 25 hours, which is the average number of hours Swedish women work part-time (for a plus of 1.2 million full-time equivalents), this would increase the country’s aggregate value added by €90 billion.\(^23\)

3. **More productive work**

   If women worked in more productive industries\(^24\) than they currently do—such as in STEM industries, which have a shortage of skilled employees\(^25\)—Germany’s

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\(^19\)Employees who work 35.5 hours per week (the average in Germany)

\(^20\)Other oft-cited challenges include low employee loyalty and lack of adequate technology. Source: Oxford Economics, *Workforce 2020*

\(^21\)For levers 1, 2, and 4 below, it is assumed that the demand for labor will align with supply

\(^22\)Lever 1: Value added per woman determined with the distribution of total value added and women’s and men’s work hours over the respective sector according to the 2008 industrial classification for Germany (WZ 2008). Assumptions: No change in average value added per person with increase; women enter the workforce at a level of 20 hours per week

\(^23\)Lever 2 assumptions: No change in average value added per person with increase; full-time equivalents (FTE) work 40 hours per week

\(^24\)Based on average productivity per FTE

\(^25\)Source: German Institute for Economic Research, *STEM-Herbstreport 2015* (fall 2015 STEM report); STEM skilled worker shortage: Number of positions needed, but not filled, due to a shortage of qualified applicants in science, technology, engineering, and mathematics
aggregate value added could be raised by another €6 billion. This would be possible, for instance, by shifting 165,000 women from public-sector and health, education, and child-care jobs to growth industries such as the production industry (excluding construction) and the information and telecommunications technology industry.

4. More work that fits women’s qualifications

Significantly more working women are overqualified for their current positions than working men. If their level of overqualification sank to that of men, 500,000 women would be working in more highly skilled jobs; this would create €47 billion in aggregate value added.

When it comes to getting enough women into management positions, companies have plenty of work to do, and compared to many other European countries,
Germany lags far behind. If the ratio of women in management at German companies were on a par with the relative EU average, the country would have 90,000 more women managers—an increase of 17 percent.

The discrepancy is particularly blatant at the top: If the 200 biggest companies in Germany wanted to match the EU average ratio of women to men in the upper echelons of management, they would need to add 250 women to their boards, a total of six times more female executives than the country currently has.

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29Increase to EU average of difference between employed women and female managers; definition of “manager” from ISCO1; source: Eurostat; BCG analysis

30Source: Führungskräfte-Monitor 2015 (2015 executive monitor) from the German Institute for Economic Research (DIW); BCG analysis

31Source: Führungskräfte-Monitor 2015 (2015 executive monitor) from the German Institute for Economic Research (DIW); BCG analysis
Summary
Companies in Germany still have an enormous amount of potential to tap when it comes to women. Differences in education are no longer relevant. On the contrary, women comprise more than half of the country’s university graduates. Nevertheless, the number of women in managerial positions is stagnating, and for most women, middle management is the end of the road. Waiting until women’s rising qualifications automatically raise the ratio of female managers is therefore not enough. Furthermore, most women with children never return to full-time work after maternity leave.

A Rethink Is Needed
This is not the way it should be: Women’s advancement is good business. Diversity at the workplace is a driver of innovation and gross value added. Many companies are already acting on this. The pacesetters among the analyzed companies are showing the way, with coherent, holistic concepts to awaken women’s slumbering potential. But there is plenty of room for improvement: At 80 percent of companies, major efforts will be needed to get more women into management.

Cultural Change Is Key
If companies truly want to profit from the diversity of their people, they have to use gender as a strategic competitive advantage and anchor it deeply in their company culture. Gender diversity needs to be fostered, for example by bringing women back to full-time work, eventually, offering them a clear career outlook after maternity leave. However, most importantly, change has to take place in people’s heads—and especially those of managers: Their job is to initiate cultural change, set measureable targets, establish the required institutional basis, revise processes, and make progress transparent. Above all, members of top management must consciously serve as role models for diversity.

The Time to Act Is Now
If Germany found a way to make better use of women’s potential in its employment market, the entire economy would profit—from women working more hours per week, working in more productive industries, or doing jobs that utilize their qualifications. As a result, the country’s prosperity would rise. The opportunity to increase Germany’s aggregate value added by €200 billion is incentive enough.
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