

# FEMALE LEADERSHIP IN GERMANY AND SWITZERLAND

CULTURE TRUMPS POLICY

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Germany and Switzerland are wealthy Western nations with mature financial sectors, well-educated women, and a relatively high labor force participation of women.<sup>1</sup> As such, you might expect a large portion of senior roles in their financial services firms to be occupied by women.

You would be disappointed. When it comes to Boards of Directors, both countries are mid-ranked in the list of 32 countries analyzed in the report: Switzerland ranked 12th, with 22 percent of Board members women, and Germany 15th, with 20 percent. Both countries are near the bottom of the list when it comes to women's representation on the ExCos of financial services firms: Germany is 24th with 10 percent women and

Switzerland 30th with 5 percent (see Exhibit 2 in our main article).

Public policy is the obvious place to look for an explanation. But policies in Germany and Switzerland are quite different. Germany follows a highly institutionalized model, with activist family and gender policies, as well as a recently introduced quota for women on Boards and a regime of company-set ExCo targets, while Switzerland takes a laissez faire approach. If policy were the decisive factor, Germany and Switzerland ought to have very different outcomes. What Germany and Switzerland share is not public policies, but culture. And it seems that, for women in financial services, culture trumps policy.

#### EXHIBIT 1: COMPARISON OF GERMAN AND SWISS APPROACHES TO "FAMILY AND WORK" POLICY

|  | GERMANY: INSTITUTIONALIZED APPROACH  | SWITZERLAND: LAISSEZ FAIRE APPROACH   |
|--|--|---|
| <b>MATERNITY PROTECTION</b>                | 14 weeks of maternity protection at full pay   | 14 weeks of maternity protection at partial pay (average payment rate of 57% <sup>2</sup> )   |
| <b>PAID PARENTAL LEAVE</b>                 | 14 months of paid leave (max. €1,800/month) if both parents take at least 2 months, 12 months if only one takes leave  | n/a   |
| <b>UNPAID HOMECARE LEAVE</b>               | Entitlement for mothers and/or fathers to stay at home until 3rd birthday of the child and return to previous or equivalent job (dismissal protection)<br><br>In some federal states: care benefits of €150/month if child is not in daycare   | n/a   |
| <b>PATERNITY LEAVE</b>                     | Paid parental leave and unpaid home care leave apply to mothers and fathers  | n/a   |
| <b>ENTITLEMENT TO PART TIME WORK</b>       | Employees entitled to part-time work   | n/a   |
| <b>AVAILABILITY AND COST OF DAYCARE</b>    | Entitlement to public, subsidized daycare<br><br>Average cost of daycare as % of family income: 8% <sup>3</sup>  | Predominantly private daycare system<br><br>Average cost of daycare as % of family income: 29% <sup>3</sup>   |
| <b>INCOME TAX OF MARRIED COUPLES</b>       | The income tax is progressive and married couples are frequently treated like two people with each half their total income<br><br>If the income of the partner with the lower income increases, this is partly consumed by the reduced tax advantage<br><br>Intra-year the partner with lower income typically bears a disproportional tax; making it look unattractive to work at all | The income tax is progressive and married couples are treated like one person (with a different tax table than individuals)<br><br>Married couples with two high incomes pay higher taxes than non-married couples or two singles<br><br>Having two incomes increases tax disproportionately, making it less attractive to work for one partner in a marriage |
| <b>DEDUCTIBILITY OF HOUSEHOLD SERVICES</b> | Limited possibility for tax deduction of cost for cleaning and nanny services (max. €4,000 p.a.)   | Limited possibility for tax deduction of cost of childcare services (max. CHF 10,000 p.a. per child on federal tax, often less on canton tax level)   |

1 *The Global Gender Gap Report 2014*, World Economic Forum, 2014

2 OECD Family Database 2015

3 OECD Benefits and wages statistics 2012, out-of-pocket childcare costs for a couple family: full-time care at a typical childcare centre

Germany and Switzerland take very different approaches to family and work policy. The German government provides long maternity leaves, entitlements to work part-time, subsidized daycare, and so on. In Switzerland, by contrast, maternity leave is short, and there is little tax-funded support for working parents (see Exhibit 1). In neither country does the tax system provide any incentive for both partners to work.

*“The German protective maternity system creates a high pressure for women to stay at home during the first years after a child is born – staying at home for so long is detrimental to a career”*  
**Ursula Egli, COO, Julius Bär Europe**

*“Why on earth is it not fully tax deductible to employ a nanny or cleaning support? Why can we not fully deduct taxes for the creation of a job? That would make it more viable for women to go to work in an environment that still has quite traditional role expectations for men and women”*  
**Christine Bortenlänger, CEO, Deutsches Aktieninstitut**

*“Even if the employee and employer are aligned on a solution that gives flexibility to the employee and allows them to continue their career, they face significant hurdles. Also, companies need to get more flexible. Remote and part-time leadership is not a problem per se – I’ve worked with very successful examples”*  
**Manuela Better, CRO, Dekabank Deutsche Girozentrale**

The same effect can have different causes. But it is hard to believe that such different family policies could account for the fact that Germany and Switzerland see the same, notably low representation of women in senior roles in financial services firms. When there is a common effect, it is a sensible starting strategy to seek a common cause. And if not policy, then culture is one of the few plausible explanations.

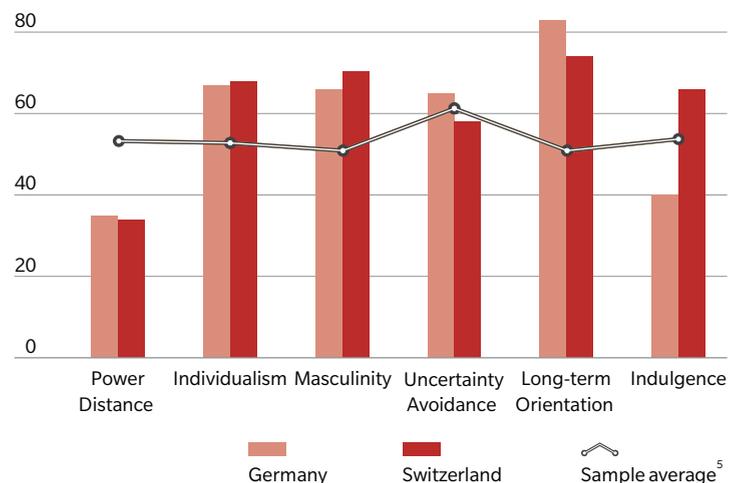
Neither Germany nor Switzerland has entirely homogeneous cultures. Berlin and Munich vary in ways that even a tourist will recognize, as do francophone Geneva and German-speaking Zurich. And the German and Swiss cultures are of course distinct with many subtle and less subtle differences, as any German living in Switzerland and any Swiss living in Germany will know.

Though important locally, these differences are relatively minor from a global perspective. Most Germans and Swiss would concede that the two nations are culturally similar on a global scale.

Anthropologist Gerard Hendrik Hofstede created a framework for characterizing cultures along six dimensions: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence.<sup>4</sup> This framework confirms the impression that the German and Swiss cultures are similar (see Exhibit 2).

Both countries score high on the masculinity dimension. According to Hofstede, a culture is masculine when the population displays a preference for achievement, heroism, assertiveness, and the material rewards for success. A masculine society is competitive rather than consensual. A feminine culture, according to Hofstede, prefers cooperation, modesty, caring for the weak, and quality of life. When plotting cultural masculinity against female representation on financial services firms’ ExCos, there is a negative correlation (see Exhibit 3).

EXHIBIT 2: HOFSTEDE’S CULTURAL DIMENSIONS: GERMANY AND SWITZERLAND



Source: The Hofstede Centre, Oliver Wyman analysis

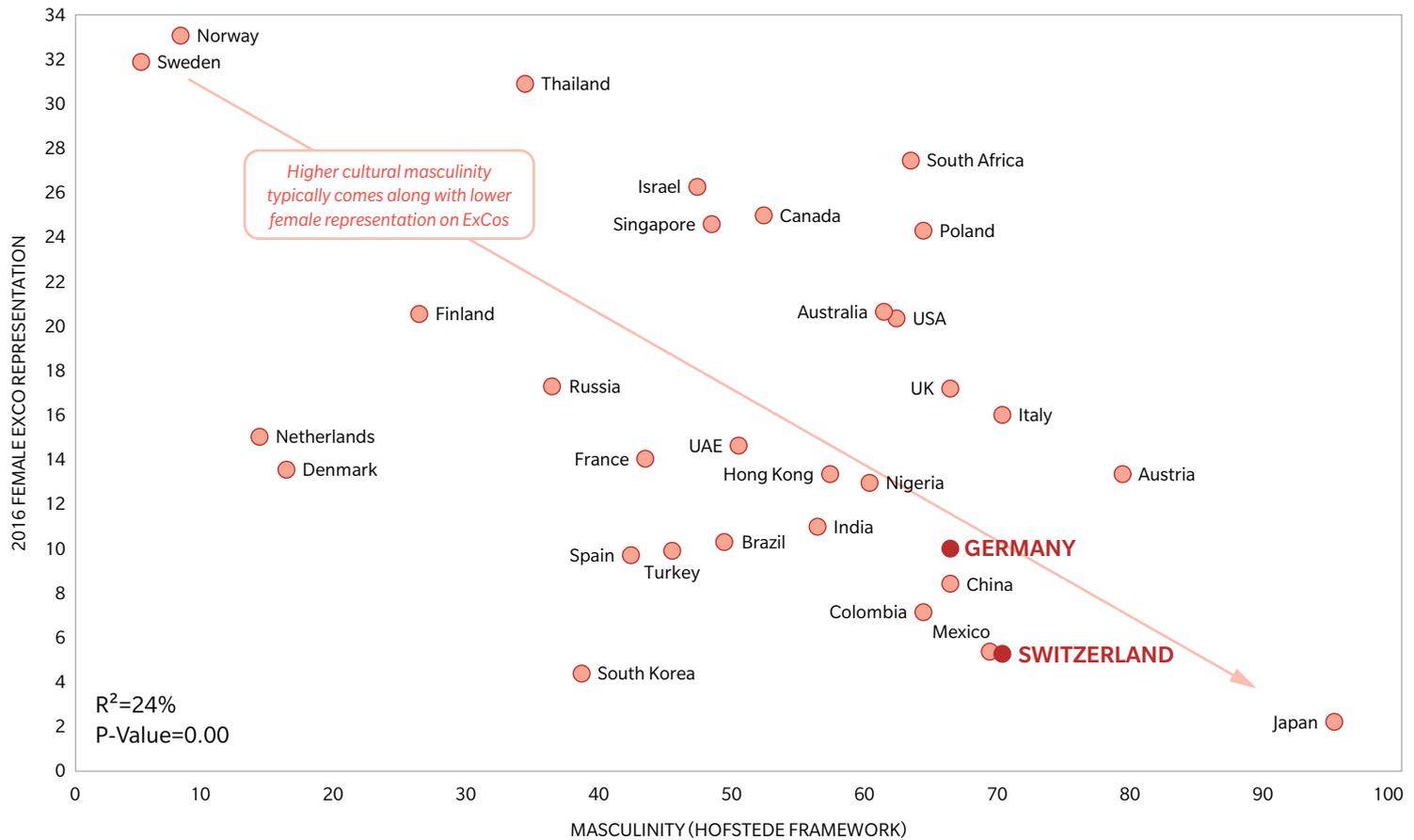
4 Sample corresponds to the 32 countries analyzed in this report as displayed in Exhibit 2 of our main article

5 The Hofstede Centre, available at geert-hofstede.com

One would not expect a single cultural dimension, such as masculinity, to fully explain ExCo representation in Switzerland and Germany. But an R<sup>2</sup> of 24 percent suggests a significant contribution.<sup>6</sup> Add Hofstede’s cultural dimension of “long-term orientation” as a second independent variable in the regression, and the R<sup>2</sup> increases to 34 percent.

*“There are some road blockers in the Swiss system. The current tax system doesn’t help both parents working, and the school system (e.g. childcare and day school) is left almost entirely to the families. I do not believe that any of this is a reason to stop working, but it’s a reflection of the societal hurdles we have to overcome”*  
**Sergio P. Ermotti, Group CEO, UBS Group AG**

EXHIBIT 3: FEMALE REPRESENTATION ON EXCO 2016 VERSUS MASCULINITY DIMENSION IN HOFSTEDE CULTURAL FRAMEWORK



Source: The Hofstede Centre, Oliver Wyman analysis

<sup>6</sup> R<sup>2</sup> is a statistical measure of how well the independent variable (in our case, the cultural masculinity of a country) predicts the dependent variable (in our case, the representation of women on ExCos). 0% indicates that the independent data explains none of the variability of the dependent data, 100% indicates that the model explains all variability.

*“Some men who want to be supportive can actually be derogatory. When they say ‘Oh that woman can’t do that job – she has a family,’ they may think they are doing her a favor, but in reality they are not taking her for real. They are patronizing her”*

**Daniela Weber-Rey, Until May 2016 Chief Governance Officer of Deutsche Bank AG**

The hypothesis that low female representation on ExCos in Germany and Switzerland is the result of similar national cultures is supported not only by these statistics but by the observations of our interviewees for this report. Two themes emerged in discussions:

## 1. Deeply rooted gender-role expectations

Traditional expectations about the roles played by men and women seem to have proved more tenacious in Germany and Switzerland than in most other Western countries. The idea that men should be the breadwinners and women should take care of the home and family is still common, and there is a derogatory word for working mothers who are perceived to not be nurturing and caring enough for their children (‘Rabennutter’) that exists only in the German language and is still used sometimes today.

Not only is it difficult for women to pursue careers, it is culturally accepted to opt out of the career. Taking care of the family, potentially combined with a part-time occupation, is a common model in Germany and Switzerland – for women, but not for men. Given this culturally approved alternative, many women decide to forgo careers, especially when times get tougher at work or when family demand increases.

*“Men are still a large part of the problem. It is a pity how many capable women are married to men who do not support their wives in their career”*

**Klaus-Peter Müller, Chairman of the Supervisory Board, Commerzbank**

*“Women have to be determined and focused in order to pursue a career in Germany. Maternity breaks need to be managed just like any other career move on the way: you need to have a plan, actively engage with your stakeholders, and make sure you have a sponsor behind you. Sometimes this does not go smoothly, but each career has ups and downs. In Germany, however, I see (way too) many highly talented women who decide to opt out during a down [period], as they still have the very broadly accepted option of not working full-time/at all”*

**Sandra Wirfs, MD, Deutsche Bank**

*“In Germany, it is still the case that working mothers who return too quickly to work get frowned upon. In many other countries this is more of a normal case. [...] Flexible work is generally offered by companies, but frequently not properly implemented. [...] The new generation (women and men) selects employers differently. They will force companies to develop innovative and new solutions for flexible work. There is a large need for change in HR departments and overall company processes to accommodate for that”*

**Susanne Klöß, Member of the Executive Board, Deutsche Postbank AG**

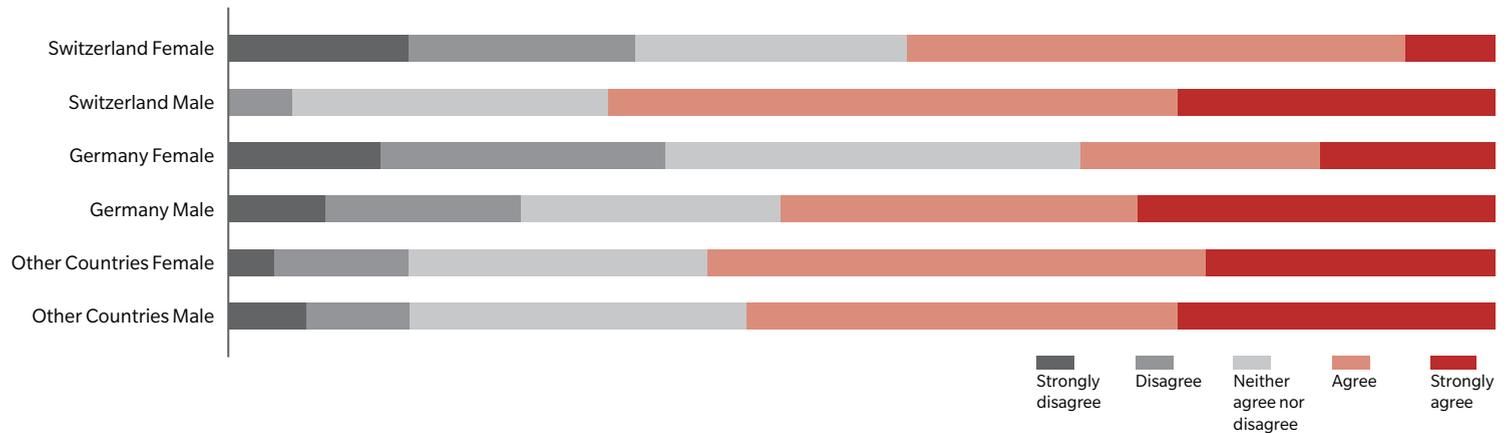
This common observation by our interviewees is supported by the survey of 850 financial services professionals. Globally, male and female employees show very similar levels of career ambitions (see Exhibit 8 on p. 16). This general rule does not hold in Germany and Switzerland, however, where men and women show markedly different levels of ambition (see Exhibit 4).

## 2. Family unfriendly working culture

The working culture in many companies in Germany and Switzerland makes combining a career and family relatively difficult. A face-time culture prevails, where being physically present in the office is associated with performance and commitment to the company.

Despite the legal entitlement for public daycare (introduced in 2013), the infrastructure is still in development in Germany (availability does not yet meet demand, opening hours are not compatible with working hours in management positions, etc.).

## EXHIBIT 4: AGREEMENT WITH STATEMENT: "I WANT TO REACH A SENIOR POSITION IN MY ORGANIZATION"



Source: Oliver Wyman survey data

Daycare in Switzerland is among the most expensive in the world. Both situations lead to a low compatibility of family and work in Germany and Switzerland and make the lives of working mothers difficult as long as the burden of child care is borne by women. Moreover, many Germans and Swiss remain reluctant to put their children into daycare, which results in long gaps and, often, an end to women's careers.

*"Still, many managers have an expectation that one has to make significant sacrifices to demonstrate readiness for a career. Of course, a career many times requires hard work, a high commitment to the firm, and international experience. But it is also important that a company offers career solutions that do not put the family at risk and create a level playing field for men and women"*

**Christian Finckh, Chief HR Officer, Allianz**

German and Swiss financial services firms cannot change their national cultures – at least, not alone and not overnight. Nevertheless, they can take measures to increase female representation among their leadership – as they should, for reasons given elsewhere in this report. And, over time, they may thereby contribute to cultural change. Such measures, described in Chapter 1, include ensuring child care is available, encouraging men to take paternity leave, actively recruiting female graduates, providing promising female staff with sponsors, requiring unconscious bias training for management, encouraging them to step up and to take more responsibility, and making it easier to work from home and to work part-time. Taken together, these measures can make financial services an island within the sea of cultural attitudes that prevent women from rising to the top in Germany and Switzerland.