

In April 2017, new and stricter AUG licensing requirements come into affect for employment secondment (aka employee leasing) in [Germany](#). Because this could have financial and legal repercussions for your business, it's important that you familiarize yourself with the law.

First, understand that in Germany, companies that hire people to work on behalf of other companies are legally required under the Act on Temporary Agency Work to have an [AUG \(Arbeitnehmerüberlassungsgesetz\) license](#). This applies whether or not those employees are engaged in traditional temporary work—what matters is that the employees are seconded to another company.

So what's new?

1. The new AUG license regulations limit the seconded employee to 18-months before s/he becomes the end-company's employee.

For example:



Company A needs help with a software project. They reach out to a Global PEO or another contracting service, Company B.



Company B says, “Sophia would be perfect for your project” and assigns Sophia to work on Company A’s software project.



At this point, Sophia may work for 18 months for Company A while still being employed by Company B.



At the end of the 18-month period, if she continues to work for Company A, she will be deemed to be Company A’s employee and *no longer* an employee of Company B.



If Sophia still wants to be employed by Company B, she can either stop working for Company A, *or* she can elect in writing to remain with Company B. This document *must* be presented

and approved by the federal employment agency.

2. Failure to comply with AUG licensing requirements could result in the end client becoming the employer. The company of record that is employing the worker must have an AUG license in order to contract out the employee. If the company does not have an AUG license or fails to comply with the AUG license requirements, the end client, i.e. the company whose project the employee is working on, will be considered to be the worker's employer.

What does this mean for you? If you're considering using an employee leasing firm or Global PEO, make sure they have an AUG license and find out if they are fully compliant with current regulations. Otherwise, you could unwittingly become the employer. Additionally, keep track of how long your contingent employee is on your project so that you don't inadvertently become his/her employer.

For more information about hiring in Germany or for help with AUG licensing questions, contact us!