

COVID-19 Status Update: Globalization Partners HR specialists in Germany report that the government has encouraged social distancing and that people work from home. With most employees now working from home, Globalization Partners is advising our clients on how to preserve employees while keeping business intact, and how to enable employees to work from home and stay productive. We have not seen an impact on hiring or recruitment at this time; onboarding of new employees is ongoing; and clients continue to request our comprehensive solution to meet their global expansion needs.

Globalization Partners provides [employer of record services](#) for clients that want to hire employees and run payroll without first establishing a branch office or subsidiary in Germany. Your candidate is hired via Globalization Partners' [Germany Professional Employer Organization \(PEO\)](#) in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Germany while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Germany.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

## **AUG Licensing Requirements for German PEO - Effective 1 April 2017**

Effective 1 April 2017, [there are strict laws in place in Germany about employment secondment](#). Companies hiring people to work on behalf of other companies in Germany, as part of a global PEO solution, are legally required to have an AUG or temporary agency license. While the licensing requirements are nebulous, we take pride in following the absolute letter of the law in Germany. This is to our clients' advantage as well as our own, because according to the law, the end client is at risk if an employee is engaged on their behalf in Germany under a company which is not licensed. As far as we know, Globalization Partners is the only Global PEO providing a fully-compliant solution in Germany.

## **Doing Business in Germany**

Germany ranks 114<sup>th</sup> in ease of opening a new business. It can take six months to get started and a tax advisor is strongly recommended as there are many financial filings to make on the way, from the type of business you're trying to open, to two sets of tax registration, and obtainment of a certificate of registration. For this reason, many companies use our German PEO and employer of record platform in Germany to facilitate an easy access to the market. By using our German PEO, you can hire an employee in Germany within a few days of finding your ideal candidate.

## **Hiring in Germany**

When negotiating terms of an employment contract and offer letter with an employee in Germany, it may be useful to keep the following in mind:

## **Employment Contracts in Germany**

It is legally required to have a locally compliant employment contract in Germany. The contract should spell out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in Germany should always state the salary and any compensation amounts in Euro rather than a foreign currency.

## **Germany Working Hours**

Employee working hours may not exceed 8 hours per day and 48 hours per week. The typical

work week consists of 35-40 hours.

## Bonus Payments in Germany

A bonus or commission program is discretionary on top of salary. There is no 13<sup>th</sup> month or 14<sup>th</sup> month salary payment in Germany.

## Vacation in Germany

German law provides for 24 days of vacation time for a 6-day work week or 20 days for a 5-day work week. In practice, most full-time employees receive 25 to 30 days of vacation time per year in Germany. Vacation time is not reduced by time taken for sick leave or public holidays.

## Public Holidays

Germany celebrates nine national public holidays as well as additional public holidays that vary by state:

- New Year
- Good Friday
- Easter Monday
- Labour Day
- Ascension
- Whit Monday
- Day of German Unity
- Christmas
- St. Stephen's Day

## Sick Leave in Germany

Employees are entitled to at least six weeks of sick leave at full salary if the employee can present a medical certificate from their doctor. This is not something that is mentioned in the offer letter or employment agreement since this is a matter of law in Germany.

After six weeks, the employee will receive sickness benefits directly from their health insurance company. The reimbursement rate for the employee is 70% of the gross salary (until the social security ceiling) but not more than 90% of net salary.

## Parental Leave

Maternity leave consists of six weeks prior to birth and eight weeks after, all at full pay. For a multiple birth, mothers receive 12 weeks paid leave.

Either parent is entitled to up to three years of unpaid leave to stay at home with their child. A new program funded by federal taxes also allows direct subsidies to new parents (*Elterngeld*) for the first 12 to 14 months of the child's life. The amount of the subsidy is based on the income of the caretaker parent.

## Termination and Severance in Germany

Terminating employment in Germany can be complex.

In the event of an “ordinary” dismissal, the employer must observe the statutory minimum notice period, which depends on the length of employment:

- During probationary period (maximum duration of six months): two weeks' notice.
- After or without probationary period: four weeks' notice, effective at the 15th or the end of a month.
- After two years' service: one month's notice, effective at the end of a month.
- After five years' service: two months' notice, effective at the end of a month.
- After eight years' service: three months' notice, effective at the end of a month.
- After ten years' service: four months' notice, effective at the end of a month.
- After 12 years' service: five months' notice, effective at the end of a month.
- After 15 years' service: six months' notice, effective at the end of a month.
- After 20 years' service: seven months' notice, effective at the end of a month.

Both employment contracts or Work Agreements and Collective Bargaining Agreements (CBAs) can provide for more favorable periods.

A termination for cause will (when justified) have immediate effect and terminate the employment relationship immediately. However, it is sometimes difficult to prove cause.

During the notice period, an employer must continue to pay full salary as well as provide the opportunity to work, but with reasonable cause, the employer can place the employee on garden leave. Payment in lieu of notice is uncommon in Germany as this triggers a disadvantage to the employee when trying to claim unemployment benefits.

There is no statutory obligation to pay any severance in the case of individual dismissal, irrespective of whether the dismissal is valid or not (although different terms apply to

collective dismissals or redundancies). However, in practice, employers and employees usually agree on a severance payment. Severances are usually calculated based on the formula of half a month's salary per year of employment, but often the calculation of the severance payment depends on the strength of the reason for termination.

## Health Insurance Benefits and Social Security in Germany

The German Social Security System consists of five components: pension insurance, health insurance, unemployment insurance, nursing care insurance and accident insurance. The contribution to those insurances are split equally between the employer and the employee, except for the accident insurance which is covered by the employer only. In total, employer can expect to contribute about 20.7 % on top of the employee's salary to social security.

However, social security contributions are only deducted up to a maximum limit. In 2018 the maximum amount is 6,500 € (West) and 5,800 € (East) per month for statutory pension and unemployment insurance, and 4,425 € for statutory health insurance.

In addition, employers often provide additional supplementary insurance benefits.

## Additional Supplementary Benefits in Germany

Some companies offer employees a housing subsidy (*Wohngeld*) to help with rent and a child subsidy (*Kindergartenzuschuss*) to help with the cost of raising children. There are also transportation and meal subsidies, and many companies have a cafeteria where low-cost meals and snacks can be obtained.

## Why Globalization Partners

Globalization Partners is the first to market in Germany with a fully-compliant solution that fulfills the AUG licensing laws. We're compliant with EU Data Compliance laws and regulations, and otherwise follow the law to the letter. The most important thing we do is protect our clients and their workforce - which makes us the partner you want to work with.

Establishing a branch office or [subsidiary in Germany](#) to engage a small team is time-consuming, expensive and complex. [German labor law](#) has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Germany. We can help you hire your

candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Germany PEO and [Global Employer of Record Platform](#) provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Germany, please [contact us](#).

[Request a Proposal](#)