



EMPLOYMENT CONTRACTS AND COMPLIANCE WITH THE MAIN RULES OF GERMAN LAW

LAW/COLLECTIVE AGREEMENTS/EMPLOYMENT CONTRACTS

The relationship between an employee and an employer is ruled by:

- **The Employment Law:** it defines the obligations related to all employers
- **The Collective Agreement related to each area of activity:** it particularly points out:
 - The qualification and the minimum wage
 - The pension and health insurance organizations
 - Etc.
- **The Employment Contract:** it individualizes the work relationship by meeting with the Employment Law and the collective agreement.

EMPLOYMENT CONTRACTS

Germany has different models of employment, providing investors with flexible employment solutions – especially in the starting phase of the business:

- Regular Employment (unrestricted)
- Fixed-term contracts
- Mini and Midi Jobs

For information: In principle, the contract can be formulated in any language; and some specific actions must be taken prior to the hiring of any non-European citizen or any employee coming from a country that has recently joined the European Union.

There is no legally fixed form for a contract of employment. Nonetheless, it is highly advisable to define certain points, such as:

- The description of the location and activity;
- The date of appointment and notice periods (in the case of fixed-term employment contracts the duration of the contract);
- The daily or weekly working time;
- Arranging of a probationary period;
- The level of the wage (gross) and possible bonuses;
- Vacation entitlement;
- Non-disclosure agreements or non-compete obligations;
- Contractual penalties

HOLIDAY PAYABLES

Full-time employees working six days per week are entitled to a minimum of 24 paid vacation days per year. Accordingly, full-time employees working five days per week are entitled to a minimum of 20 days per year.

The number of public holidays varies from one federal state to another, with a minimum nine public holidays to a maximum 13 holidays.



STATUTORY WORKING TIME

Working hours are flexible in Germany. Under German labor law, employees are allowed to work eight hours per day (48 hours per week). Overtime has to be compensated for with additional time off. An overtime bonus is possible but it is not legally specified.

The statutory amount of work breaks depends on the total number of hours worked per day.

BENEFITS IN KIND

A benefit in kind is the provision of some goods or services free of charge from the company to the employees. It is considered as a salary supplement and is therefore liable to Social Security contributions and income tax. It may include:

- Provision of personal accommodation
- Meals
- A company car used for personal purposes
- A phone, internet link, a computer
- Any other personal benefit granted to the employee.

Don't hesitate to contact your Chartered Accountant for the assessment of these benefits!

ISSUING PAYSLEIPS IS COMPULSORY

Your accountant will prepare payslips for your employees every month according to the regulations and laws in force in Germany.

Employees in Germany receive a net wage or salary from which tax and social security contribution have already been deducted. The employer withholds the tax that the employee is required to pay and transfers the money directly to the tax office (Finanzamt). Therefore, all employees must be registered with the local tax office.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are made up of: Health insurance, Nursing Care insurance, Pension insurance, Unemployment insurance, and Accident insurance.

Generally speaking, social security contribution are roughly shared equally by employer and employee. Employer's share: approximately 21 percent of the employees gross wage.

SOME IDEAS FOR REDUCING YOUR EMPLOYMENT COSTS

Four Main Groups of Labor-Related Incentive Programs

The range of programs offered can be classified into four main groups – programs focusing on: 1.) recruitment support, 2.) training support, 3.) wage subsidies, and 4.) on-the-job training.

Germany offers numerous incentives for foreign investors. There is a variety of programs available, designed to fit the needs of diverse economic activities at different stages of the investment process.