

Labor & Employment Law in Germany — A Concise Guide

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Key Takeaways

1. German employment law puts a **strong emphasis on protecting employees**. That is why German labor and employment laws are not confined to one document but spread out throughout many legislative tools.
2. Some **important pieces of legislation** where you can find individual labor laws to guide what is expected from the employer and employee relationship are the German Civil Code, the Part-time and Fixed-term Work Act, the Employees Leasing Act, Federal Holidays Act, and the Maternity Protection Act.
3. Employers should be aware **where to find collective laws that are targeted to employment matters** and employment organisation as a whole. Legislation includes the Business Constitution Act, Codetermination Act, German Trade Union Confederation, Collective agreement Act, Works Constitution Act
4. For international companies looking to do business in Germany, **a global PEO can help support you to navigate German labor and employment laws**, so you can set up, hire or expand into Germany quickly and compliantly.

Germany has relatively strict employment and labor laws: Many provisions have a special emphasis on protecting employees. However, these laws also provide clear guidance for employers on individual employment contracts, employee benefits and entitlements, and rules around termination and dismissal.

This article can act as a simple guide for employers to navigate German labor and employment laws when expanding in any capacity into Germany.

Video: German Employment Law Overview

It is critical to understand German employment law if you plan to expand operations to Germany. Equally important is having a grasp of all other laws related to your business, such as tax laws or data protection laws.

See the video below, or read our [Guide to Doing Business in Germany](#), for a [quick overview of general](#)

What are the labor laws in Germany?

German labor laws are not consolidated within any one piece of legislation. Instead, German employment law can be found across many types of documents. This includes the German Civil Code, various federal legislation, case law exemplars, and collective bargaining agreements, work council agreements, and employment contracts.

Taken in collaboration, German law is organized to target both the collective organization of all employment matters and more specifically, the relationship between an employer and employee. For international companies looking to hire employees in Germany, it's important to know where to find individual labor laws. Here are some documents where you can find these laws.

German Civil Code “*Buergerliches Gesetzbuch*”

The German Civil Code (“*Buergerliches Gesetzbuch*” or “*BGB*”) is regarded as one of the most influential pieces of legislation in the world. The code is where German civil laws are found and many of its provisions, which have been sworn into law over the last 120 years are still valid. Regarding how the Code relates to employment law, the civil code encompasses basic regulations for employment contracts.

Part-time and Fixed-term Work Act “*Teilzeit- und Befristungsgesetz*”

Provisions for working hours and the protection of employees undertaking part-time or fixed-term contracts are found within the Part-time and Fixed-term Work Act (“*Teilzeit- und Befristungsgesetz*”). One of the most important provisions found within this act is the right for workers who are employed with a company with more than 15 permanent workers to be able to reduce their working hours. This could be from full-time to part-time and can be transferable to part-time employees to transfer to full-time status as well. This act also prevents discrimination in the treatment of part-time or fixed-term employees in comparison to full-time employees.

Employee Leasing Act “*Arbeitnehmerüberlassungsgesetz*”

For German companies or foreign entities looking to hire temporary contractors in Germany, the provisions to do this legally are found within the Employee Leasing Act (“*Arbeitnehmerüberlassungsgesetz*”). The most important thing to know about labor leasing in Germany is that a company or individual that leases out German employees as contractors must hold an Arbeitnehmerüberlassung (AUG) license. Most of the time, foreign entities that are seeking

contractors or looking to send employees for a temporary contract in Germany will go through a third-party entity employee leasing company that holds an AUG license to hire and manage temporary employees.

Federal Act on Holidays “Bundesurlaubsgesetz”

Employees in Germany are entitled to a certain number of minimum holidays each year which is stipulated under provisions listed in the Federal Act on Holidays (“*Bundesurlaubsgesetz*”).

The Maternity Protection Act “Mutterschutzgesetz”

Maternity leave for expecting employees is protected under the Maternity Protection Act (“*Mutterschutzgesetz*”). In Germany, even expecting mothers seeking a job cannot be discriminated against under the provisions of this Act.

Other important employment laws in Germany

Some other legislation defining individual labor laws that provide other employee protections and rights include:

- General Act on Equal Treatment (“*Allgemeine Gleichbehandlungsgesetz*” or “*AGG*”)
- Company Pensions Act (“*Betriebsrentengesetz*”)
- Parental Benefits and Parental Leave Act (“*Bundeselterngeld-und Elternzeitgesetz*”)
- Remuneration Transparency Act (“*Entgelttransparenzgesetz*”)
- Continued Remuneration Act (“*Entgeltfortzahlungsgesetz*”)
- Employee Inventions Act (“*Arbeitnehmererfindungsgesetz*”)
- Act Against Unfair Dismissal (“*Kündigungsschutzgesetz*”)

To find industry-specific collective laws, or federal laws governing all organizations or employment-related trade unions, laws are found throughout legislation such as:

- Business constitution Act (“*Betriebsverfassungsgesetz*”)
- Codetermination Act (“*Mitbestimmungsgesetz*”)
- German Trade Union Confederation (“*Deutscher Gewerkschaftsbund*”)
- Collective agreement Act (“*Tarifvertragsgesetz*”)
- Works Constitution Act (“*Betriebsverfassungsgesetz*”)

Key Requirements of German Labor Law

When looking to hire employees in Germany, there are a few key requirements that employers should know to remain compliant with German labor and employment law. These key requirements are as follows.

Written employment contracts

It is not mandatory to have a written employment agreement in place in Germany in the initial stages of hiring a new employee. However, under the Documentations Act (*Nachweisgesetz*), an employer must provide a summary of what the employment relationship entails within the first month of an employee commencing employment. This should include details such as:

- Employer and employee personal details
- When the employment officially commenced
- The job description with responsibilities, place of work, and hours
- Salary or hourly rate
- Which leave entitlement and notice period is applicable
- Any reference to related collective agreements

If an employee is expected to undertake a probationary period before being offered a permanent role, this must be stated clearly within the summary as well.

The minimum wage in Germany

Germany has a statutory minimum wage that employers nationally must pay to their employees. As of 2022, the minimum wage stands at €1744 per month, or €9.41 per hour.

Working hour limits

There are limitations to how many hours German employees can legally work a week. Although the average full-time employee works anywhere from 36-40 hours a week, it is possible to work as much as 48 hours a week, but this is not typical. All employees working a 6-9-hour day is entitled to a 30-minute break and must have at least 11 hours between shifts. "Part-time working hours" is considered anything up to 30 hours a week. Anyone who is self-employed does not have any restrictions on how many hours they can work.

Holidays and vacations

The Federal Act on Holidays entitles full-time employees to a minimum of 20 days of holiday per year. This goes up to 25 days if an employee works a six-day working week normally. Public holidays are on top of this entitlement. Many employers in Germany offer more holidays than this statutory minimum.

Terminating an employee in Germany

There are strict laws such as those encompassed within the Unfair Dismissals Act that provide strong protections against dismissals. Employers must provide employees with a notice period. This can start at 4 weeks' notice and vary higher depending on how long the employee has worked at the company.

Sick leave in Germany

If an employee falls ill or gets injured at work, then they are protected through provisions under the Continued Remuneration Act ("*Entgeltfortzahlungsgesetz*"). This act also regulates the payment of wages on public holidays as well. The right to sick leave can last up to a maximum of 6 weeks every 12 months, but extension is possible in certain circumstances. For employees to be entitled to this sick leave entitlement, they must have worked with the employer for a minimum of 4 weeks. German employees also have a right to take up to 10 days' leave to look after sick family members.

Parental leave and maternity leave in Germany

Maternity leave and parental leave entitlement laws are found within The Maternity Protection Act ("*Mutterschutzgesetz*") and the Parental Benefits and Parental Leave Act ("*Bundeseltern-geld-und Elternteilzeitgesetz*"). Expecting mothers do not have to work up to six weeks before giving birth, or 12 weeks for premature births. After the birth, mothers are entitled to 8 weeks of maternity leave. There is also the option for both parents to take up to 3 years of parental leave after this period ends but this leave is unpaid.

Ensure employment law compliance with Horizons

For international companies looking to expand into Germany, whether it be through hiring German employees or setting up a new entity, it is crucial to understand the local employment laws. Horizons, a leading global PEO with offices in Germany, can help your company navigate these laws and get you set up quickly and compliantly. Contact us today for a free consultation.