

Flexible Models of Employment

Germany has different models of employment, providing investors with flexible employment solutions - especially in the starting phase of the business. Temporary employment agencies provide appropriate personnel at short notice.

Regular Employment

Regular employment contracts are unrestricted and can be terminated by a written letter of termination, provided a mandatory notice period has been observed. Regular employment contracts include a six-month probationary period during which the contract may be terminated at any time.

Fixed-term Contracts

Companies are free to offer fixed-term contracts. Such fixed-term contracts expire automatically on a specific date. A dismissal is not required to terminate this type of contract (unless the contract needs to be terminated before expiring). It is for the employer to decide whether to renew the contract or not.

Fixed-term contracts are generally limited to a maximum of two years. A fixed-term contract may be extended up to three times provided the total duration of contract does not exceed the maximum of two years.

Example:

A limited six months contract can be extended three times for a further six months (for a total duration of 24 months).

During the first four years of a company's existence in Germany, employment contracts may be limited or extended several times up to a total duration of four years.

Temporary Employment

Temporary employment means that a company can hire staff without concluding an employment contract. Instead, the company hires staff from a temporary employment agency by concluding a service contract which regulates the conditions under which the employees are sent to the hiring company.

The employee is legally employed by the temporary employment agency, which means that the employee receives financial remuneration only from the temporary employment agency, as no contractual relationship exists between the hiring company and the employee. The hiring company pays a certain fee to the temporary employment agency as set out in the service contract.

The duration and the terms of termination of the service of the employee in the hiring company are not subject to labor regulations, but only set out in the service contract between the hiring company and temporary employment agency. Generally, leased employees may be hired by the same company for a period of no longer than 18 months. Exceeding this maximum duration may result in a permanent employment relationship between the temporary employee and the leasing company.

The general working conditions such as weekly working hours and wages are usually determined in collective agreements between unions and the respective employers' associations of the temporary employment industry. These collective agreements provide flexible working hour models by using working hour accounts to adjust the demand of the hiring company and working time regulations. These collective agreements may, to some extent, alter the "equal treatment" policy between a company's leased and permanent employees.

Mini and Midi Jobs

"Mini jobs" (also known as "450 euro jobs") refer to employment contracts where salary paid does not typically exceed a total monthly sum of EUR 450 (i.e. marginally remunerated employment) or those in which the employee only works a maximum of 70 days per year (i.e. short-term employment).

In the case of marginally remunerated employment, the employer pays fixed rates of tax and social insurance contributions that total 31.29 percent (plus statutory accident insurance).

In addition, the employee is generally liable for pension insurance contributions of 3.7 percent. However, the employee is free to apply for an exemption from pension insurance (opt-out option).

With short-term employment, no social insurance contributions are due for health and pension insurance. It is only necessary to tax the income and to pay statutory accident insurance and some other minor allocations.

"Midi jobs" (also known as "low-salary jobs") are employee-employer relationships with an average monthly salary in the EUR 450.01 to EUR 850 range. Employees pay a reduced rate of social insurance for midi jobs. The

employer pays the full contribution rate. However, this is below the contribution rate for mini jobs. The wage is normally subject to income tax.



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