

# WELCOME at Anhalt University of Applied Sciences

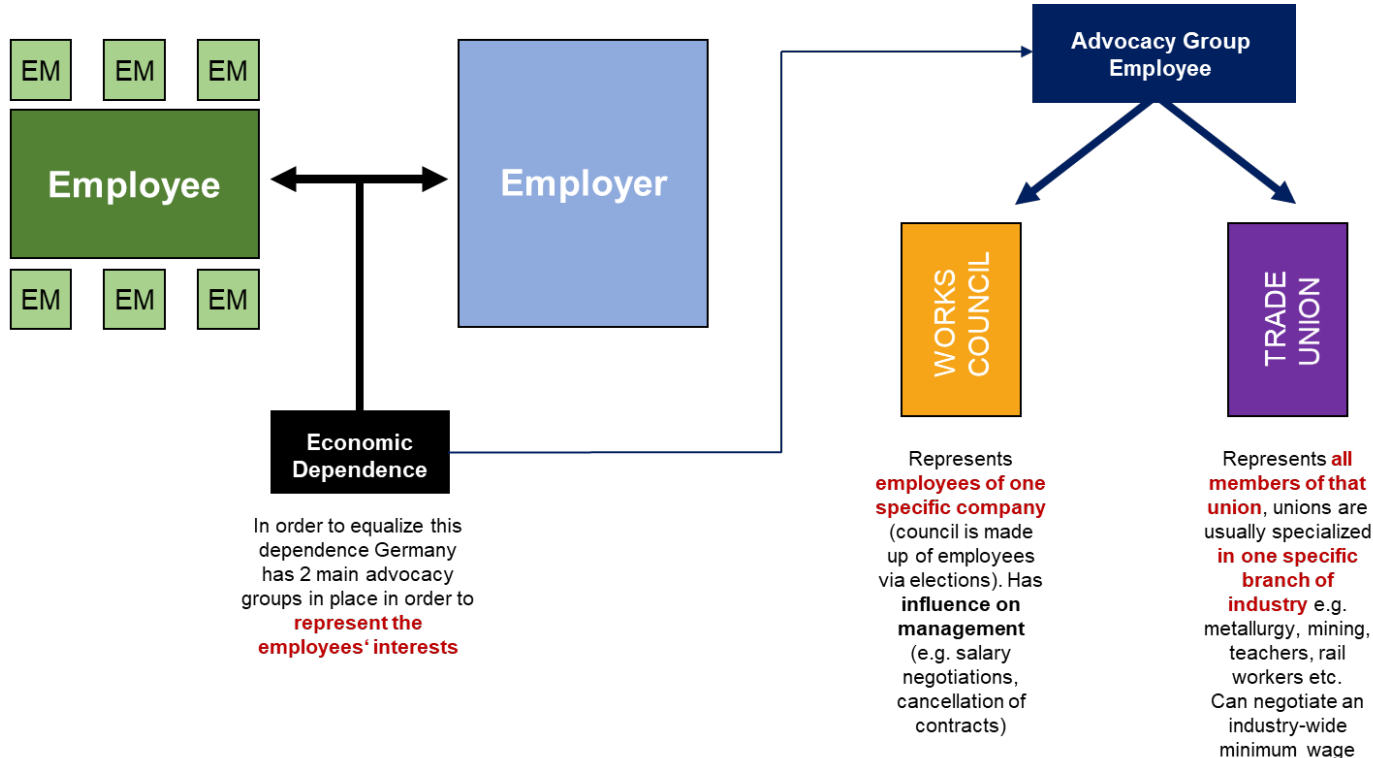
Employment Law, Social Security  
and Taxation in Germany-Explained

# What Is an **Employment Contract**?

- An employment contract is a **private law-based** contract between an **employer** and an **employee**
- An employment contract can be „signed“ orally, (written form not legally required)- insist on a written form, makes proving in case of irregularities easier
- It does not require a mandatory form (there are no fixed, official templates- only required elements)

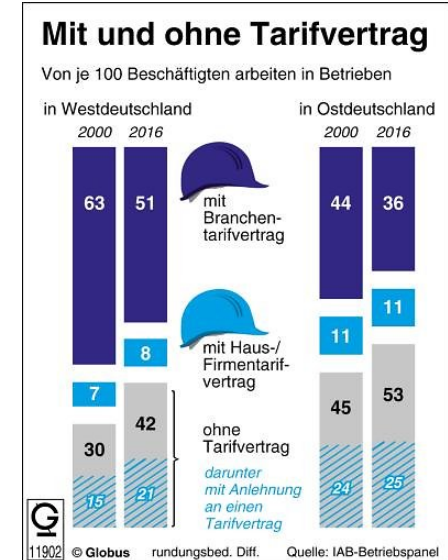


# Employment Law- The Relationship Employer vs. Employee



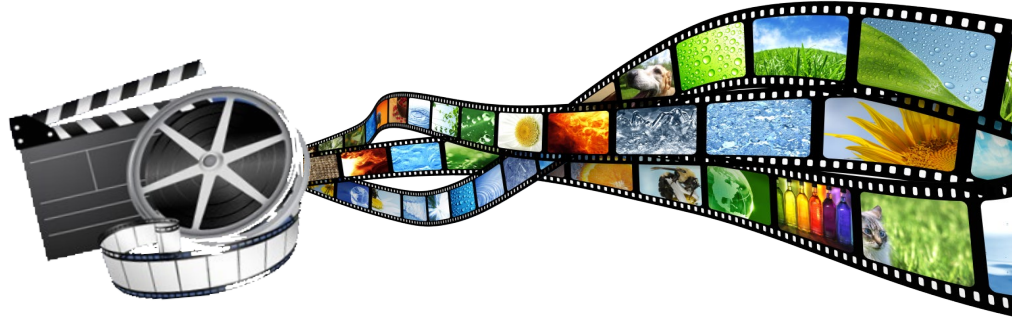
## What is a Labour Agreement?

- Contracting parties are **labour unions and employers' associations** or individual employers
- An agreement between **managers of a company**, organized in an employers' association and the **labour unions representing the workers**/employees
- Once a labour agreement runs out, the contracting parties re-negotiate. In case of disagreements a *full labour dispute* is likely
  - Strike (walkout of employees)
  - Lock-out (Employers deny work)



# Employment Law in Germany

## Watch Video: The Works Council-Explained



[https://www.youtube.com/watch?v=Zvz\\_ZSmm3wg](https://www.youtube.com/watch?v=Zvz_ZSmm3wg)

# The Employment Contract- Elements

## Which Elements Are **Legally Required**?

- Names and addresses of contracting parties
- Start of employment
- Place of work, or a reference that employee will be working in different locations
- Job description/description of tasks
- **Composition and sum of salary**



# The Employment Contract- Elements

## Which Elements Are **Legally Required**?

- **Working hours** →
- The duration of the annual vacation (legal/standard/voluntary)
- Cancellation period
- Reference to possible labour agreements/  
internal company regulations →

**Careful: “Overtime is paid off  
with the salary”**

This statement is void.  
(Unless you are above the  
boundary of 78.000€ p.a.)

### **Legal Standard:**

as an employee within 4 weeks on  
the 15th or the end of a month.  
This period cannot be shortened in  
the employment contract,  
however, be extended. The  
employer's cancellation period  
also depends on the duration of  
employment. **The longer you  
have worked for your employer,  
the longer is this period for him.**

# The Employment Contract- Rights and Duties

What Am I **Allowed to** and What Do I **Have to Do**?

## Employer's Duties

- Remuneration Duty: The salary is often determined by a labour agreement or inner-company regulations
- Employment Duty: The staff needs to be employed in accordance with the tasks defined in the employment contract
- Duty of Care: The legal regulations are to be followed (worker protection)
- Certification Duty: The employer is bound by law to issue an employment reference to the employee



# The Employment Contract- Rights and Duties

What Am I **Allowed to** and What Do I **Have** to Do?

## Employee's Duties



**Work Duty:** The duty to deliver the agreed upon work in person

**Obedience Duty:** Employer's instructions are to be followed. Legal regulations are to be kept

**Diligence Duty:** Tasks are to be completed with the appropriate diligence, working tools are to be handled carefully

**Non-Disclosure Obligation:** The employee must adhere to data protection laws and not communicate internal information

**Competition Restriction:** The employee is not allowed to pose as competition to the company through a secondary- or illicit employment

# The Employment Contract- Termination

## The **Termination**- Reasons and Regulations

- **Personal** e.g. decrease in performance, a long-term illness, not being suitable for the job anymore
- **Behavioural** e.g. continuous unpunctuality (requires a written warning)
- **Immediate company-related necessities** e.g. lack of orders, rationalisation measures
- In this case the employer is required to make a „**social choice**“ depending on length of period of employment, age, obligations to family, alimony

***Instant dismissal/  
dismissal for exceptional  
reasons (dismissal  
protection is not applied)***

Requirement:  
continued collaboration  
cannot be reasonably  
expected (e.g. theft or  
assault in the company.)



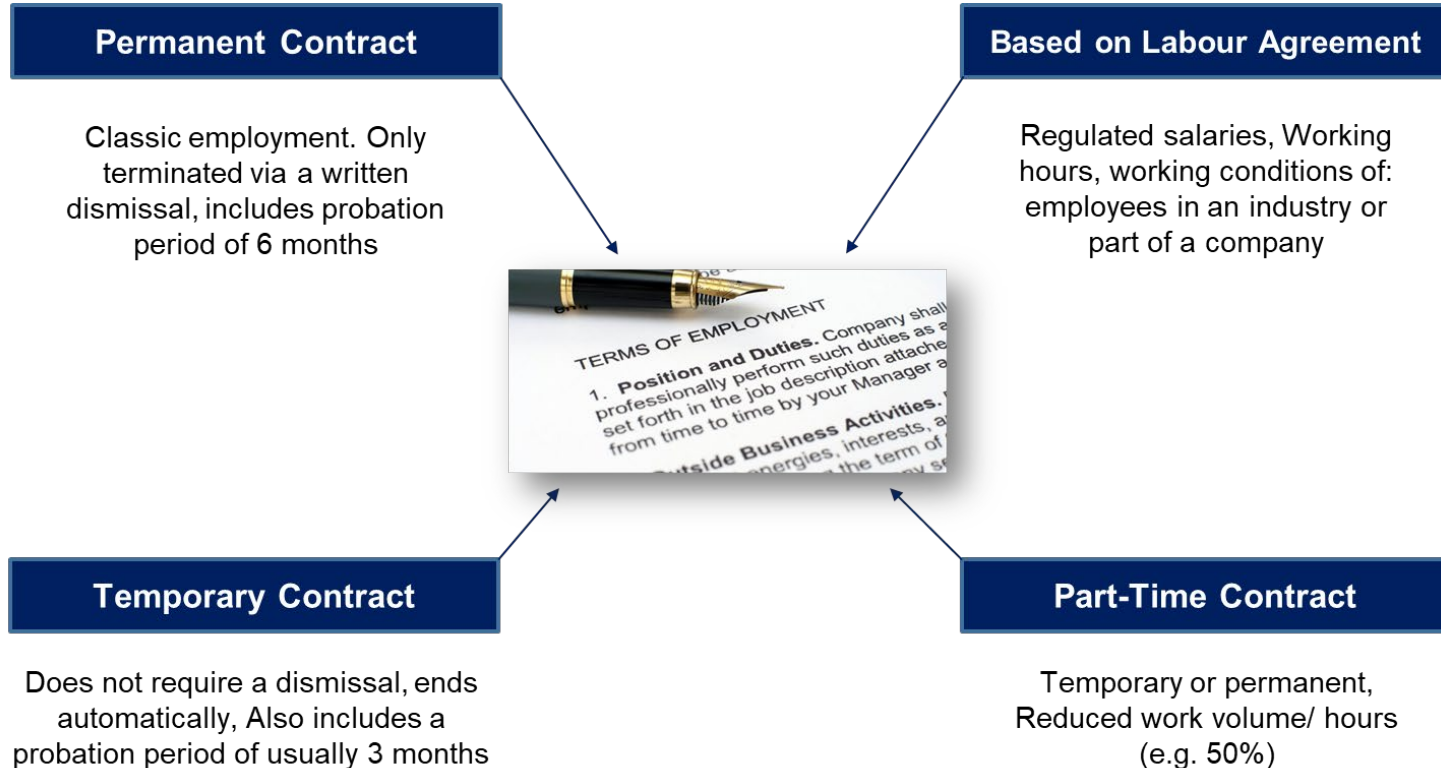
# The Employment Contract- Termination

## The **Employee's Perspective**

- Resignation by the employee does not need to specify a reason
- Legal standard: **4 weeks notice period** on the 15<sup>th</sup> of the month or the end of the month
- The notice period can be extended but not shortened in the employment contract (always in favour of the employee; exception: probation period)
- Needs to be in **written form**, remaining **vacation days can be used or paid off** (pay attention to tax implications!)
- Make sure that your **overtime** is correctly recorded it needs to be **reimbursed** either as additional vacation or payment
- Insist on a qualified reference letter (employers are legally obliged to issue it)



# The Employment Contract- Types



## Employment Law- Working Hours

### What Is **Legally Regulated**?

- Arbeitszeitgesetz (ArbZG) determines the maximum number of working hours **to protect the employee's health**
- Employees are **not allowed to work more than 8 hours** a day (overtime needs to remain an exception and is to be paid or compensated by free time)
- **Breaks do not count as working hours**  
**(Breaks are mandatory!)**
- The legal maximum working time per week is 48 hours, and 48 weeks in a year

By starting work at 9:00 am and leaving at 17:30 pm you have worked „8 hours“, as the 30 min mandatory break is deducted.



## Employment Law- Maternity Rights

### What Do I Need to Pay Attention to?

- Not allowed to work **6 weeks before delivery**
- After delivery mandatory to stay **at home for 8 weeks**
- With preterm or multiple pregnancies this protection period is **extended to 12 weeks**
- Starting from the beginning of the pregnancy until 4 months after the delivery a **termination of the employment contract is void** (except for certain very special cases)



## Employment Law- Parental Leave

### What Do I Need to Pay Attention to?

- **Each parent has the right of** parental leave for 12 months until the child turns 3
- The **employment remains untouched**. Upon return the parent has the right to resume to his/her normal working hours
- Mothers and fathers can claim another 24 months between the 3rd and 8th birthday
- An employer's permission is not required
- Each parent can divide their parental leave into three separate periods



# The Social Security System in Germany

## Social Security System- An Historic **Achievement**



Since 1883 **Social  
Security** for Employees

### The Five Pillars of Social Security

Public Health  
Insurance

Pension  
Insurance

Unemployment  
Insurance

Nursing Care  
Insurance

Accident  
Insurance

# The Social Security System in Germany

## System Characteristics

- **Mandatory insurance for employees** (Unemployment-, Pension-, Health - and Nursing Care Insurance)
- **Mandatory insurance for companies** (Accident Insurance)
- Health insurance: with a high income switching to a private insurance is possible
- **Solidarity Principle: Premiums are not based on individual risk but income**
- Risk-sharing



# The Social Security System in Germany

## The **Health Insurance**

- **Mandatory** for everyone!
- For insurant and family members
  - Cost of treatment at doctor or hospital
  - Medication
  - Sick pay for extended inability to work
  - Maternity cost
- Who exceeds the earnings ceiling **MAY** switch to a private insurance
- Careful! With a rising age the premiums of private insurances increase drastically!
- Certain services may not be included in the health insurance protection e.g. dental protheses
- **Is deducted automatically** from paycheck after submitting your insurance details to your employer

Health Funds,  
Insurances e.g. IKK,  
AOK

**14.6%**  
+additional contribution  
Ø1.6%  
**=16.2%**

$\frac{1}{2}$  Employer = 8.1%  
 $\frac{1}{2}$  Employee = 8.1%

Earnings ceiling  
66150€ / 5512.50 €

Sick payment  
Disability payment  
Maternity payment  
Family insurance

# The Social Security System in Germany

## The most affordable public insurance companies

### ZUSATZBEITRAG 2025 und 2024 Bundesweit geöffnete Krankenkassen

| Krankenkasse                           | Zusatz-<br>beitrag<br>2025 | Beitrags-<br>satz<br>2025 |
|----------------------------------------|----------------------------|---------------------------|
| <a href="#">BKK firmus</a>             | 1,84%                      | 16,44%                    |
| <a href="#">hkk</a>                    | 2,19%                      | 16,79%                    |
| <a href="#">Audi BKK</a>               | 2,4%                       | 17,0%                     |
| <a href="#">Techniker Krankenkasse</a> | 2,45%                      | 17,05%                    |
| <a href="#">WMF BKK</a>                | 2,45%                      | 17,05%                    |

|                                 |       |        |
|---------------------------------|-------|--------|
| <a href="#">HEK</a>             | 2,5%  | 17,1%  |
| <a href="#">BKK Linde</a>       | 2,5%  | 17,1%  |
| <a href="#">TUI BKK</a>         | 2,5%  | 17,1%  |
| <a href="#">DAK-Gesundheit</a>  | 2,8%  | 17,4%  |
| <a href="#">BKK VerbundPlus</a> | 2,85% | 17,45% |
| <a href="#">BKK ProVita</a>     | 2,89% | 17,49% |

Das Wichtigste:  
**G'sund  
bleiben!**



# The Social Security System in Germany

## The **Nursing Care Insurance**

- Mandatory for every **person who is a member of a public or private health insurance**
- **Payments for home care or nursing care facilities** depending on the required degree of care (3 levels)
- Childless individuals pay a higher premium



**Nursing Care  
Insurance**

**3.4%**  
+ (0.6% for childless  
individuals) from 23y to  
65 y = **4%**

$\frac{1}{2}$  Employer = 2%  
 $\frac{1}{2}$  Employee = 2%

Earnings ceiling  
66150€ / 5512.50 €

**Nursing Payment**  
Inpatient nursing care  
Home care

# The Social Security System in Germany

## The **Pension Insurance**

- Is financed via the so called **Umlageverfahren- „Pay as you go system“**- The paid premiums of the current generation of employees (contributors) are paid into the system
- That means that the **premiums you pay are not intended for your own retirement** but the entitlement of the current generation of pensioners
- Retirement age 67, possibility of early retirement (reduced) at 63 under the condition of 45 contribution years

Due to the pay as you go system the principle of retirement is also called “Generationenvertrag” (Generations-Contract)

**18.6%**

$\frac{1}{2}$  Employer = 9.3%

$\frac{1}{2}$  Employee = 9.3%

Earnings ceiling  
96600€

Retirement Payment  
Disability Pension  
Reduced Earning  
Capacity Pension  
Surviving Dependents'  
Pension

# The Social Security System in Germany

## The **Unemployment Insurance**

- **Unemployment Benefits I:** in case of unemployment depending on the net-pay (60% of last net-salary); max. 1 year
- Employment Support:
  - Job placement
  - Career counselling
  - Re-education
- **Unemployment Benefits II (Bürgergeld):** after expiration of I
- Basic security benefits 502€ + lodging allowance (heating + rent)
- Duty to cooperate (i.e. responsibility to actively seek a job/take job offers)
- Your financial wealth is counted towards the allowance (after the first 6 months)



Unemployment Office

2.6%

$\frac{1}{2}$  Employer = 1.3%  
 $\frac{1}{2}$  Employee = 1.3%

Earnings ceiling  
96600€

Unemployment Benefit I  
Career Counselling  
Job Placement  
Short-time compensation

# The Social Security System in Germany

## The **Accident Insurance**

- Protection against the consequences of an accident. **Immediate/acute (medical emergencies)**, as well as **long-term consequences** in the form of partial or complete disabilities or death
- For **job-related accidents (including commuting accidents)** and **occupational diseases**
- Is paid solely by the employer



Employers' Liability  
Insurance Association

Depending on annual  
salary-cost and  
hazard class

Employer carries full  
cost

Earnings ceiling  
0€

Rehabilitation  
Measures  
Temporary Allowance  
Injury Benefits

## Taxation in Germany

### Gross and Net Wage: **What's the Difference?**

**EMPLOYERS ALWAYS INDICATE GROSS (BRUTTO) WAGE**



Earnings ***before*** taxation  
and other deduction



Earnings ***after*** taxation  
and other deduction

## Taxation in Germany

What do I get **Net** out of my **Gross-Pay**?



- The social security insurances are not the only deductions
- Additionally, **Income Tax** (graded based on gross-income max. 42% from 55961€)
- **Solidarity Tax** 5,5% of income tax (Infrastructure payment introduced after the re-unification of Germany) Phased out 2021 for <73k €/y
- Church tax, if you are a member of one of the Christian churches (tax-rate differs between states)



# Taxation in Germany

| Result                  | Month      | Year        |
|-------------------------|------------|-------------|
| Gross Salary:           | 3.500,00 € | 42.000,00 € |
| <b>Taxes</b>            |            |             |
| Solidarity Surcharge:   | 0,00 €     | 0,00 €      |
| Church Tax:             | 41,44 €    | 497,28 €    |
| Salary Tax:             | 460,50 €   | 5.526,00 €  |
| Taxes:                  | 501,94 €   | 6.023,28 €  |
| <b>Social Charges</b>   |            |             |
| Pension Insurance:      | 325,50 €   | 3.906,00 €  |
| Unemployment Insurance: | 45,50 €    | 546,00 €    |
| Health Insurance:       | 283,50 €   | 3.402,00 €  |
| Care Insurance:         | 65,63 €    | 787,50 €    |
| Social Charges:         | 720,13 €   | 8.641,50 €  |
| Net Salary:             | 2.277,94 € | 27.335,22 € |

Income tax-rates differ drastically between categories

**Klasse I:** Singles w/o children  
**Klasse II:** Single Parents  
**Klasse III:** Married Couples  
**Klasse IV+V:** Special Cases  
**Klasse VI:** For second jobs

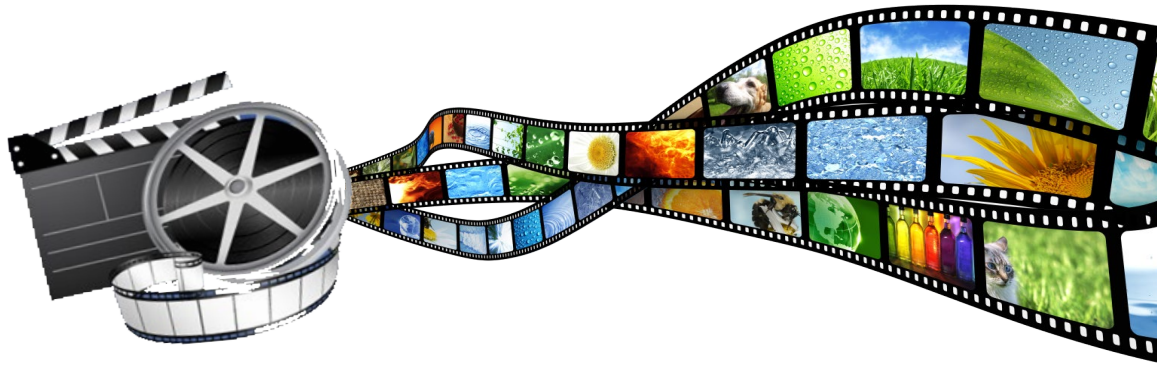
**65% Net from Gross =**

**35% Taxes and Social Charges**

**Net-salaries are not comparable  
due to the different individual  
tax-conditions.**

# Taxation in Germany

## Watch Video: The Solidarity Principle



<https://www.youtube.com/watch?v=Zkc3QEmEAe0>