

# BIPO Work Guide

Germany | July 2025

## Advice

At BIPO Service Germany, we want to make sure all employees and candidates clearly understand the key terms that govern employment and related matters in Germany. This document is designed to answer common questions and give you a helpful overview of how the German labor system works.

Germany is known for its strong labor laws, offering greater protection to employees compared to many other European countries. While this provides valuable security for employees, it can also bring slightly higher financial and operational risks for employers.

In all host contracts that BIPO Service enters into with foreign companies, the ultimate responsibility for employment — including these risks — rests with the foreign employer.

## Introduction Into Germany and Its Labour Law

German employment law is divided into two main areas: individual employment law and collective employment law. Individual employment law focuses on the relationship between each employee and their employer, covering aspects such as contracts, working hours, and termination. In contrast, collective employment law deals with the collective rights and organization of employees, including the role and responsibilities of employee representatives.

Unlike some other countries, Germany does not have a single, unified labor code. Instead, employment laws are drawn from several sources, including federal legislation, case law, collective bargaining agreements, works council agreements, and individual employment contracts.

## Overview

In Germany, workers have fundamental rights to ensure fair and safe working conditions. From minimum wage to equality and non-discrimination, these rights seek to protect the dignity and well-being of employees in the workplace. Their enforcement is crucial to an equitable society and a healthy work environment.

In this guide, we will explore some of the fundamental rights that workers in Germany have won over time.

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# 1 | Social Security System

## Social Security

In marked contrast to some other industrialized countries, core social security provision in Germany is financed collectively by means of a process of redistribution.

The current social security costs (e.g. for pensioners, sick people and/or those in need of nursing care and unemployed people) are paid directly from contributions by employees and employers.

Social security contributions are made up of:

- Health insurance
- Nursing care insurance
- Pension insurance
- Unemployment insurance
- Accident insurance

Generally speaking, social security contributions are roughly shared equally by employer and employee. Only the costs for accident insurance are exclusively borne by the employer.

Common funds exist for all social security components. Only the statutory public health insurance provider can be chosen individually by the employee. Employees can also choose to opt out of the statutory health insurance in favour of a private health insurance scheme subject to satisfaction of a minimum monthly gross salary level.



## International Coordination of Social Insurance Systems

In order to facilitate the international transfer of employees, Germany has signed social insurance agreements with countries including e.g., Australia, Brazil, Canada, China, India, Israel, Japan, South Korea, Turkey, and the USA.

Within the EU, the dispatch of employees is facilitated by EU regulations on [social security coordination](#). This allows transferred employees to remain within the national social insurance of their home country, if they are posted to Germany for a certain time. In this case, the employer does not have to pay German social security contributions for the employees temporarily located in Germany.

# 1 | Social Security System



## Prevention of Labour Risks

Statutory accident insurance provides coverage if an employee suffers an accident at the workplace or on the way to work.

In contrast to the other four obligatory forms of insurance, the costs for accident insurance are exclusively borne by the employer.

All employers must inform the relevant statutory accident insurance association (Berufsgenossenschaft) about the establishment of their business and register with this organization.

The accident insurance rate is determined on the basis of the company's total remuneration sum and the hazard category of the work concerned (the hazard category is determined by the relevant accident insurance association).

According to the German Social Accident Insurance (DGUV), the average accident insurance contribution is 2 %. DGUV provides detailed information on the individual [calculation of accident insurance contributions](#) online.

## Sick Leave

When you are sick and unable to work, you are entitled to rest at home. However, your employer has the right to demand proof; i.e., confirmation of illness/unfitness for work - which you can obtain from a doctor. Colloquially, such a document is known as "Krankschreibung" (sick note), but the official term for it is "Arbeitsunfähigkeitsbescheinigung" (certificate of unfitness for work) or -for short- "AU".

### **Sick leave due to common illness or non-occupational accident:**

1. Granting on hire date: 0 paid days for the first 4 weeks of employment, from the 5th week of employment, Employer must cover 6 weeks (42 days) per case.
2. If you are on sick leave for more than 6 weeks, you will receive sick pay ("Krankengeld") from your health insurer instead of your salary. The amount of sick pay you receive will 70% of your last wage.

### **Sick leave due to an accident at work or occupational disease:**

1. In the event of an accident at work or an occupational disease, the employer's accident insurance will pay 80% of the regulatory base from the first day of sick leave.
2. The maximum coverage is 78 weeks.



# 1 | Social Security System

## Maternity and Paternity Leave

### **Maternity (Mutterschutz):**

Every woman who is pregnant or breastfeeding is entitled to maternity leave if she works in Germany or under a German employment contract, regardless of marital status or nationality. The legally mandated maternity leave is 14 weeks, with at least 6 weeks before and 8 weeks after childbirth. Full net salary is paid during this period.

Maternity leave is extended to 12 weeks after childbirth in cases of premature birth, multiple births, or if the child is born with a disability.

The job protection (Kündigungsschutz), protects you against dismissal from the moment your pregnancy begins until up to four months after childbirth and can be extended if you apply for parental leave.

### **Parental (Elternzeit):**

Parents in Germany are entitled to up to three years of parental leave (Elternzeit) per child, which can be taken until the child reaches the age of three. A significant update allows up to 24 months of this leave to be deferred and used between the child's 3rd and 8th birthdays, offering greater flexibility for working parents. Parental leave can be divided between both parents or taken by one parent alone. During this period, financial support is provided through the parental allowance (Elterngeld), ensuring income stability while parents care for their child.

### **Paternity (Vaterschaftsurlaub):**

Fathers can take up to 10 days of paternity leave. Full salary is paid during Vaterschaftsurlaub.



## 2 | General Labour Law

### Minimum Wage

As of January 1st, 2025, the minimum wage in Germany increased to EUR 12.82 per hour.

As in any other part of the world, Germany also struggles to decrease the gender pay gap. Although there are a lot of initiatives in Germany to breach the gap, studies still show that men earn more than women. On average, men earn 49.752 euros a year (gross), and women 42.936 euros a year (gross). We therefore encourage to support the closing of the pay gap to be part of the solution in an ever-growing society.

### **What Is Your Purchasing Power With Your Salary In Germany?**

The most popular purchasing power parity ratio is the Big Mac Index. So how can you use the price of a burger to figure out your purchasing power in Germany?

Find the price for the [Big Mac in US dollars](#) in your country. Below a selected list below:

- USA: US\$ 5,69
- UK: US\$ 5,79
- India: US\$ 2,34
- Mexico: US\$ 3,67
- Turkey: US\$ 2,50
- Germany: US\$ 6,06



### Working Hours

Although the average full-time employee works anywhere from 35-40 hours a week, it is possible to work as much as 48 hours a week within extraordinary circumstance. Such cases are closely monitored by law and requires specific conditions to be met.

The statutory maximum working time is 8 hours per day from Monday to Saturday. Working on Sundays and public holidays is generally forbidden unless explicitly permitted by statutory law.

All employees working a 6–9-hour day are entitled to a minimum of a 30-minute break and must have at least 11 hours between shifts.

# 2 | General Labour Law

## Annual Leave

According to the Federal Holidays Act, all employees in Germany with a 5-day week are entitled to a minimum of 20 vacation days per year. Most collective agreements, however, include entitlements to larger numbers of days. The average leave granted in Germany should be 30 days / year, additional to the public holidays.

Date	Holiday Name	German Name	Type	Comments
Jan 01	New Year’s Day	Neujahrstag	Public Holiday	-
Every Friday before Easter	Good Friday	Karfreitag	Public Holiday	-
Every Monday after Easter Sunday	Easter Monday	Ostermontag	Public Holiday	-
May 01	Labour Day	Tag der Arbeit	Public Holiday	International Worker’s Day
40 days after Easter Sunday	Ascension Day	Christi Himmelfahrt	Public Holiday	39 days after Easter Sunday
Monday after Pentecost	Whit Monday	Pfingstmontag	Public Holiday	7th Monday after Easter
Oct 03	German Unity Day	Tag der Deutschen Einheit	Public Holiday	National Day
Dec 25	Christmas Day	Weihnachstag	Public Holiday	-
Dec 26	St. Stephen’s Day	Zweiter Weihnachtsfeiertag	Public Holiday	Second day of Christmas

Each state has the ability to establish its own regional holidays, which means that there may be additional holidays in certain regions.

# 2 | General Labour Law

## Remote Working Contract and Allowance

### Is there any legislation relating to working from home?

No specific legislation relates to work from home in Germany, at least not in the sense of an overall codification. However, isolated provisions concerning work from home or also mobile work can be found in individual laws (e.g. co-determination right of the works council on mobile work stipulated in § 87 (1) No. 14 BetrVG (German Works Constitution Act)).

### How can working from home be implemented in a company?

The most common are additional agreements to employment contracts and works council agreements.

### Can an employer force an employee to work from home?

If the employment contract determines a certain place of work (e.g., the employer's business premises in a certain city) and the implementation of work from home is not explicitly included in the employment contract, it is not possible to force an employee to work from home.

### Can an employee force an employer to allow them to work remotely?

No. Employees do not have an automatic right to work from home (e.g., remotely).

### Does an employer have to grant an employee a specific allowance for working from home?

The employer is not obliged to pay any allowances or lump sums for the work from home. The employer is generally obliged to provide the required working equipment and/or reimburse employee's spendings.

### What is Home Office Allowance in Germany

The employee may claim EUR 6 for each working day (max 210), if you spend minimum 50% of your worktime at home.



## 2 | General Labour Law

### German Contracts

The following types of employment contracts can be provided by BIPO:

- Permanent Employment Contract
- Fixed Term Contract

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

It is not mandatory to have a written employment agreement in place in Germany in the initial stages of hiring a new employee. However, 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 commences
- The job description with responsibilities, place of work, and hours
- Salary & Compensation
- Which leave entitlement and notice period is applicable
- Any reference related collective agreements

To avoid future disputes, a version of the employment contract should be drafted in German. However, this is not required by law.

## 2 | General Labor Law

**As a general rule, the employment contract is entered into for an unlimited period.**

A fixed-term contract is possible and ends automatically without written notice at the end of its term.

A fixed-term employment relationship must be justified by objective grounds, some of which are set forth in statutory law (e.g. Temporary increase in work volume, substitution of an employee during parental leave).

If no objective grounds exist, the fixed-term employment is limited to a maximum duration of two years, provided that no previous employment contract with the same employer existed.

If the parties continue the employment after the expiration of the fixed-term contract, the agreement is deemed to be concluded for an indefinite period.

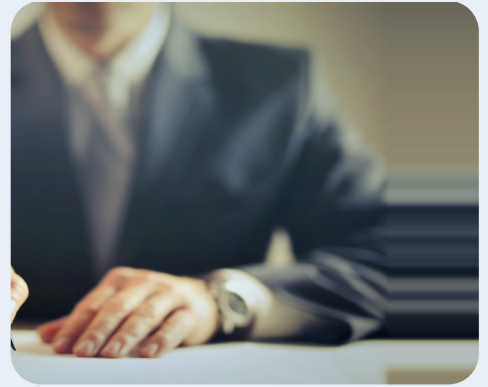
### Probation Period

The employer and employee may agree upon a trial period, which is limited by law to a maximum duration of six months.

The notice period within the trial period is two weeks.

The Dismissal Protection Act does not apply during the first six months of employment, regardless of whether the parties agreed upon a trial period.

# 3 | Terminations



We strongly advise our clients to immediately inform their BIPO operations contact of any conflict or event that may eventually result in the need to terminate or dismiss a candidate, so that a joint strategy can be developed to achieve this with the least possible harm to the parties.

## 1. Grounds for Termination

- Under German law, the employment relationship can be terminated by **mutual consent**, **by expiry** of a fixed-term contract or **by notice** given by one of the two parties.
- **Special protection** is provided to employees who generally face a greater risk of dismissal such as **handicapped** or **pregnant** employees and members of the works council.
- In such cases, the permission of relevant government authorities is required prior to issuing a termination.

## 2. Regular termination must meet the following requirements

- It must be communicated **in writing**.
- The period of cancellation (or "Kündigungsfrist") must be observed. If not specified, the statutory period of cancellation designated in **§622 BGB applies to you**. The statutory **deadline depends on the duration of your employment**. The longer you have been in your company, the longer your notice period.
- If there is a **works council**, they **must be notified** before the dismissal.

## 3. Separation Agreements

- Due to the high standards of protection against dismissal, it's not uncommon for the employment to be **terminated by mutual agreement**. This may occur at any time **with or without severance payment**.
- Severance payments are paid when the parties agree to do so upon a mutual agreement or when ordered by a court ruling preceding a legal dispute.

# 4 | Payroll Regulations

## Payroll Deadlines

- The main purpose of **payroll** is to record an employee's salary entitlement in writing, which then provides proof of wages or salary and shows the employee the **individual components of his or her net wage/salary**.
- Employee must be paid at least once a month.
- Employer must provide a payslip.
- Employer is obliged by law to **report** the **withdrawn social contributions** until the **5th last bank day** of each month and must **pay** them **until the 3rd last bank day** of the current month.
- The withdrawn **source tax** must be **reported and paid until the 10th of the following month**.

## Payroll Calculation Methods

- Payroll calculations can be done **per calendar days or flat with 30 days**, it does not matter how many days the specific months has exactly.
- For example, an employee starts on the 10th of August 2025 and their salary would be EUR 5,000.
  - $5,000 / 30 \text{ days} = \text{EUR } 166.67 \text{ per day} * 22 \text{ days (10.08.-31.08.)} = \mathbf{3,666.67 \text{ EUR}}$
  - $5,000 / 31 \text{ days} = \text{EUR } 161.29 \text{ per day} * 22 \text{ days (10.08.-31.08.)} = \mathbf{3,548.39 \text{ EUR}}$
- Both variants are correct but have a different result.
- The health insurances always calculate with 30 days, regardless of which month it is.
- It can be that a labour agreement in a specific industry rules which option has to be used. BIPO solely uses the 30 day calculation.



# 4 | Payroll Regulations

## Germany Statutory Employer’s Responsibilities 2024

Social Insurance Components (In % of gross wage)	Employer / Employee Share (In % of gross wage)
18.6% pension insurance	9.3% employer 9.3% employee
14.6 % health insurance	7.3% employer+ extra rate from insurance company 7.3% employee + extra rate from insurance company
2.6% unemployment insurance	1.3% employer 1.3% employee
2.6%-4.2% Long-Term Care Insurance	1.8% employer 0.8%-2.4% employee
2% accident insurance	2% employer

# 4 | Payroll Regulations

## Additional contributions born by the Employer alone

**Income tax is an employee-only contribution.**

- In any German legal entity, it is the employer's responsibility to withhold the tax from the employee's gross income and to pay it directly to the tax office for all the company's employees.

### **U1 – reimbursement of sickness expenses (sick leave pay)**

- The reimbursement procedure U1 applies only to employers who employ no more than 30 people as a rule. Part time employees will be taken into account according to their regular weekly working hours on a factor of 25% per each 10 hours per week.
- The health insurance reimburses employers sick leave pay to the employee incl. total Remarks:
- social insurance contributions.

### **U2 – reimbursement of maternity expenses (maternity leave pay)**

- Reimburses employers regardless of the number of employees periods before and after childbirth (six weeks before and eight weeks after).
- The subsidy amounts to the employee's net payment during the protection period. The employment compensation paid to compensate for a reduction in earnings occurring due to the prohibition of employment. This subsidy amounts to the gross payment plus employer's social security contributions.

## Remarks:

### **Nursing Care Insurance (2.6%-4%)**

**Employees older than 23 years** without children pay the maximum charge of 2.3% (employee only)

of the nursing insurance contribution:

- EE's with 1 child pay the regular contribution of 2.3%
- EE's with 2 – 5: with each child EE pays 0.3% less. Minimum contribution rate EE is 0.9%

-> EE contribution remains the same at 1.8% throughout

# 5 | Work permits

In this section we will discuss the two most common work permits in Germany for companies working in either EOR or GPO mode.

## Introduction

Germany has been deemed as the fifth most favourable country to move to. This favourability is due to its well-performing economy, education system, and employment opportunities.

To immigrate to Germany, you will need a valid reason.

## Business Visa

- A Germany Business visa is a short-stay Schengen visa, which permits its holder to enter and remain in Germany up to 90 days within 6 months unless it is not specified differently in the visa sticker.
- It is issued to people who come to Germany to perform business making, attend meetings, sign contracts, etc.
- If you require a Business Visa, contact the German Embassy / Consulate near your hometown, or visa application centre if available.

Application from:

<https://videx.diplo.de/videx/desktop/index.html#start>



## Germany Working (Employment) Visa

- The Germany Employment Visa is an **opportunity for qualified foreigners** to settle in Germany and work in their fields. It gives its holder the chance to enter and work in Germany for **up to two years**, with the possibility of extending the visa and later applying for the EU Blue Card.

## EU Blue Card Germany

- The German EU Blue Card is a **German residence permit for work**, issued to non-EU nationals who have a university education and will work in skilled positions in Germany.
- The EU Blue Card in Germany is **valid for up to four 4 years**.
- If you have a **limited contract**, your work VISA is valid for **the duration of your work contract** plus an additional 3 months. During this time, you can find a new contract that meets the requirements.
- If your contract is **indefinite** or longer **than four 4 years**, you can renew the German EU Blue Card.
- **Benefits for Family Members** - Once you have successfully obtained a German EU Blue Card, **your family** will also be **eligible to live and work in Germany** under a regular work VISA, but with fewer restrictions.

# 5 | Work permits

## EU Blue Card Germany Requirements

You can **apply** for a German Blue Card **if you meet the following criteria**:

- **University or Master's Degree** - Depending on the type of job, a minimum of a University degree is required.
- **Work Experience** - You need at least 5 years of work experience.
- You must have a **concrete job offer from a German employer** and must submit a **signed work contract**, which states the position and the salary you are being offered.
- Your salary is in **2025** at least gross **€48,300**.
- Some of the most demanded professionals are: Architects and interior designers, Engineers, IT specialists, Mathematicians, Health professionals, Scientists, etc.





BIPO Germany Work Guide

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