

Working Conditions



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This FactSheet offers a short overview on labour relations and working conditions in Germany. It intends to give investors a first overview.

Availability of labour

The German labour force is highly skilled, disciplined and qualified. Because of high unemployment demand for skilled and specialised workers and employees can normally be satisfied.

Unskilled and semiskilled workers may be recruited from the official employment office. White-collar workers, highly skilled workers and middle management are usually recruited through newspaper advertising and executive search consultants.

Nationals of EU member countries can move freely within Germany and do not require work permits (except in the short term for nationals of the new accession states – see below). The inflow of foreign workers from non-EU countries depends on bilateral treaties and on German market conditions. As a general rule it is not a problem to assign employees from foreign companies located in industrialised countries to work in German group companies on a temporary basis.

Labour regulations

Employee/employer relations are comprehensively regulated by the law, by collective agreements between trade

unions and employers' umbrella organisations, by agreements between the management board and the workers' council and by individual employment contracts. Disputes between employee and employer are subject to the jurisdiction of employment courts.

In limited-liability companies with at least 500 employees, and in joint-stock companies with more than 2000 employees, a system of participation or of co-determination applies by law. The value of such requirements depends, one could say, on whether one represents management or unions or individual employees. Regardless of one's view one should respect the influence of the trade unions and should adhere to prior-notice requirements. Consultation among management and union leaders is common since this can prevent problems.

Wages and salaries

The average monthly gross earnings of male employees in industry and trade in April 2003 was about EUR 3,750 in the western states of Germany. At all levels of employment, there are certain disparities between towns, countries and states as well as between areas with more or less serious unemployment problems.

A new trend allows wages to vary depending on the region, and even opting-out clauses for companies in financial difficulties are available in most agreements with the trade unions. Compulsory fringe benefits include

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employers' contributions to the state social security schemes, maternity benefits, insurance coverage for employees for injury suffered during the course of employment, including travel to and from the place of business, and sick pay for a period of up to six weeks.

In addition to the benefits that individuals receive from the social security system, many German employers provide retirement and/or disability benefits to employees, and sometimes to widows and orphans. Such obligations are often fulfilled by separate legal entities such as pension funds or relief funds, which are financed by the employer. In other cases employers set up provisions on their own balance sheets to cover estimated future liabilities for pensions. In this case the employer is required to pay insurance premiums to a fund set up to give protection to employees if the employer is not able to meet his obligations.

The working week is typically 37 to 40 hours long. Depending on age or period of employment, four to six weeks' paid leave is customary in most industries.

Termination of employment

The termination of employment is dealt with in the Civil Code and the Termination of Employment Act. Under the latter law an employee may be dismissed only for valid reasons, such as the employee's misconduct or an unavoidable reduction of the enterprise's labour-force requirements (redundancy). If the

employee feels that the dismissal is unjustified, the matter can be taken to an employment court, which may either confirm valid reasons or award a redundancy payment of up to one year's salary, or it may revoke the dismissal and reinstate the employment.

The period of notice of termination prescribed by law depends on the employee's age and length of service, but is usually at least four weeks before the end of a month or the 15th day. If a workers' council exists it has to be consulted prior to a termination.

Work permits

A work permit is required for a foreign national intending to take up employment in Germany. It will only be granted to foreign nationals who are in possession of a valid residence permit. Citizens of EU member countries are usually granted residence permits as a matter of course upon application. Other foreigners have to apply for a residence permit at a German consulate before entering Germany. Upon moving to Germany, all foreigners have to register with the local registration office (*Einwohnermeldeamt*) at their place of residence.

The work permit will be issued by the local labour office (*Arbeitsamt*) in the area in which the foreigner wants to take up employment. A foreigner who has obtained a residence permit prior to entry into Germany will find no difficulty in obtaining a work permit, since any

application to the German consulate abroad would have been subject to an advance check by the competent authorities in Germany. In general, work permits are initially granted for a period of 12 months.

No work permit is required, inter alia, for subjects of the EU member countries (this does not include associated countries), for legal representatives of joint-stock companies, managing directors of limited-liability companies or for partners of partnerships under German law. However, in most cases, nationals of the new accession countries will for the time being be required to obtain work permits. Foreign nationals who, while maintaining their residence abroad, undertake to supervise the assembly or repair of equipment imported from abroad for a limited period are on the other hand exempt from this requirement

This FactSheet has been prepared by BDO. Its aim is to provide background information for setting up and running a business in Germany in compliance with legislation in force in September 2004.

It is written in general terms and is not intended to be comprehensive. Before taking decisions advice should be sought from

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