# Table of Contents

Authors						
Lega	al Comp	oliance in Germany	1			
1.	Legal	Framework: Employment Laws	1			
2.	Conti	racts of Employment	3			
	2.1.	Overview	3			
	2.2.		4			
		Oral Contracts	4			
	2.4.	Employee Handbooks	4			
	2.5.	Job Descriptions	5			
	2.6.	Offer Letters	5			
	2.7.	Checklists of Dos and Don'ts	5			
3.	Recruiting, Interviewing, Screening and Hiring					
	Empl	oyees	6			
	3.1.		6			
	3.2.	Recruiting	6			
	3.3.	Employment Applications	7			
	3.4.	Pre-employment Enquiries	7			
	3.5.	Pre-employment Tests and Examinations	8			
	3.6.	Background, Reference and Credit Checks	9			
	3.7.	Interviewing	10			
	3.8.	Hiring Procedures	11			
	3.9.	Fines and Penalties	12			
	3.10.	Checklist of Dos and Don'ts	12			
4.	Mana	nging Performance/Conduct	13			
	4.1.	Overview	13			
	4.2.	Coaching and Counselling	13			
	4.3.	Written Evaluations	- 13			
	4.4.	Warnings and Suspensions	14			

iii



	4.5.	Checklist of Dos and Don'ts	14
<b>5.</b>		nination of Employees for Performance or	
		plinary Reasons	14
	5.1.	Overview	14
		5.1.1. Termination for Convenience	14
		5.1.2. Dismissal on Grounds of Performance	16
		5.1.3. Dismissal on the Grounds of Personal	
		Capability	17
		5.1.4. Dismissal on the Grounds of Operational	
		Requirements	17
		5.1.5. Termination for Cause	17
		5.1.6. Information of Works Council	18
	5.2.	Separation/Severance Pay	18
	5.3.	Fines and Penalties	19
	5.4.	Checklist of Dos and Don'ts	20
	5.5.	Employee Liability and Limitation	20
		5.5.1. Principles of Employee Liability	20
		5.5.2. Contractual Compensation Claims (Claims	
		for Damages)	21
		5.5.3. No Liability in the Event of the Slightest	
		Negligence	21
		5.5.4. Prorated Liability for Medium Negligence	22
		5.5.5. As a Rule, Full Liability in the Event of	
		Gross Negligence and Intent	. 22
		5.5.6. Claims for Damages Based on Criminal	
		Offences (Tort)	22
		5.5.7. Limitation Period for Compensation	
		Claims	23
6.	Lavo	offs, Reductions in Force, and/or Redundancies as a	
U•		lt of Job Eliminations or Other Restructuring	24
	6.1.	Overview	24
	6.2.	Reductions in Force/Layoffs/Job Eliminations	24
	0.2.	6.2.1. Social Justification	24
		6.2.2. Planned Operation Changes	26
		6.2.3. Mass Layoff	27
		6.2.4. Mass Personnel Reduction	27
		6.2.5. Notification of the Regional Labour Office	
	6.3.		28
	6.4.		28
_	• • • • • • • • • • • • • • • • • • • •		20
<b>7.</b>	Labo	our and Employment Law Ramifications upon	
		nisition or Sale of a Business	29
	7.1.	Overview	29

	*	GERMANY
7.2.	Acquisition of a Business	29
7.3.	Acquisitions Checklist	31
	7.3.1. Employment Documents	32
7.4.	Sale of a Business	32
7.5.	Sales Checklist	33
Use of	f Alternative Workforces: Independent	
	actors, Contract Employees, and Temporary or	
	d Workers	33
8.1.	Overview	33
8.2.	Independent Contractors	34
	8.2.1. Definition	34
	8.2.2. Creating the Relationship	34
	8.2.3. Compensation	34
	8.2.4. Other Terms and Conditions	35
	8.2.5. Consequences of Mischaracterization of	
	Freelance Workers	35
8.3.	Contract Workers	35
8.4.	Leased Workers	36
8.5.	Checklist of Dos and Don'ts	39
Oblig	ation to Bargain Collectively: Employees' Right to	)
	e and a Company's Right to Continue Business	
Opera		40
9.1.	Overview of Unions' Right to Organize	40
	9.1.1. Works Constitution and Employee	
	Representation	40
	9.1.1.1. Overview of 'Co-determination	,
	in Germany	40
	9.1.1.2. Supervisory Board	41
	9.1.1.3. Duties of the Works Council	42
	9.1.1.4. Establishing a Works Council	43
	9.1.1.5. Works Councils' Rights	44
	9.1.1.6. Central Works Council	45
	9.1.1.7. Group Works Council	46
	9.1.1.8. European Works Council	46
	9.1.1.9. Economic Committee	47
	9.1.2. Unions' Rights to Organize	47
9.2.	Right of Employees to Join Unions	48
9.3.	How Employees Select Unions	49
9.4.	Pre-election Campaigning	49
9.5.	Unfair Labour Practices	49
9.6.	Relocation of Work/Shutdown of Business	50
9.7.	Checklist of Dos and Don'ts	51

10.	Work	ing Conditions: Hours of Work and Payment of	
	Wages	s: By Statute or Collective Agreements	52
	10.1.	Overview of Wage and Hours Laws	52
	10.2.	Minimum Wage	53
		10.2.1. Overview	53
		10.2.2. The Minimum Wage Act	53
		10.2.3. Expanded Introduction of Minimum Wages	56
	10.3.	Overtime	57
	10.4.		58
		Deductions from Wages	59
		Garnishment	59
	10.7.	Exemptions to Wage and Hour Laws	59
	10.8.	Child Labour	60
	10.9.	Recordkeeping Requirements	60
		10.9.1. Information That Must Be Maintained	60
		10.9.2. Records That Must Be Retained	61
		10.9.3. Failure to Maintain Required Records	61
	10.10.	Reductions in Compensation Caused by Economic	
		Downturn	62
		10.10.1. Principles Relating to Agreeing	
		Voluntary-Nature Provisos and Revocation	
		Provisos	62
		10.10.2. Dismissal with the Option of Altered	,
		Conditions of Employment	63
		10.10.3. Short-Time Work and Short-Time	
		Compensation	65
		Transit Time and Travel Time	65
	10.12.	Checklist of Dos and Don'ts	66
11.	Other	Working Conditions and Benefits: By Statute,	
		tive Agreements or Company Policy	66
	11.1.		66
		11.1.1. Health Insurance	67
		11.1.2. Nursing Care Insurance	68
		11.1.3. Unemployment Insurance	68
		11.1.4. Accident Insurance	69
	11.2.	Pension and Retirement Benefits	70
		11.2.1. Statutory Pensions	70
		11.2.2. Company Pension Schemes	70
		11.2.2.1. The Basis for a Pension Claim	71
		11.2.2.2. Alteration	71
	(	11.2.2.3. Pension Models	72

			11.2.2.4.	Employee-Financed Company	
				Pension Schemes/Deferred	
				Compensation	73
			11.2.2.5.	Non-forfeiture of Company	
				Pension Claims	73
			11.2.2.6.	Protection in the Event of	
				Insolvency	74
			11.2.2.7.	Revocation	74
			11.2.2.8.	Co-determination of the Works	
				Council	75
	11.3.	Vacation	n and Holid	day Payments on Termination	75
		11.3.1.	Mandator	y Vacation	75
		11.3.2.	Vacation 1	Period	76
		11.3.3.		Pay/Compensation	76
	11.4.		of Absence		78
			Personal 1		78
				or Sick Leave	78
			Bereavem		80
			Family Lo		80
			Pregnancy		83
2			Parental I		84
			Injury at '		85
	11.5.			cerning Home Office	86
			Working 1		87
				ent Contract	87
				Work from Home	87
		11.5.4.		onal Health and Safety	88
				ipment and Costs	88
				acy Protection	89
				of the Employer	89
		11.5.8.		on of Home-Office Work	89
				ent of the Works Council	90
	11.6.	Checklis	st of Dos a	nd Don'ts	91
12.	Work	ers' Com	pensation		92
	12.1.	Overvie			92
		12.1.1.	Date of Pa	ayment	92
			Method of		92
			Gratuities	-	92
		12.1.4.	Profit-Sha	ring Bonuses	93
		12.1.5.	Stock Opt	ions	94
	12.2.		st of Dos a		95

13.	Company's Obligation to Provide Safe and Healthy Workplace 96					
	13.1.	•	w of Safety	and Environmental Regulations	96	
	13.2.	Require		and 211 vironing itegulations	97	
	13.2.	13.2.1.		Ordinances	97	
		13.2.1.	13.2.1.1.	Workplace Ordinance	٠,	
			10.2.1.1.	(Arbeitsstättenverordnung)	97	
			13.2.1.2.	Ordinance on Industrial Safety and Health	,	
				(Betriebssicherheitsverordnung)	98	
			13.2.1.3.	Construction Site Ordinance	70	
			15.2.1.5.	(Baustellenverordnung)	99	
			13.2.1.4.	Load Handling Ordinance		
			10.2.1	(Lasthandhabungsverordnung)	99	
			13.2.1.5.	Ordinance on the Use of		
			10.2.1.0.	Personal Protective Equipment		
				(Verordnung über die Benutzung		
				persönlicher Schutzausrüstung)	99	
			13.2.1.6.	Biological Agents Ordinance		
				(Biostoffverordnung)	100	
	•		13.2.1.7.	Noise and Vibration Ordinance		
				(Lärm- und Vibrationsverordnung)	100	
			13.2.1.8.	Ordinance on Occupational		
				Health Precautions (Verordnung zur		
				arbeitsmedizinischen Vorsorge)	100	
			13.2.1.9.	Hazardous Substances		
				Ordinance (Gefahrstoffverordnung)	100	
			13.2.1.10.	Occupational Health Ordinance		
				on Artificial Optical Radiation		
				(Arbeitsschutzverordnung zu		
				künstlicher optischer Strahlung)	101	
			13.2.1.11.	Mental Stress due to Work	101	
		13.2.2.	Accident l	Prevention Regulations	101	
	13.3.	Occupa	tional Healt	h and Safety Organization	102	
		13.3.1.	Special Re	epresentatives and Specialists for		
			Health and		103	
			13.3.1.1.	Specialists for Health and		
				Safety at Work	103	
`			13.3.1.2.		104	
		13.3.2.	Health and	d Safety at Work Committees	104	
		13.3.3.			105	
		13.3.4.	Additional	l Assistants	105	
	13.4.	Rights	of Employe	es	106	

			GERMANY
	13.5.	Rights of Employer	107
	13.6.	Specific Standards	107
	13.7.		107
	13.8.		108
	13.9.		108
	13.10	. Checklist of Dos and Don'ts	108
14.		gration, Secondment and Foreign Assignment	109
	14.1.	Overview of Laws Controlling Immigration 14.1.1. Citizens of EU States, EEA States and	109
		Switzerland	109
		14.1.2. Third-Country Nationals	110
	14.2.	Recruiting, Screening and Hiring Process	113
	14.3.	The Obligation of Employer to Enforce	
		Immigration Laws	113
	14.4.	Fines and Penalties	113
	14.5.	8	114
	14.6.	Checklist of Dos and Don'ts	115
<b>15.</b>		ictive Covenants and Protection of Trade Secrets	3
		Confidential Information	115
	15.1.		115
	15.2.		116
	15.3.	· · · · · · · · · · · · · · · · · · ·	
		Agreements	118
	15.4.	Checklist of Dos and Don'ts	119
16.		ction of Whistleblowing Claims	120
		Overview	120
	16.2.	Checklist of Dos and Don'ts	122
<b>17.</b>	Prohil	bition of Discrimination in the Workplace	123
	17.1.	Overview of Anti-discrimination Laws	123
		17.1.1. Scope of Applicability of the General	
		Equal Treatment Act	123
		17.1.2. Characteristics on Which Unequal	
		Treatment May Not Be Based	124
		17.1.3. Unequal Treatment	124
		17.1.4. Justification	125
		17.1.5. Employer's Obligation	125
		17.1.6. Penalties for Unequal Treatment	125
	17.2.	Age Discrimination	126
	17.3.	Race Discrimination	127
,	17.4.	Sex Discrimination/Sexual Harassment	127
	17.5.	Handican and Disability Discrimination	127

	17.6.	National Origin Discrimination	128
	17.7.	U	129
	17.8.	Military Status Discrimination	129
	17.9.	0	130
		Marital Status Discrimination	130
		Sexual Orientation Discrimination	130
		Retaliation	130
		Constructive Discharge	131
	17.14.	Checklist of Dos and Don'ts	131
18.	Smoki	ing in the Workplace	132
	18.1.	Overview	132
	18.2.	Checklist of Dos and Don'ts	133
19.	Use of	f Drugs and Alcohol in the Workplace	133
	19.1.	Overview	133
		19.1.1. Ban on Alcohol in Business	
		Establishments	133
		19.1.2. Dismissal	134
	1	19.1.3. Alcohol and Drug Testing	134
	19.2.	Checklist of Dos and Don'ts	135
20.	AIDS,	, HIV, SARS, Blood-Borne Pathogens	135
	20.1.	Overview	135
		20.1.1. Enquiries and Interviewing	135
		20.1.2. Dismissal	136
	20.2.	Checklist of Dos and Don'ts	136
21.		and Grooming Requirements	136
	21.1.	Overview	136
		21.1.1. Work Clothing/Professional Clothing	
		(Arbeits- und Berufskleidung)	137
		21.1.2. Service Clothing ( <i>Dienstkleidung</i> )	137
		21.1.3. Protective Clothing (Schutzkleidung)	138
	21.2.	Checklist of Dos and Don'ts	139
22.	Privac	cy, Technology and Transfer of Personal Data	139
	22.1.	Overview	139
		22.1.1. Monitoring and Supervision by the	
		Employer	142
		22.1.2 Business and Private E-mails	144
		22.1.3 Internal Forwarding of E-mail	145
		22.1.4 Informing the Employees of the	
		Monitoring	146
*	22.2	Data Transfer	147

				GERMANY
		22.2.1	Procedures for the Permissible Data	
			Transfer Outside the EU	147
		22.2.2.		148
	22.3.		rmination Right of the Works Council	150
		22.3.1.	Technological Equipment of the Works	150
			Council	150
	22.4.	Checklis	st of Dos and Don'ts	151
23.	Work	place Inv	restigations for Complaints of	
			, Harassment, Fraud, Theft and	
		leblowing		152
	23.1.	Overvie	w	152
		23.1.1.	Reasons for Internal Company	
			Investigations	152
		23.1.2.	Preparation for an Investigation	152
*		23.1.3.	The Investigation Team	153
		23.1.4.		
>			E-mails	154
		23.1.5.	Employee Interviews During an	
			Investigation	154
		23.1.6.	Investigation Report	155
		23.1.7.	Reaching a Decision	155
	23.2.	Checklis	st of Dos and Don'ts	155
24.	Affirn	native Ac	tion/Non-discrimination Requirements	155
	24.1.	Overvie		155
	24.2.	Gender	Quota for Supervisory Boards	156
	24.3.		st of Dos and Don'ts	157
25.			Labour, Discrimination and Employment ation, Arbitration, Mediation and	•
•		liation	waven, and state totaling at a variable ver the term	157
	25.1.		Dispute Resolution Process	157
	25.2.		on and Conciliation	158
	25.3.			158
	25.4.			159
	25.5	U	enalties and Damages	160

Checklist of Dos and Don'ts

**Employer Recordkeeping, Data Protection and Employee Access to Personnel Files and Records** 

160

161

161

161

162

162

25.6.

26.1.

26.2.

26.3.

26.4.

Overview

Personnel Files

**Employee Access** 

Confidentiality Rules

26.