



## **Temporary Work Agencies in Germany**

A Counselhouse Whitepaper

***What Companies and Foreign Workers need to know about Temporary Workers in Germany.***

## Temporary Work Agencies (Zeit arbeitfirmen) in Germany

The use of temporary workers (temps) has been heartily embraced by German business in the past few years. There are hundreds of Temporary Workers Agencies (TWAs or, in German, *Zeitarbeitsfirmen*) throughout the country ranging from smaller local agencies with just a couple of locations to well known world-wide agencies such as Randstad and Manpower with hundreds of offices. Many agencies “find jobs for people” as well as “people for jobs”. TWAs provide virtually all of the temporary jobs to companies in Germany. Recently, agencies from outside of Germany have also been offering temporary workers to German companies.

As the EU moves forward with plans and policies to facilitate greater labor mobility between member countries, the use of temporary workers is most likely to increase. The use of these types of workers offers companies greater flexibility in responding to rapidly changing economic conditions. It is also seen by different governments as a way to help combat unemployment and to re-introduce the long term unemployed back into the active workforce as well as offering positions to those entering the work force for the first time.

Currently about three percent of the wage and salary workforce in Germany consists of “temps” supplied by these agencies. Agencies supply a wide range of workers and professionals covering a broad range of jobs and skills. Some agencies specialize in certain sectors while many others offer a full spectrum of qualified personnel covering everything from clerical help to specialized professions. The only sector not allowed to hire temporary workers is the building and construction industry.

Germany has a long history of strictly regulating labor and employment practices. This is mostly to protect workers and the labor markets and to provide companies with guidelines within which they must work. There has, indeed, been a loosening of some regulations in recent years, but Germany is not yet anywhere near the freewheeling labor markets of other countries around the world. The body of laws regulating TWAs in Germany is the *Arbeitnehmerüberlassungsgesetz — AÜG*.

Under the *AÜG* a TWA is required to register with and be licensed by the German government. This applies to German and foreign TWA companies alike and is done to keep dubious and suspect companies out of the marketplace. The laws detail the requirements that both the TWA and hiring company must meet in regards to length and type of employment contracts, responsibilities as to payment of required social benefits and taxes, compensation and other important matters.

It can get complicated. A temporary worker is usually considered an employee of the TWA, not the hiring company. A contract is normally made between the worker and the TWA. A separate contract may be made between the “hiring” company and the TWA to provide a certain number of personnel for a certain period of time. The TWA is responsible for meeting the German Labor Law requirements and should take care of making the necessary deductions for the social benefits (retirement, unemployment, health insurance etc.) and relevant German wage or income taxes. Deductions for health insurance may depend on the individual and on what insurance company is involved and whether or not the individual is insured privately or with one of the many national health insurance providers. Wage and salary payments are made by the TWA — not the “hiring” company. The hiring company is responsible for providing a safe workplace as well as providing the workplace protections that are afforded their regular employees.

Foreigners in Germany — whether a company owner or a potential worker - should probably get expert advice when considering working with a TWA. A hiring company needs to familiarize itself with the laws and the contract requirements surrounding the hiring of temporary workers. A potential worker needs to be certain of the responsibilities of the TWA and how they will meet them.

For those coming from outside the EU/EEA it is important to know that signing on with a TWA is probably not the path to getting a residence permit with permission to work. However, those that already have a residence permit with permission to work may be permitted to work as “temps”. These issues are left up to the local authorities.

Following are some questions that should be asked and fully answered when considering working with a TWA — whether as a hiring company or as a potential worker:

Is the TWA (whether a German or non-Germany company) fully and properly licensed in Germany?

As a company is there a limit on the length of time a “temp” can work? As a company are there any laws or regulations regarding the hiring of a “temp” away from the TWA and putting him or her on the company’s payroll?

As a company, when working with a TWA from outside of Germany are there any tax issues that have to be addressed?

As a foreigner contracted by a TWA, what level of assistance can be expected from the TWA in regards to information on such issues as taxes, health insurance, salary deductions, and contributions to the social programs, assistance in obtaining a residence permit etc.?

What are the differences in working for a TWA for a citizen of the EU/EEA compared to someone coming in from outside the EU?

If assigned to work in Germany as a worker from a TWA outside of Germany what are the tax obligations and is it possible to be covered under the social security system of the home country?

As a worker what assurances are given that the income will meet the requirements of the law regarding compensation from TWAs?

As mentioned before the issues surrounding foreign “temps” can get a bit complicated. Companies and foreign workers should get as much information as possible from the TWA as well as outside experts in business consultation before entering into any sort of binding contract whether as a hiring company or contract worker.



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