

German Labor Law — A Practical Guide for U.S. Companies and Professionals

You searched for labor law. In Germany, it works nothing like you expect.

If you are an American HR professional, a U.S.-based general counsel, or a company expanding operations into Germany, you already know that labor law is complex at home. In Germany, the complexity is of a different kind — and the stakes of getting it wrong are higher.

Unlike the United States, where federal labor law primarily governs collective matters — union organizing, collective bargaining, and the right to strike — and where individual employment relationships are largely left to contract and state law, Germany operates a comprehensive, integrated system that regulates both the individual employment contract and the collective workplace in significant detail. Employee protections are not exceptions to the rule. They are the rule.

For U.S. companies entering the German market, this means that practices that are entirely standard at home — terminating underperforming employees, adjusting compensation structures, rolling out company-wide policy changes — can expose a business to significant legal risk if not handled correctly under German law.

What Makes German Labor Law Different — and Why It Matters to You

German labor law is among the most protective in the world for employees. Here are the key differences that consistently catch U.S. clients off guard:

- **No at-will employment.** In Germany, once an employee has completed a six-month probationary period, they cannot be dismissed without substantive justification. Operational, personal, or conduct-based grounds must be documented and legally defensible under the Kündigungsschutzgesetz (Dismissal Protection Act)
- **Works councils are not optional.** Any German workplace with five or more employees can establish a Betriebsrat — a works council with binding co-determination rights over working hours, internal regulations, and workforce restructuring. Unlike U.S. union representation, works councils

exist independently of collective bargaining and cannot be contractually excluded

— **Severance is a negotiation, not a formula.** Germany has no statutory right to severance pay in most dismissal cases. However, in practice, employees routinely receive severance in settlement — typically half a monthly gross salary per year of service — and labor courts strongly encourage it

— **Variable pay clauses require careful drafting.** A discretionary bonus paid consistently over three or more years can become a contractual entitlement under German case law, regardless of what the contract says — unless a clear reservation clause was included from the start

— **Fixed-term contracts have strict limits.** German law permits fixed-term employment only under specific conditions. Repeated renewals without objective justification are unlawful, and the employee may claim permanent status

— **Collective agreements may apply without your knowledge.** Sector-wide collective agreements (Tarifverträge) can be declared universally binding by the government, meaning they apply to all companies in a sector — whether or not those companies are members of the relevant employer association

Who I Advise

I am Anne Claire Schroeder-Rose, a German Rechtsanwältin and certified specialist in employment law (Fachanwältin für Arbeitsrecht), based in Ravensburg, Germany. I advise both employers and employees — and I work in English.

My clients include:

- **U.S. companies establishing or managing German operations.** including subsidiaries, branch offices, and remote-first teams with Germany-based employees
- **American executives and professionals working in Germany.** facing termination, bonus disputes, non-compete obligations, or contract negotiation
- **In-house legal and HR teams at U.S. multinationals.** who need a reliable, English-speaking German labor law contact for day-to-day questions and escalated matters

I offer direct advice without unnecessary complexity. Whether you need a German employment contract reviewed before your new hire starts, guidance on a pending termination, or support navigating a works council consultation process — I can help, in English, with a practical and solution-oriented approach.

Common Situations I Handle

- ✓ Drafting and reviewing German employment contracts, including expat packages, equity and bonus structures, and non-compete clauses
- ✓ Termination strategy and dismissal protection — Kundigunsschutzklage before German labor courts
- ✓ Severance negotiations and termination agreements (Aufhebungsverträge)
- ✓ Works council matters: consultation obligations, co-determination rights, and negotiating works agreements (Betriebsvereinbarungen)
- ✓ Fixed-term contract compliance and conversion risk assessment
- ✓ Cross-border employment: advising on German law obligations for employees of U.S., Swiss, or Dutch parent companies
- ✓ Workforce restructuring and redundancy programs in Germany
- ✓ Employment due diligence in M&A transactions involving German entities

The Spelling Tells You Something

In the United States, you spell it without the "u" — labor law. That spelling is your signal that this page was built for you. Most German law firms write for a European audience, in European English, using terminology that assumes familiarity with the continental legal framework. This site assumes the opposite: that you know your own system well, and need someone to explain Germany's clearly, in plain American English.

The German term for the specialist you are looking for is Fachanwalt für Arbeitsrecht — a formal designation requiring additional certification and ongoing specialization obligations beyond the standard bar qualification. This site exists to make that expertise findable for those who do not yet know the German term.

Get in Touch

I offer initial consultations in English. Whether you are dealing with an urgent situation or planning ahead for your German expansion — reach out and let us assess your matter together.

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