

# Germany: Employment law aspects of the coalition agreement *at a glance*

April 24, 2025

The coalition agreement between the CDU/CSU and the SPD, titled “Responsibility for Germany,” was announced on April 9, 2025. It outlines the future political strategy for Germany, addressing several aspects of employment law.

While the agreement does not include any major breakthroughs or groundbreaking reforms, it initiates several “small-step” changes. Notably, more drastic measures proposed by the SPD, such as the abolition of fixed-term employment without objective reasons, are not included in the final coalition agreement.

The key points relevant to businesses operating in Germany are also summarized below:

- **Inclusion of new self-employed contractors in the statutory retirement system:** As already envisaged in the joint paper published after the exploratory talks, the coalition intends to require all new self-employed individuals that are not part of a specific professional retirement scheme (e.g., physicians, lawyers, architects, dentists, etc.) to contribute to the statutory retirement scheme. This will reduce certain financial risks related to ‘false’ self-employment. However, this change is expected to increase costs for businesses working with individual self-employed contractors, as the costs will likely be passed on to the contractors’ business partners.
- **Lowering risks of working together with contractors—revision of the so-called Status Determination Procedure:** The coalition intends to improve the administrative procedure for determining the legal status of self-employed contractors by making it “faster,” “more legally secure,” and “more transparent.” This approach is particularly significant in light of the latest Federal Social Court rulings that increased legal uncertainty and imposed financial and legal risks. The implementation of a swift and legally secure status determination procedure, along with the announced acceleration through a presumption of approval, would be a widely welcomed step.
- **Weekly vs. daily maximum working hours:** The coalition agreement proposes a regime shift from a daily to a weekly maximum working hour limit. This change aims to provide more flexibility in working time regulations. The European Working Time Directive allows for a weekly maximum working time of 48 hours, with exceptions for certain roles, such as senior executives. The coalition agreement does not specify whether the use of a flexible maximum working time will be limited to CBAs, leaving room for potential broader application.
- **Electronic time recording:** The coalition plans to introduce a mandatory electronic time-recording system, to be implemented in an “unbureaucratic” manner. As the final version of the coalition agreement does not include the CDU/CSU’s demand for a free choice of recording system or the possibility of delegating duties for recording working hours to third parties, it is likely that a conclusive agreement has been postponed.

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- **Tax privileges and removal of restrictions for continued work post-retirement age:** In line with the joint paper following the exploratory talks, the coalition aims to introduce tax incentives for individuals who choose to continue working after reaching statutory retirement age. This will allow for earnings up to EUR2,000 per month to be tax-free, addressing the skilled labor shortage as the baby boomer generation retires. Furthermore, the coalition seeks to simplify employees' return to their previous employers after reaching statutory retirement age by lifting the ban on previous employment (Vorbeschäftigungsverbot), enabling employees to return to their previous employers for a fixed term. Together with the envisaged simplification of certain formal requirements, this could considerably reduce the administrative burden arising from the continued employment of pensioners.
- **Tax-free overtime for CBA-bound employers:** The coalition plans to provide tax exemptions for overtime work. For CBA-bound employers, full-time work is defined as a minimum of 34 hours per week, while for non-CBA-bound employers, it is 40 hours per week. This measure aims to incentivize adherence to CBAs and encourage employers to offer more flexible working arrangements. The tax-free status of overtime pay is expected to make overtime work more attractive to employees and help address labor shortages in certain sectors.
- **Minimum wage adjustments:** Contrary to the SPD's campaign promise to raise the minimum wage to EUR15 immediately, the coalition agreement does not include an immediate increase. Instead, future adjustments are seemingly being left to the Minimum Wage Commission consisting of the social partners. According to the coalition agreement, the Minimum Wage Commission "should" include in its deliberations tariff developments and the EU's recommended ratio of 60% of the gross median wage of full-time employees.
- **Strengthening and expansion of company pension schemes:** The coalition intends to strengthen Germany's company pension landscape and further promote such pension schemes, particularly in small and medium-sized companies and among low earners (the latter by means of tax incentives). There are also plans to digitalize and simplify company pension schemes, and make them more transparent and less bureaucratic. In particular, the portability of pension entitlements for employees in case they change their employer is to be increased. This essentially revives aspects of the draft legislation that was already being pursued by the former "traffic light coalition." It remains to be seen whether more detailed amendments will be proposed, as the statements made to date still seem to be high-level and rather unambitious.
- **Reduction of bureaucracy:** As an overarching objective, the agreement emphasizes the coalition's goal of reducing bureaucracy. This includes the abolition of certain reporting, documentation, and statistical obligations. The coalition plans to significantly reduce the number of mandatory specialists (Betriebsbeauftragte). The specific roles to be reclassified as unnecessary have not yet been detailed, but this measure aims to streamline regulatory requirements, especially for SME businesses.
- **Bureaucracy relief and digitalization:** The coalition agreement aims to further reduce certain formal requirements in employment law. This includes allowing fixed-term employment contracts to be concluded in text form (e.g., via email) rather than requiring wet-ink signatures.

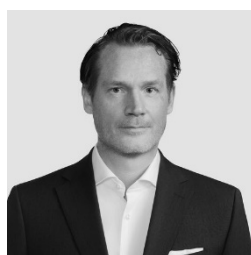
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- **Board co-determination and employee participation:** The coalition agreement does not include significant changes to board co-determination, mentioning neither a reform of the attribution rules of the One-Third Participation Act (DrittelbG) nor any consideration of an expansion of board co-determination regulations with regard to the legal form of an SE or an EU framework directive for co-determination in corporate bodies. However, the coalition agreement does state that the government will work to “ensure an EU that guarantees (...) ‘co-determination’,” without specifying whether this refers to corporate or operational co-determination. This should leave some room for initiatives by the SPD-led labor ministry in the EU Councils.

**Conclusion:** The coalition agreement between the CDU/CSU and the SPD does not include any major breakthroughs or groundbreaking reforms, but rather initiates several “small-step” changes. However, the more drastic measures proposed by the SPD (such as, for example, the abolition of fixed-term employment without objective reasons), are not included in the final coalition agreement either.

If you have any questions, please do not hesitate to [contact us](#) or your usual contact in our German Employment & Compensation team.



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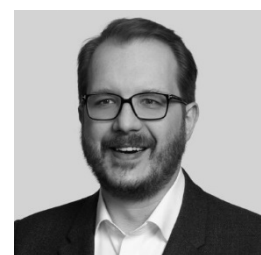
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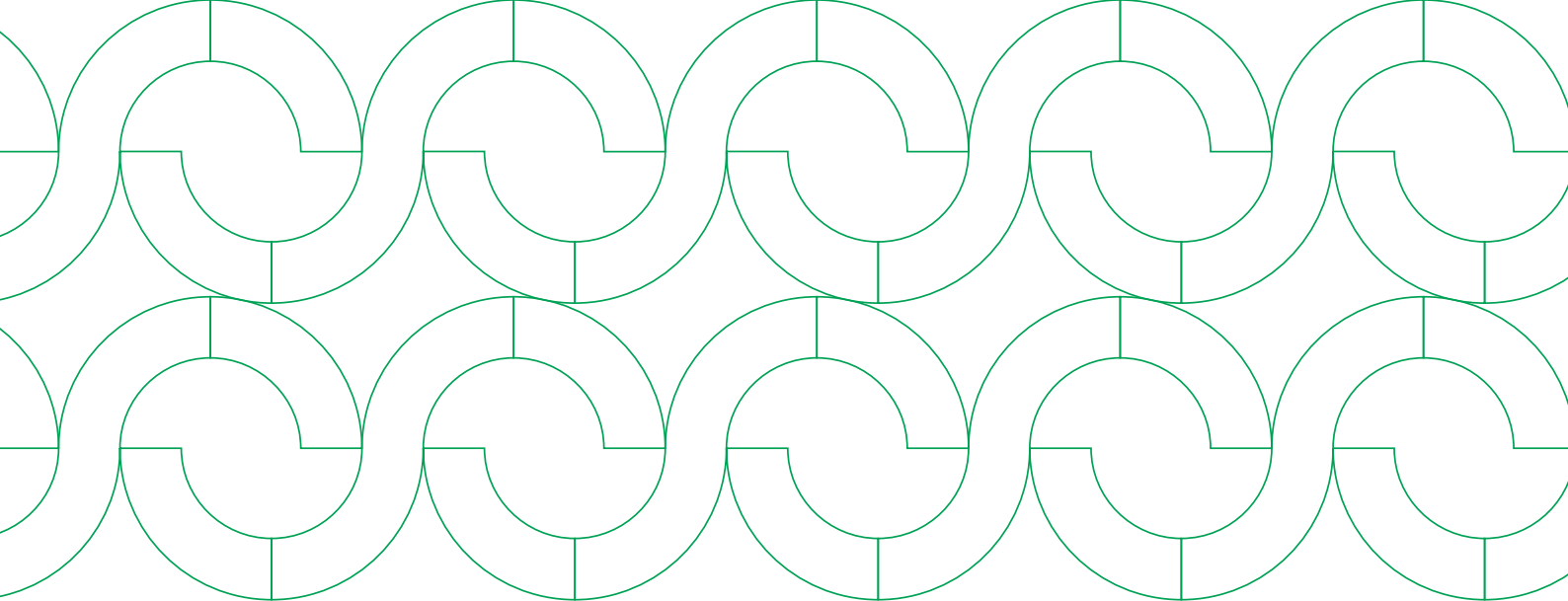
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