



Germany's Political Shift Could Bring Changes to Labor Law and Social Policy: Key Points for Employers

Insights

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Germany's federal election last month signaled a shift in the country's politics – and employers need to understand how this might soon impact them. The center-right Christian Democratic Union and Christian Social Union won the largest share of seats in Parliament and are negotiating with the center-left Social Democratic Party to form a new coalition, exploring how they can align their policies to establish stability and address the nation's challenges. While the parties have already released an exploratory paper outlining their initial priorities – including significant initiatives in labor law and social policy that aim to strengthen Germany's economic competitiveness – the ideas presented have a long way to go before they are ultimately implemented (or dropped altogether). Employers should be aware of what could be on the horizon, however, so here's an overview of the key proposals to help you plan as Germany's new leadership takes shape.

Strengthening the Labor Market

Minimum Wage and Collective Bargaining:

- The coalition reaffirmed its commitment to the statutory minimum wage, aiming for it to reach 15 euros per hour by 2026. This increase is intended to bolster purchasing power and stabilize domestic demand.
- The coalition also aims to strengthen collective bargaining coverage by introducing a Federal Collective Bargaining Coverage Act. This initiative seeks to make collective bargaining wages the norm rather than the exception, ensuring broader coverage and adherence to collective bargaining agreements.

Work Hours:

- A weekly maximum work time has been discussed, which aligns with the European Working Time Directive. This change aims to offer greater flexibility, particularly in balancing work and family life, while maintaining occupational safety standards and rest periods.
- Overtime pay for hours exceeding the agreed full-time workweek (defined as at least 34 hours for tariff agreements and 40 hours for non-tariff agreements) would be tax-free. Additionally, employers would be encouraged to offer tax-incentivized premiums for part-time employees who extend their working hours.

Technology and Artificial Intelligence:

- The exploratory paper discussed challenges posed by digitalization and artificial intelligence and focused on ensuring technological advancements are managed in a socially responsible manner.

Social Policy Initiatives

Reforming Basic Income Support:

- The current citizen's income system would be transformed into a new basic income support for job seekers. This reform aims to prioritize job placement, ensuring that those capable of working are quickly integrated into the labor market. For individuals facing barriers to employment, the focus would be on qualifications and training to facilitate long-term labor market participation.
- The reform would also address benefit abuse and combat illegal employment practices and undeclared work.

Combating Social Benefit Fraud:

- The coalition plans to streamline and better coordinate social benefits, such as merging housing benefits and child allowances. This initiative aims to simplify access to benefits and reduce administrative burdens through digitization.

Pension Reforms:

- The coalition aims to secure the pension level through economic growth, high employment rates, and wage development. It seeks to strengthen occupational and private pension schemes while maintaining flexible retirement options.
- The coalition also wants to include all newly self-employed individuals who are not part of a mandatory pension system in the statutory pension insurance program to ensure comprehensive coverage while allowing for alternative forms of reliable retirement income.

Family Support and Work-Life Balance:

- The coalition will explore the possibility of an annual family budget to help people balance work, childcare, and other responsibilities.
- The paper also explores immigration reform to address skilled labor shortages.

Conclusion

As these proposals move forward, they will likely shape the future of work and social welfare in Germany, and employers should continue to track these developments as they unfold. We will provide updates as warranted, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to

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