

Information on employment relations

Marginal employment/ mini-job / €450 job

Marginal employment (€450 mini-job) is when remuneration is regularly lower than €450 per month. The income limit is a maximum of €5,400 per year at continuous employment of at least 12 months. Regular monthly earnings also include one-off payments, such as Christmas and holiday allowances. If payment exceeds the limit of €5,400 per year, the employee is deemed to be in insurable employment and all social security contributions apply!

People working in mini-jobs have to register with the “Minijob-Zentrale” federal agency and thereby receive accident insurance. Employees working on a mini-job basis (mini-jobbers) are also entitled to sickness benefits and holidays!

Employers (still) pay the flat-rate pension insurance contribution of 5%. However, they must pay at least €32.55, as the minimum calculation limit for pension insurance claims is €175. This means you must pay at least €32.55 regardless of how little your mini-jobber earned in the month! Mini-jobbers subject to compulsory insurance pay a share of 13.6%. This allows them to acquire full pension entitlements, as the current contribution rate for pension insurance stands at 18.6%. If employees do not want this, they must state their wish in writing to the employer.

Contributions to the Minijob-Zentrale

Mini-jobbers are registered and deregistered with the Minijob-Zentrale upon completion of the so-called household check procedure (Haushaltscheck-Verfahren). As the amount of the expected income has to be stated here, the household check is also the basis for calculating the social security contributions. Once registration is complete, the Minijob-Zentrale will automatically pay this for you.

Contributions for €450 mini-jobs in private homes, January 2018	
Types of contribution	Amount of the contribution
Flat-rate contribution for health insurance	5%
Contribution for nursing care insurance: employer flat rate is 5%, employee pays a voluntary 13.6%. At least €32.55/month	Employer 5%, (employee 13.6%)
Employer flat-rate contribution for pension insurance	5%

Mini-jobber's contribution to compulsory insurance for pension insurance	13.6%
Apportionment 1 (U1)	0.9%
Apportionment 2 (U2)	0.24%
Contribution to statutory accident insurance	1.6%
Unemployment insurance	no contribution
Contribution to insolvency fund	no contribution
Tax	2% flat-rate tax

Source: MiniJob-Zentrale.de

You must register your mini-jobber with the MiniJob Zentrale so that the contributions can be paid. The MiniJob Zentrale website offers you a variety of calculation aids, forms and consulting services.

For more detailed information and registering the mini-jobber, please refer to www.minijob-zentrale.de (Information only available in German.)

Midi-job / transitional zone

If your employee earns between €451 and €850 per month, his/her position is referred to as a job in the transitional zone, i.e. a so-called midi-job.

As an employer, you have to pay the full social security contributions for a midi-jobber earning over a specified amount. Up to that point, the contributions are raised in stages. The midi-jobber pays a fictitious amount calculated by a formula. Both you and the midi-jobber can use the "transitional zone calculator" (Gleitzonenrechner) from the MiniJob-Zentrale to get an overview of the various contributions.

The REGISTRATION of the midi-jobber is done with the midi-jobber's HEALTH INSURANCE COMPANY! NOT with the MiniJob-Zentrale! It is better to let your tax adviser take care of this!

"Normal" permanent employment

If you employ someone on a full-time basis (from an income of €851/month), you must cover the earnings that you pay the employee as well as the employer contributions towards social security, the apportionment for the continued payment of wages, (U1 and/or U2) and the contribution to the

insolvency fund. This means that, as an employer, you have approx. 20% non-wage labour costs plus the U1/ U2 apportionment of the gross wage.

In 2017, this meant the following contributions:

- Pension insurance of 9.3%
- Health insurance of 7.3%
- Nursing care insurance of 1.275% (other rates apply in Saxony)
- Unemployment insurance of 1.5%.
- Refund of continued payment of wages depends on the contribution rate

Bear in mind that the minimum wage is €8.84/hour! To register, it is best to consult your tax adviser!

Trade licence / self-employment

Basic labour law provisions do not apply to freelancers (e.g. statutory protection against dismissal, continued remuneration in the event of illness). There are also no social security contributions or sickness benefits and holiday allowances. In this case, the contractor sends the customer an invoice for the work performed.

There is no registering or deregistering with health insurance companies or taxation of income with this form of employment. As the customer, it is important to ensure that employing freelancers is not a form of disguised employment in which an employment relationship exists in reality and the freelancer is as dependent on the employer as an employee.

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