

Key Updates in German Employment Law 2026



Recent and upcoming changes in German employment law will require employers to take action to ensure compliance with new legislation in 2026.

Upcoming Works Council Elections

Timeline and Applicability: The next regular works council elections will take place from March to May 2026, except for companies without a works council or those that already held extraordinary elections since March 2025.

Key Legal Framework and Obligations: Electronic voting remains unimplemented, and any attempt to hold a works council vote via electronic means could be contested as a procedural violation.

HR Impact: HR should plan 2026 works council elections with traditional ballot methods and communicate this to employees.

EU Pay Transparency Directive (Directive (EU) 2023/970)

Timeline and Applicability: By June 7, 2026, EU Pay Transparency Directive (Directive (EU) 2023/970) must be transposed into German law. From June 2027, companies with at least 150 employees will be required to report their gender pay gap, with companies employing 250 or more employees reporting annually and companies with 150-249 employees reporting every three years. By June 2031, these reporting obligations will be extended to companies with 100-149 employees.

Key Legal Framework and Obligations: A new obligation is that employers must inform job candidates of the initial pay level or range for a position before hiring (e.g. in the job posting or before interview). Asking applicants about their salary history is prohibited. Furthermore, employees can request information on their own pay and the average pay for colleagues of the other gender in similar roles. Employers must provide this data with-

in two months of request. Employees cannot be barred from discussing their pay for equal-pay enforcement purposes.

To fulfil their reporting obligations, employers must calculate metrics like the median pay gap and proportion of men/women in each pay quartile. In addition, employers must take action if a gender pay difference larger than 5% is found in any category of employees and cannot be justified by objective factors. Specifically, after six months without remedy, the employer must conduct a joint pay assessment (an in-depth audit) with employee representatives to identify causes and corrective measures. Persisting unjustified gaps would require remediation and could expose the firm to claims or penalties.

HR Impact: HR should prepare to reveal pay structures and correct inequalities. HR should start compiling pay data and reviewing any gender gaps and update hiring practices (include salary ranges in postings and train recruiters not to ask about past pay). Large employers (150+ staff) need systems for pay reporting by June 2027, and all employers should establish clear, gender-neutral criteria for pay and promotions to defend against potential challenges.

EU Artificial Intelligence Act (Regulation (EU) 2024/1689)

Timeline and Applicability: On August 2, 2026, the EU Artificial Intelligence Act (Regulation (EU) 2024/1689), which entered into force on August 1, 2024, will become fully applicable after a two-year transition period. With regard to the specific safety regulations relating to high-risk AI systems in Art. 6, the EU Commission has proposed linking the start of application of these regulations to the availability of support tools, including the necessary standards. For this purpose, the timetable for the application of high-risk regulations shall be adjust-

ed to a maximum of 16 months. This means that instead of August 2026 as planned, the high-risk regulations could apply from December 2027.

Key Legal Framework and Obligations: The AI Act contains regulations for the safe use of AI in the EU, which include many HR-related areas. Notably, AI tools for recruitment, hiring decisions, performance evaluation, or employee monitoring are classified as high-risk according to Art. 6. Employers using such AI systems (as "employers") will have specific legal duties.

Art. 4 stipulates the obligation to ensure that employees involved in the deployment or use of AI systems have adequate AI literacy. However, according to the EU Commission's proposal ("Digital Omnibus"), the responsibility for promoting AI literacy should no longer lie solely with companies. Instead, the EU and individual member states should develop more AI literacy through targeted programs.

HR Impact: HR professionals should already prioritize AI literacy to ensure the safe and responsible use of AI systems and prevent legal liability. Building awareness of how AI tools operate helps identify risks early and promotes compliance with legal standards. Furthermore, HR should actively use the implementation periods under Art. 111 to train staff, review processes, and align internal policies with upcoming AI regulations.

Employing Pensioners

Timeline and Applicability: Since January 1, 2026, employers can rehire retired employees on fixed-term contracts without objective justification for up to eight years, supported by the new "active retirement" scheme (Aktivrente).

Key Legal Framework and Obligations: The usual prohibition against fixed-term contracts after prior employment under Section 14 Part-Time and Fixed-Term Employment Act (*Teilzeit- und Befristungsgesetz – "TzBfG"*) will not apply once an employee has reached statutory retirement age. This means an employer can rehire a retired former employee on a fixed-term basis without needing an "objective justification" for up to eight years.

The active retirement scheme encourages older employees to stay in or rejoin the workforce. Retirees who continue working can earn up to EUR 2,000.00/month tax-free on top of their pension. Income from employment up to that threshold will not reduce the pension or incur income tax, significantly raising the previous tax-free allowance. These changes aim to address skilled

labor shortages by making it easier to employ pensioners.

HR Impact: The EUR 2,000.00/month tax exemption gives a selling point when negotiating pay with working retirees. Keep in mind, however, that after eight years a permanent role may be triggered, so plan assignments accordingly and also pay attention to the written form requirement.

Platform Work

Timeline and Applicability: Further changes for platform work are expected in 2026, as the EU Platform Work Directive, which came into force on December 1, 2024, must be implemented into national law by EU member states by December 2, 2026.

Key Legal Framework and Obligations: The EU Platform Work Directive applies to work organized through a digital platform based on a contractual relationship between the platform (or intermediary) and the worker. Digital labor platforms operate electronically, on demand, organize paid work, and use automated monitoring or decision systems. Platforms that simply connect buyers and sellers, without controlling how the work is done, are not covered by this directive.

One key element is a legal presumption of employment: if a platform shows signs of control or supervision, the worker is presumed to be an employee. In such cases, the hiring company or platform must prove that the individual is genuinely self-employed.

The directive also regulates the use of automated decision-making systems. Employees have the right to explanations for automated decisions and to contact a real person within the platform. The use of sensitive personal data is restricted, and platforms must regularly assess how their algorithms affect workers.

HR Impact: Companies in the platform economy (or any employer using algorithms to manage staff) will need to audit their management processes. HR should be ready to put in place human oversight committees or protocols for automated decisions, e.g. ensure a manager reviews account deactivations or pay reductions flagged by algorithms. Documentation of this human intervention will be important to demonstrate compliance. HR will also need to update contracts and workforce categorizations: many workers may need to be hired as employees (or provide evidence why not). For existing employees managed by algorithms, works councils or employee reps will likely invoke co-determination on these al-

gorithmic tools. Companies should also start planning for training on the new rules and engaging with worker representatives on how platform work algorithms will be governed.

Minimum Wage and Earnings Thresholds

Timeline and Applicability: Since January 1, 2026, several compensation thresholds have risen, affecting minimum wage levels, marginal employment limits and contribution ceilings for social insurance.

Key Legal Framework and Obligations: The statutory minimum wage will rise to EUR 13.90/hour (2025: EUR 12.82), bringing full-time (40h/week) monthly earnings to roughly EUR 2,400.00 gross. The mini-job threshold increases to EUR 603.00/month in 2026. The midi-job income range (reduced social contributions) will span from EUR 603.01 up to EUR 2,000.00 gross/month. The social insurance ceilings (Beitragsbemessungsgrenzen) will adjust upward: The monthly earnings cap for pension insurance contributions is EUR 8,450.00 (2025: EUR 8,050.00), and for health insurance about EUR 5,812.50 monthly (2025: EUR 5,512.50). Earnings above these caps in respective insurances are not subject to further contributions.

HR Impact: Employers should budget for increased personnel costs due to the minimum wage hike. Furthermore, employers should issue new contract addenda if needed to reflect the EUR 603.00 limit, and inform any mini-job employees who routinely exceeded the old threshold that their hours or pay must be adjusted to stay under EUR 603.00 or else they will shift to midi-job status with social contributions. Payroll teams should also update contribution calculations for 2026 to ensure correct withholding.

Outlook: Upcoming Reforms to Watch

In 2026, several proposed legislative changes are on the horizon which HR professionals should keep in view:

Working Time: An ongoing topic is both the previous and the current German government's plan to shift from a strict daily working hours cap to a more flexible weekly maximum. This would allow longer individual workdays (potentially more than 10 hours on a given day) provided weekly limits and 11-hour rest breaks are respected. However, still no draft law has been proposed.

Furthermore, legislation is being drafted to require electronic recording of working time for all employees. Trust-based working time models would remain possible but within an e-recording framework.

Overtime Remuneration: To incentivize extra work, overtime pay supplements (up to 25%) are slated to become tax-free. Only the overtime premium portion would be exempt (not the base wage for overtime hours).

Federal Tariff Compliance Act: A new law is in the works to tie government contracts to labor standards. Should it come into effect, federal contracts over EUR 50,000.00 would only be awarded to companies that pay wages in line with collective agreements or equivalent fair standards.

HR Impact: Each of these proposals is still under discussion as of early 2026. Staying informed and reviewing internal policies (e.g. overtime tracking and compensation) in anticipation, will put companies ahead if these reforms pass. Compliance with working time recording is already a focus of regulators, and early action will put HR ahead of the curve.

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Dr. Christian Maron, a leading international labor and employment lawyer at Taylor Wessing Germany, has been advising global companies expanding into the German market for more than fifteen years. Alongside his dedicated team, they help businesses align their global operations with German labor and employment law, providing strategic guidance on HR matters, employment

contracts, terminations, and litigation, while ensuring compliance and risk mitigation. With deep expertise in restructuring, corporate transactions, and works constitution law, Christian and his team support smooth workforce transitions and offer strong legal protection—both in and out of court.

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Get in touch with the team today.

Contacts



Dr. Christian Maron
Partner, Munich
+49 89 21038-257
c.maron@taylorwessing.com



Dr. Benedikt Groh
Salary Partner, Munich
+49 89 21038-414
b.groh@taylorwessing.com



Dr. Larissa Burger, M.A.
Senior Associate, Munich
+49 89 21038-323
l.burger@taylorwessing.com



Carolin Wagner
Associate, Munich
+49 89 21038-313
c.wagner@taylorwessing.com



Kyan Hadji
Associate, Frankfurt
+49 69 97130-132
k.hadji@taylorwessing.com

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