

# RIZE



The RIZE Guide

# AÜG/ANÜ vs Freelancer

Key Insights for Companies Hiring in Germany

## Understanding Labour Engagement in Germany

In Germany, companies seeking flexible workforce solutions typically rely on two compliant methods of engagement:

- **The Freelance (Self-Employed) Model**,
- **The Temporary Employment Model**, regulated under the **Temporary Employment Act** (Arbeitnehmerüberlassungsgesetz, AÜG).

Both models can be effective, but they differ significantly in **compliance requirements, administrative responsibility, and legal exposure.**

Understanding these differences is crucial to avoid misclassification risk - one of the most common and costly pitfalls in the German labour market.

4<sup>th</sup> largest global labour market

4.3 million freelancers

11.000+ AÜG-licensed staffing firms\*





**Compliance is not optional - it is the foundation of sustainable workforce strategy.**

## The Temporary Employment License (AÜG) Model

Under the AÜG model, individuals are formally employed by a **licensed staffing company** (for example, RIZE Personalberatung GmbH) and seconded to a client company for a defined period.

This structure ensures full compliance with German labour and tax law.

Key features:

-  Workers have a **direct employment contract** with the license holder.
-  The employer (RIZE) handles **income tax, social security, pension, holiday pay, and sick pay**.
-  Assignments are governed by a **formal labour leasing contract** between RIZE and the client, as required under AÜG terms.
-  Workers benefit from **equal pay** and protection under collective agreements.

This model is ideal for clients who want to scale quickly while avoiding the risk and complexity of employing workers directly.

### What the AÜG Model Covers

- Payroll & taxation handled by RIZE
- Legal employment contract
- Equal pay rights
- Compliant assignment duration

## The Freelance Model

The **freelance** or **self-employed model (Selbstständigkeit)** allows individuals to work independently, issuing invoices for their services. Freelancers are responsible for their own **taxes, insurance, and pension contributions**.

Advantages:



Greater net income potential (due to lower social contributions).



More flexibility in contract length and scope.



Suitable for short-term or highly specialised project work.

However, this model carries **significant compliance risk**.

If a freelancer works under conditions similar to an employee (e.g., fixed hours, direct supervision, use of client tools), German authorities may classify the relationship as **“Scheinselbstständigkeit”** (false self-employment).

**Misclassification can trigger retroactive tax and social security liabilities of up to 45% of total gross pay per individual, plus fines.**

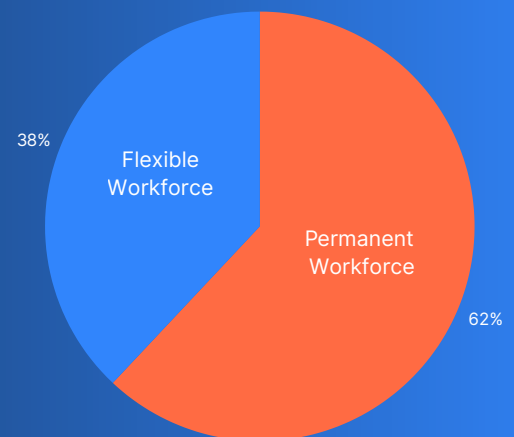
## The Importance of the AÜG License

Germany ranks **4th globally for workforce competitiveness**, driven by its strong regulatory framework and high proportion of independent professionals (over **4.3 million freelancers**).

Following the COVID-19 pandemic, flexible employment has surged, with many companies preferring **compliant temporary staffing** to balance agility with accountability.

The AÜG license allows businesses to:

- Hire specialists legally and quickly without creating a local entity.
- Avoid financial penalties or backdated liabilities associated with freelancer misclassification.
- Remain fully compliant with labour, tax, and social security laws.



According to recent Bundesagentur für Arbeit and IAB (Institut für Arbeitsmarkt- und Berufsforschung) surveys, nearly 4 in 10 German companies now depend on external or temporary workers to handle workload fluctuations and skill shortages — a share that has risen steadily over the past decade, especially in IT, telecoms, and energy sectors.

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## Business Benefits of Using an AÜG License

### Agility and Adaptability

The AÜG model allows companies to scale teams up or down quickly - whether to cover maternity leave, accelerate project delivery, or manage peak workloads. It also serves as a **“try-before-you-hire”** route, converting contractors into permanent employees when the fit is right.

### Operational Continuity

Assignments can run for up to **18 months** under the AÜG framework, offering stability for both clients and employees without long-term headcount obligations.

### Cost Efficiency

Hiring under the AÜG license avoids the overhead costs associated with permanent employment - such as severance liabilities, payroll administration, and insurance - while ensuring compliance with all employment obligations.

### Risk Mitigation

Because RIZE is the legal employer, the client avoids exposure to misclassification audits or penalties. All regulatory obligations - payroll, contributions, documentation - are handled by RIZE.

**“We make compliant hiring simple, so you can focus on delivery.” - John Harley, RIZE Sales Director**

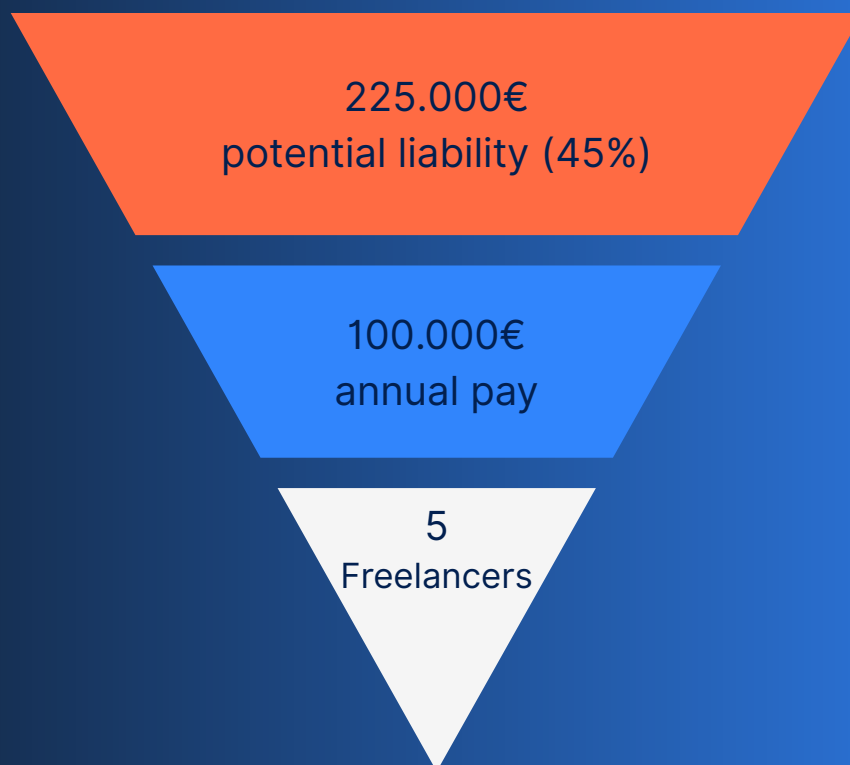
## Challenges of the Freelance Model

While freelancers bring flexibility and niche expertise, companies must weigh the **administrative** and **legal burden** of this model.

### Typical risks include:

- Misclassification (Scheinselbstständigkeit)
- Lack of benefits or social protection for workers
- Inconsistent cost forecasting (hourly vs. daily rates)
- Reputational risk in case of audit non-compliance

For instance, if five freelancers each earning €100,000 annually are misclassified as employees, the potential liability can reach €225,000 in back payments alone - excluding fines and interest.



## Choosing Between Temporary Employment and Freelance Work

German law defines strict criteria for determining whether an engagement qualifies as freelance or should be treated as employment.

These include **degree of independence, control, and integration** within the client's organisation.

Criteria	Freelance	AÜG-Employment
Employment Relationship	None (Service Contract)	Employee contract via RIZE
Supervision by Client	Minimal	Structured daily oversight
Legal & Tax Risk	High	Fully compliant
Administration	Managed by freelancer	Managed by RIZE
Ideal Use Case	Project consulting	Operational or delivery work

**Misclassification can lead not only to backdated payments but also to reputational harm and project delays.**

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## Decision-Making Process

Before any engagement begins, the **staffing agency and the client** must determine whether the role qualifies as **freelance (contract for services)** or **employment (contract of employment)** under German law.

RIZE Personalberatung GmbH assists clients in this process by:

- **Evaluating each role** against legal and operational criteria
- **Recommending the correct model** based on risk, duration, and control
- **Structuring compliant contracts** within the AÜG framework

This ensures your project delivery remains **fast, flexible, and fully compliant** - without legal uncertainty.



RIZE manages onboarding & compliance

Contract under AÜG or Freelance

Evaluate model

Identify role

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## Why Partner with RIZE Recruitment

RIZE Personalberatung GmbH is a **fully AÜG-licensed staffing provider** in Germany with **over 20 years of experience** in compliant recruitment.

We help global businesses hire legally under the AÜG framework - protecting them from risk while ensuring efficient workforce delivery.

Our credentials:

- 10,000+ placements in over 50 countries
- Trusted by Google, Vodafone, 50Hertz, and E.ON
- AÜG/ ANÜ-Licensed since 2019

When you hire through RIZE, you gain a partner who understands not just talent - but the **law**, the **process**, and the **people** behind it.



## Key Takeaways

AÜG = Low risk, fully compliant

Freelance = Flexible, higher liability

Misclassification = 45% potential cost

RIZE = Trusted compliance partner

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