

PhD stipend vs. TVöD-13 50% contract: what is different, how much is it really worth?

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Payment methods: contract and stipend, the basics

PhD students within the Max Planck Society may be paid in one of two fundamentally different ways: through a contract or through a stipend.

When PhD students are paid by a contract, they are most commonly paid “according to” a 50% employment contract in the TVöD system (TVöD = *Tarifvertrag für den öffentlichen Dienst* = “collective bargaining agreement for public servants”). But how much is a TVöD contract actually worth, and how does it compare to the other common mode of payment, the PhD stipend?

Other students are paid by a stipend. The stipend level may be up to €1365 per month, plus an additional monthly lump sum payment of €103 (called the “Sachkostenpauschale” because it is supposedly for buying books and other materials, but of course no-one checks what you actually do with the money).

In principle, these are two legally very distinct arrangements.

As a contracted employee,

- You complete specific tasks for the institute, and part of your working time (roughly half) is available to work on your own project.
- You are obliged to work a certain number of hours each week, and may be required to be present in the institute at particular times.
- Vacation days and travel for work must be formally approved in advance.

As a stipend holder,

- You work independently in your own interest.
- You may set your own hours and vacation times, you are not required to be present at the institute or to participate in institute activities.
- You may be reimbursed for work-related travel expenses, but not as a formal work trip (Dienstreise).

There are also important differences in the pay and benefits. Below are some example calculations related to the pay and benefits associated with a stipend and a salary, respectively.

Example calculations of net stipend and salary payments

	Stipend: €1200		Stipend: €1468		TVöD 13, Stufe 1, 50%¹				TVöD 13, Stufe 2, 50%			
	Median stipend		Maximum stipend		First year of employment				Second—Fourth year of employment			
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
	Employee	Employee	Employer	Employer	Employee	Employee	Employer	Employer	Employee	Employee	Employer	Employer
Gross salary / stipend	1200.00	14400.00	1468.00	17616.00	1519.32	18231.84			1685.19	20222.28		
Jahressonderzahlung						455.80				505.56		
Payroll taxes and wage reductions (<i>Lohnsteuer, Lohnnebenkosten</i>)												
Estimated payroll taxes (<i>Lohnsteuer</i>) ²					124.25	1491.00			164.75	1977.00		
Health insurance (<i>GKV</i>) ³	171.60	2230.80	209.92	2519.09	120.03	1440.32	106.35	1276.20	133.13	1597.56	117.96	1415.52
Long-term care insurance (<i>GKV</i>)	26.40	343.20	32.30	387.55	14.74	176.85	14.74	176.85	16.35	196.16	16.35	196.16
Pension plan (<i>Deutsche Rentenversicherung</i>)					151.17	1904.77	151.17	1904.77	167.68	2112.72	167.68	2112.72
Unemployment insurance					21.27	255.25	21.27	255.25	23.59	283.11	23.59	283.11
Total value												
Net monthly paid salary / stipend	1200.00	14400.00	1468.00	17616.00	1087.86	13419.45			1179.69	14561.29		
(Net salary + pension + unemployment) or (Stipend - GKV)	1002.00	12024.00	1225.78	14709.36	1260.30	15579.47	172.44	2160.02	1370.96	16957.12	191.27	2395.83
Total annual personnel cost to institute⁴		14400.00		17616.00		22300.71				24735.35		

- 1 The amount of the PhD student contract is based on the wage agreement for public servants (*Tarifvertrag für den öffentlichen Dienst, TVöD*), being set to one-half of EG 13 (EG=*Entgeltgruppe*). Since April 2008, there is no longer a difference in payment between East and West Germany at the national level. Sources of TVöD info: <http://www.tvöed-rechner.de/>, <http://oeffentlicher-dienst.info/tvoed/>. Assumptions for TVöD calculation: KV 14.9%; no additional insurance (*Zusatzversorgung*), no church taxes (*Kirchensteuer*), taxes for a single or divorced individual with no children (*Lohnsteuerklasse I*).
- 2 Your individual tax liability may vary, depending on a number of factors, mainly your family status and your total income for the year from all taxable sources. In general, most people will be eligible for a refund of some of their payroll taxes if they file a tax return (*Einkommenssteuererklärung*). The amount of tax withheld from your wages depends on your income tax class (*Lohnsteuerklasse*), i.e. it depends on your family situation (More information: <https://www.abgabenrechner.de/>).
- 3 Estimated cost of voluntary statutory health insurance (*Freiwillige gesetzliche Krankenversicherung, GKV*) assuming, for stipend-holders, no further sources of income and the reduced fee level (ermäßigter Beitragsatz). The reduced fees are currently 14.3% of gross income for health insurance (*Krankenversicherung*), 2.2% for long-term care insurance (*Pflegeversicherung*). See also the additional notes below about health insurance.
- 4 Total personnel costs for contract calculated as [yearly gross salary] + [yearly employer contributions to benefits (*Arbeitgeber-Lohnnebenkosten*)].

Also worth knowing...

Health insurance

- Cheaper private health insurance policies generally do not cover pre-existing medical conditions, and also exclude a variety of particular treatments from coverage that you might expect would be covered. Read the policy carefully and **be cautious** about relying on such a policy: if you develop medical problems and it can be proven that they are due to a condition that existed before the insurance began, ***the condition may be excluded from coverage even if you were unaware you had it.*** Private insurances that cover pre-existing conditions are available, at a price similar to the voluntary statutory health insurance (*gesetzliche Krankenversicherung, GKV*), which usually costs about €200 for stipend holders, or 14.3% of total gross income + 2.2% for long-term care insurance.
- Non-EU students typically can't get into the statutory health insurance. The main exceptions are if you were already in a public health insurance **anywhere in the EU** for the twelve months immediately preceding voluntary coverage (for example, you were insured as a university student during the past 12 months), or (sometimes) if you were previously in a public health insurance in the EU for 24 months during the past five years.
- If you are a stipend holder voluntarily insured in the statutory health insurance, be aware that you must report your entire income to your health insurance company, including any income from sources such as interest on bank accounts or a part-time job.
- If you were in the public health insurance and leave voluntarily, you normally can't re-enter the public plan except through later employment. So think carefully before leaving!

Deutsche Rentenversicherung for foreigners⁵

- For a foreign citizen who leaves Germany permanently and has paid into the Rentenkasse, the money is not completely lost. Normally some of this money can be recovered in one of the following ways:
 - **Within Europe** (the EU and a few other countries), there is a unified social system, and **credits can be transferred** to the new country.
 - Outside of the EU, **a number of countries have treaties with Germany allowing credits from the Rentenkasse to be transferred in part or whole** (countries with such a treaty include the USA, Japan, Israel, Australia, China and a number of others).
 - Foreigners who, after leaving Germany, move to a country that has no social security agreement with Germany can have their **own contributions (not employer contributions) refunded in full**. You must simply wait 24 months after leaving the country, and then submit a form to the Deutsche Rentenkasse.
- The situation can be very different in each individual case, so inform yourself, or ask your personnel department or an accountant for advice.

Taxes

- PhD students paid on contracts can often have some of the money that is retained for taxes refunded, if they file a tax return, especially if they were employed less than a full year. In 2009 the "*Grundfreibetrag*" for income taxes (*Einkommensteuer*) for a single adult without children is €7834.00, i.e. you may earn €7834.00 of "taxable income" in one year before you have to pay taxes. The return can usually be filed within five years.

⁵ Source: <http://www.deutsche-rentenversicherung-bund.de/>.

Additional benefits of contract

- Unemployment insurance. This can't be obtained even privately by stipend-holders, since they are not employed.
- More money from state to support parental leave (*Elterngeld*) if German.
- Greater coverage by occupational accident (*Berufsunfall-*) & disability (*Berufsunfähigkeitsversicherung*) insurance (on way to and from work, during work-related travel) through the *Berufsgenossenschaften*.
- Liability insurance. If you accidentally damage something at work (not due to gross negligence), your liability is limited to three months' salary.
- You may be eligible for a tax refund, increasing your effective net salary (depending on your precise tax situation).
- The salary paid by a contract “according to TVöD” is automatically increased when the TVöD salaries are renegotiated in a collective bargaining process, e.g. to compensate for inflation and increases in the cost of living. The stipend level, by contrast, is set by the institute directors and might not follow inflation. The maximum and minimum allowed level of the stipend is set by a government committee, the *Gemeinsame Wissenschaftskonferenz* (GWK; formerly *Bund-Länder-Kommission*, BLK), at irregular intervals.
- As a contracted employee you are represented by your work council (*Betriebsrat*) and the salary is negotiated through collective bargaining (*Tarifvertrag*).
- With a contract you are more formally a part of the institute which might have benefits for you, e.g. you are allowed to drive a institute car.
- With a contract you gain formal ‘work experience’ (*Berufserfahrung*). If you want to work in public service on the level of *höherer Dienst* you need to have at least 2.5 years of work experience. In some cases this formal *Berufserfahrung* also leads to higher salaries, e.g. when you continue to work on a contract in the same institute after your Ph.D.

Disadvantages of contract

- Fewer vacation days. With the standard PhD student contract, you are entitled to 20 vacation days. Stipend holders may suspend their studies for up to 31 workdays for students younger than 30, or 34 workdays for students older than 30. The suspension is subject to authorization. A sickness daily allowance **can** be granted for up to 6 weeks.
- In principle, less flexibility and greater requirements to do work unrelated to your PhD (in practice, this may not be the case).

For further reading...

We recommend starting with the “Sozialrechtsratgeber” published by the Hans Böckler Stiftung (<http://pi.stco.de/materialien/Sozialrechtsratgeber.pdf>, only in German). It is a bit out of date (December 2005), but gives a very good overview and introduction to the relevant topics.

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