

Volkswagen mulls plant closures and job cuts in Germany

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Volkswagen warned its employees of possible job cuts and factory closures, including in Germany.

German automotive giant Volkswagen said Monday it could take the unprecedented move to close production sites in Germany and

threatened further job cuts as its savings plans stalled.

Rising costs at the carmaker were cutting into profits, leaving Volkswagen facing "particularly significant challenges", the group said in an internal memo seen by AFP.

"In the current situation, even plant closures at vehicle production and component sites can no longer be ruled out," Volkswagen said in the note sent to employees.

Unions and government officials responded with alarm to the idea of plant closures in the group's home market, a decision never before taken by Volkswagen.

The announcement by one of Germany's blue-chip companies adds to concerns for Chancellor Olaf Scholz after the domestic economy has struggled in recent months.

"The European automotive industry is in a very demanding and serious situation," Volkswagen CEO Oliver Blume was quoted as saying in the memo.

"The [economic environment](#) became even tougher, and new competitors are entering the European market," Blume said.

The difficulties were particularly acute in Germany, which "is falling further behind in terms of competitiveness" as a manufacturing location, he added.

"We as a company must now act decisively," the CEO said.

'Insufficient'

Volkswagen last year announced plans for a 10-billion-euro (\$11-billion) savings programme and has flagged cuts to its workforce over the coming years to improve profitability.

But the group said further measures were now required after disappointing results published in August that showed a dip in profits.

Rising costs and cooling demand in China also meant the group had to lower its profit margin forecasts for the rest of the year.

Despite the cost-saving measures already announced, "the current developments in the automotive market and the German economy demand further action", according to the memo.

The company's board had determined that "the brands within Volkswagen AG must undergo comprehensive restructuring".

"The goal must be to optimise product costs, material costs, and sales performance, as well as factory and labour costs," according to the memo.

"Simple cost-cutting measures" were no longer enough, it continued, while the group said it was considering cuts to jobs previously not at risk.

The need for greater reductions in staff meant that the company was "compelled" to terminate a job protection agreement that had been in place for the last three decades.

Workers' representatives reacted angrily to the announcement, saying they would resist the changes at the carmaker.

Volkswagen's board had "failed", works council chairwoman Daniela

Cavallo said in a statement published by the union IG Metall.

'At risk'

"This puts VW itself and the heart of the group at risk. We will fight bitterly against this," Cavallo said.

"With us there will be no site closures," she said.

According to IG Metall, Volkswagen management believes that "further savings in the billions of euros are necessary to prevent the core (VW) brand from slipping into the red".

The leader of the German region of Lower Saxony, which holds 20 percent of the voting shares in the carmaker, called on Volkswagen to avoid plant closures.

The German auto industry was in a difficult position and the need for a response from Volkswagen was "incontestable", Stephan Weil said in a statement.

"In this environment, Volkswagen's costs need to be examined to ensure continued success," said Weil, a member of Scholz's Social Democrats.

The option of plant closures should however "simply not come into question", said Weil, whose region includes Volkswagen's headquarters in Wolfsburg.

Markets, by contrast, reacted positively to the news, with Volkswagen's stock gaining some two percent on the Frankfurt Stock Exchange in afternoon trading.

Some 680,000 people are employed by Volkswagen worldwide, with

over 300,000 working for the group in Germany.

The group's Audi subsidiary last month announced it was considering closing its Brussels plant for making electric vehicles, which employs around 3,000 people.

In Germany, a slew of auto suppliers, including ZF, Bosch and Webasto, have announced job cuts as they struggle to adapt to the new generation of [electric vehicles](#) and face rising Chinese competition.

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