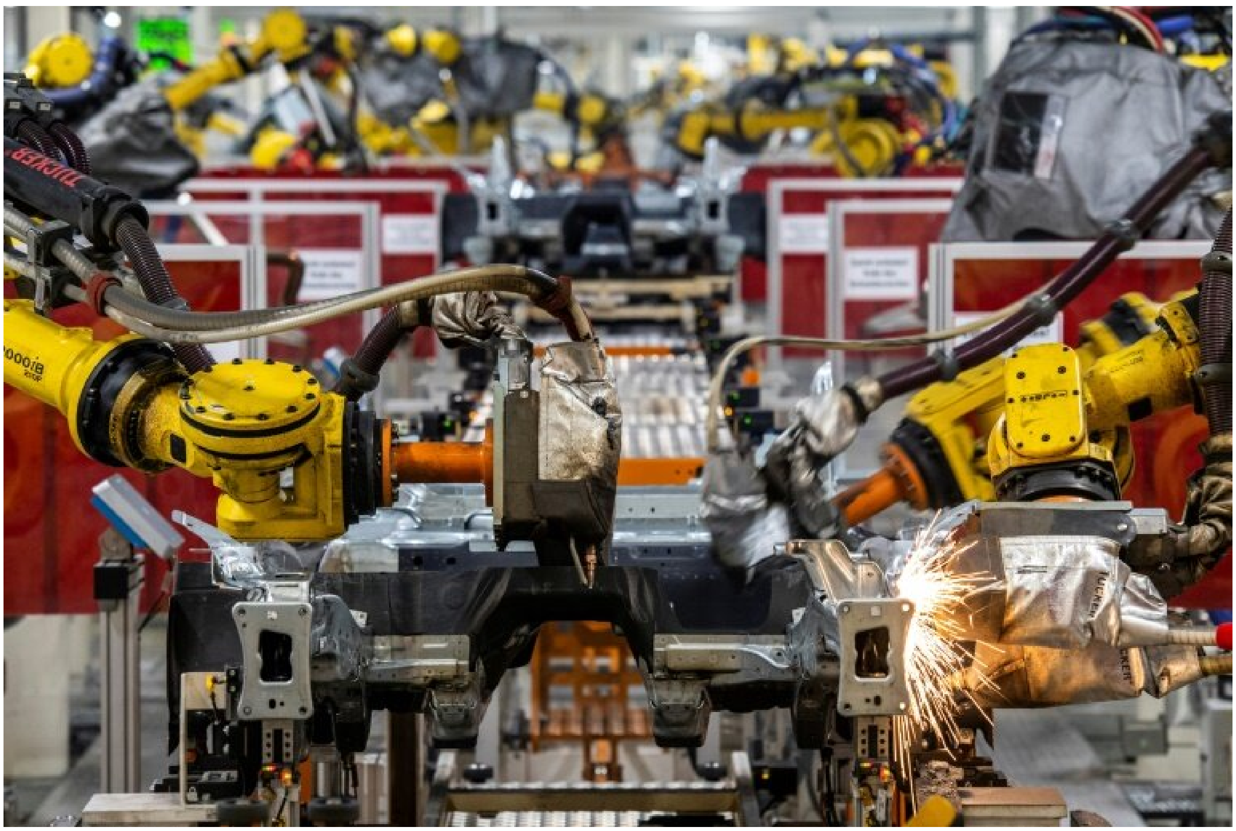
PHYS.ORG

VW slashes thousands more jobs to fund electric transition

March 13 2019, by Yann Schreiber



With more fully automated production lines like this one at its headquarters in Wolfsburg, Germany, Volkswagen will have less need for workers. The automaker said Wednesday it foresees up to 7,000 jobs would be lost to automation by 2023

German car giant Volkswagen said Wednesday it would slash thousands of posts to cope with its transition to electric and autonomous driving the day after reporting rising profits, as its CEO had to apologise for an ill-advised Nazi pun.

Chief executive Herbert Diess had on Tuesday trumpeted rising sales and profits across the sprawling 12-brand group in 2018, the third year after its "dieselgate" emissions cheating scandal broke.

But it was up to the VW brand's chief operating officer Ralf Brandstaetter to announce the flagship division would drop between 5,000 and 7,000 positions by 2023 as it chases cost savings.

All of the cuts will come from non-replacement of workers already set to retire over that period, Brandstaetter said.

"Given that more and more routine tasks are being automated, we'll need fewer jobs in administration," he said.

At the same time, VW plans to create 2,000 new posts in software development and electronics.

Overall the plan would help "finance our investments and satisfy our objectives for the electric era," chief financial officer Arno Antlitz said.

Yet after a management meeting late Tuesday at which he outlined his strategic priorities, Diess found himself apologising for having used the phrase "EBIT macht frei".

EBIT refers to earnings before interest. But the line echoed the infamous slogan on the main gate of the Auschwitz death camp "Arbeit macht frei" ("Work will set you free").

"It was in fact a very unfortunate choice of words and if I unintentionally hurt any feelings, I am truly sorry," he told business magazine Wirtschafts Woche.

Diess added that he, the company and its staff were "aware of the particular historical responsibility of Volkswagen" which was founded under the Third Reich.

Slimming down

With strict new EU limits on emissions of greenhouse gas carbon dioxide (CO_2) set to bite from 2020, the German behemoth said it would boost the number of electric models it offers in the coming decade to 70—20 more than previously planned.

By 2023, the VW brand alone says it will invest 19 billion euros ($21.5 billion) in "future topics" like battery-powered cars and automated driving over the same period, up from the 11 billion euros announced in November.

Across the whole group, Volkswagen will invest 44 billion euros into "future mobility" over the coming five years.

To fund its electric ambitions, VW has in recent years begun tightening its belt to increase profitability.

The austerity programme has had limited success, as the unit's operating profit margin fell to 3.8 percent in 2018—below its supposed floor of 4.0 percent.

"In our industry you need a margin of between five and six percent, otherwise you can't tackle the transition" to new technologies, CFO Antlitz said.

Wednesday's slashing of up to 7,000 jobs comes on top of an already-announced plan for 21,000 cuts worldwide, contributing around six billion euros to operating profits at the VW brand by 2023.

Across the whole group, Volkswagen employs almost 665,000 people worldwide, close to 50,000 of them in administrative roles.

"It's smart to begin saving when things are going well," car industry analyst Frank Schwope of NordLB bank commented.

Job guarantees

VW said it had opened "constructive talks" with worker representatives to shape the departures over the coming years.

Bernd Osterloh, head of the powerful works council, said in a statement he was happy that "colleagues who have worked long and hard" will be offered early retirement.

But such early departures "must only be voluntary" and take place "if the task is abolished", he added.

"Otherwise, workers have the right to a different job" under guarantees stretching until 2025 issued by management to unions, he recalled.

Executives usually strive to appear hand-in-hand when it comes to social issues with worker reps like Osterloh—sometimes described as more powerful even than the chief executive thanks to quirks of VW's governance structure.

But the peace between boardroom and factory floor currently looks fragile.

Just last week, Osterloh complained of "serious slip-ups" in management's handling of the transition to a new emissions testing regime known as WLTP, which slowed production across the auto sector following its September introduction.

The shift cost VW almost one billion euros in 2018, the group said Tuesday.

Citation: VW slashes thousands more jobs to fund electric transition (2019, March 13) retrieved 25 April 2024 from https://phys.org/news/2019-03-volkswagen-jobs-vw-brand.html