

Volkswagen Set to Slash Up to 30,000 Jobs

Restructuring follows tough talks with labor union on ways to boost profit amid emissions scandal



By [WILLIAM BOSTON](#)

 19 COMMENTS

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WOLFSBURG, Germany— [Volkswagen](#) AG announced a sweeping restructuring of its embattled VW passenger-car brand including up to 30,000 job cuts over five years, part of efforts to boost profits in the wake of the company’s damaging emissions-cheating scandal.

The VW brand, the German automotive giant’s biggest business by sales, has struggled for years to stay profitable. Since admitting last year to rigging nearly 11 million diesel cars to [cheat on emissions tests](#), the company has been forced to pay settlement costs and compensation to consumers of more than €18 billion (\$19 billion).

By 2020, Volkswagen aims to boost earnings at its namesake brand by €3.7 billion a year, increasing the pretax return on sales to 4% from less than 2% in the most recent financial quarter.

“We’re shaking up the entire VW brand and making it fit for the future,” said Herbert Diess, head of the VW brand.

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With the job cuts, 23,000 of which are set to go in Germany, and other efficiency measures, VW aims to increase productivity of its German factories by 25% in the coming years.

Volkswagen Chief Executive Matthias Müller is grasping the opportunity of the company’s deepest crisis in years to take long-needed steps to restructure VW, hence the wide-ranging restructuring talks with

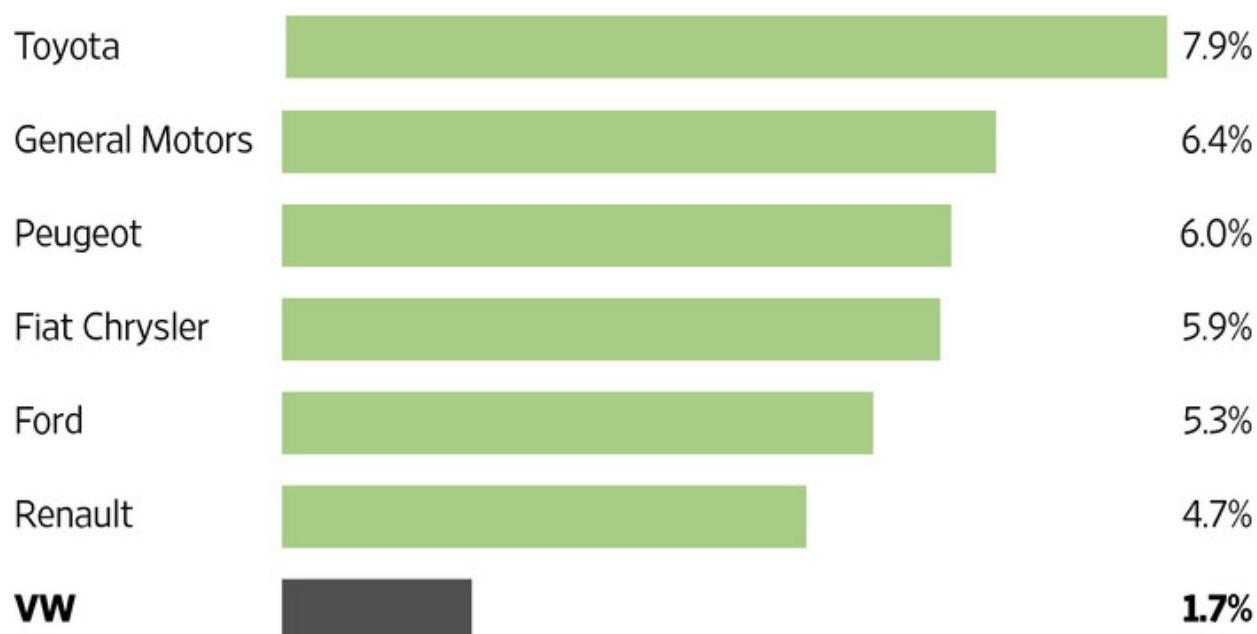
labor over the past eight months.

Despite the financial burden of the emissions scandal, Mr. Müller is also shifting Volkswagen's investment toward new technology to keep up with heavy-spending rivals. Car companies will need fewer employees and those with different skills to run digital businesses and make electric cars.

Low Gear

Volkswagen has promised to double the profit margin at its VW brand, which lags behind its major rivals. Here's how they stack up now:

Automotive operating profit margin



Note: Figures are estimates for 2016. Source: Evercore ISI **THE WALL STREET JOURNAL.**

Over the next few years, the Volkswagen brand plans to invest around €3.5 billion in its German plants with a sharp focus on building up production of electric vehicles and new digital businesses, involving the creation of thousands of new jobs.

Volkswagen's labor group was threatening to block investment decisions at Friday's meeting unless management offered job guarantees to the company's 282,100 workers in Germany, nearly half its global workforce. The agreement to cut jobs follows eight months of [grueling negotiations](#) with the works council and IG Metall trade union.



Workers on the assembly line at Volkswagen's factory in Wolfsburg, Germany in May this year.
PHOTO: BLOOMBERG NEWS

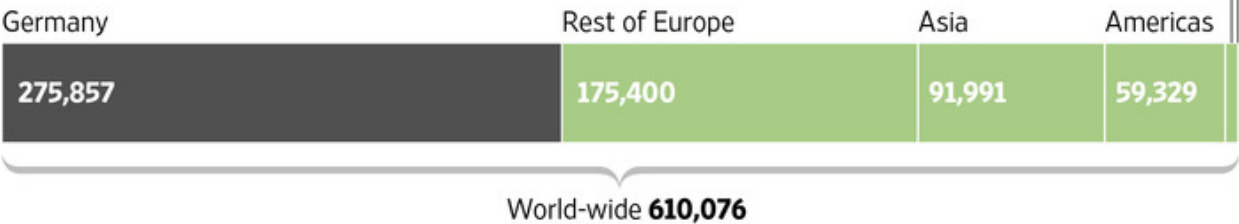
Labor leaders [agreed to the cuts](#), to be achieved through natural attrition and early retirement, in exchange for pledges to build electric vehicles and batteries in Germany.

Volkswagen has agreed to build electric car models in Wolfsburg, its main plant, and in Zwickau in east Germany, which suffered when the company scrapped the loss-making Phaeton luxury sedan earlier this year.

Global Employer

Almost half of Volkswagen's world-wide production workforce is in Germany.

Volkswagen's workforce in 2015



Source: the company

THE WALL STREET JOURNAL.

VW will build electric motors at its Kassel engine plant and begin production of battery-cell production at its main engine plant in Salzgitter.

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