Jobs massacre in German industry

Peter Schwarz
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A huge jobs massacre is looming in German industry. Hundreds of thousands of jobs, some of them highly skilled, are at stake. The main focus is on the gutting of jobs in the automotive and parts industry, where—not including repair shops, petrol stations, trade and sales—more than 800,000 people are employed. Depending on the source and forecast, more than half of these jobs are at risk.

However, the layoffs are not limited to the automotive sector. The chemical, steel, construction, household appliances and even the IT sector are also affected. In retail, in the health sector, where dozens of hospitals are threatened with bankruptcy, and in rail freight, tens of thousands of jobs are also at risk.

The job massacre ranges from the factories to administration and development centres. "Suddenly, mid-level executives and experienced engineers are also at risk of losing their jobs," writes the *Handelsblatt*, which published an extensive article on the subject at the end of February under the headline "And out you are – The new wave of staff reductions."

"Those in the current wave of dismissals don't just wear overalls, but more often than not also a suit, lab coat or hoodie," according to the *Handelsblatt*. Citing labour market experts, it warned against the illusion "that most of the affected employees can easily switch to other vacancies." Even if this were the case, "then these new jobs are often paid significantly less than the traditional position in the large corporation."

Many companies are now rejecting skilled workers who they had previously continued to employ for fear of not finding new ones, if necessary, despite a lack of capacity utilization.

This overview of the most important industries shows the extent of the jobs massacre. It is anything but complete and just the beginning. "In the coming weeks and months, other companies are likely to announce new or more stringent austerity programs, including job cuts," predicts the *Handelsblatt*, citing economic experts.

According to a survey by the Institute of the German Economy (IW), only five out of 47 industry associations expect an increase in the number of employees in 2024, and 23 industries expect a reduction, including such employment-intensive sectors as wholesale and retail, machine manufacture, trades and construction. Credit insurer Allianz Trade expects the number of insolvencies in Germany to rise to 20,260 in 2024. That is 5 per cent more than in the previous year.

In the automotive and parts industries, the transition to electric vehicles, which require significantly less working time to manufacture, is being accompanied by a fierce battle for higher returns.

The major car manufacturers, in close cooperation with the IG Metall union and works councils, have been launching austerity programmes for years, which (as with VW) have cost thousands of jobs or (as with Ford Saarlouis) entire plants. A bitter struggle in the electronics sector involving American, European, Japanese, Korean and Chinese manufacturers is underway as companies seek to outmaneuver their rivals.

Stellantis boss Carlos Tavares has spoken of a "bloodbath" and a "turbulent year 2024." His group's plants, which in Germany includes Opel, were only at 60 percent capacity last year.

The situation in the parts sector is even more devastating. Smaller companies with a few hundred or thousand employees, who often specialise in individual components, are shutting down by the dozen.

Earlier this month, Eissmann Automotive filed for bankruptcy. The company, based in Bad Urach south of Stuttgart, manufactures cladding components for almost all car brands and employs 5,000 people at 17 locations worldwide, 1,000 of them in Germany.

But the industry giants Bosch, Continental and ZF Friedrichshafen are also cutting thousands of jobs.

ZF, which employs 165,000 people worldwide, intends to reduce its workforce in Germany by 12,000 by 2029, which is almost a quarter of all German jobs. However, the figure could rise to 18,000, as works council chairman Achim Dietrich, who was informed about the plans, reported to *Handelsblatt*. The heavily indebted group wants to reduce its costs by €6 billion.

Bosch, which generates around 60 percent of its sales in the mobility sector, is completely transforming this area of its business. For months, the group, which employs almost 134,000 people in Germany alone, has been announcing one round of job cuts after another. A total of 4,000 job cuts is currently being discussed. However, Bosch has not ruled out the possibility that there may be more. For example, the cessation of diesel development alone will result in the loss of 1,500 jobs in development and administration. A further 1,200 jobs are on the hit list in the software sector.

Continental intends to cut 7,150 jobs worldwide, which is more than 3 percent of the total workforce. The administrative division accounts for 5,400 and 1,750 by research and development. Despite the rapid technical changes, the tire and auto parts manufacturer is cutting its expenditure on research and development from 12 to 9 percent of sales. The software subsidiary Elektrobit, based in Braunschweig and employing 380 people, is also on the list.

Other tire manufacturers are closing their plant doors entirely. For example, Michelin is withdrawing from the production of truck tires in Germany and will cut more than 1,500 jobs by the end of 2025, including in Karlsruhe and Trier.

Goodyear intends to close its plant in Fürstenwalde, Brandenburg, with the loss of 700 jobs.

The chemical company Bayer (100,000 employees worldwide, 22,000 in Germany) has decided to cut several thousand jobs in order to increase profits and reduce its debt of over €30 billion. Middle management is particularly affected. In the US, where there is no protection against dismissal, the group's pharmaceutical division has already cut 40 percent of management jobs. The old hierarchies are to be replaced by flexible teams in order to bring more speed and better results—in other words, to massively increase workloads.

In order to make the reduction as smooth as possible, the works council has agreed on severance and early retirement arrangements that are slightly above the usual level. However, hardly anyone will receive the maximum compensation of 52.5 monthly salaries that is circulating in the media. One has to have worked at Bayer for 35 years and accept it immediately.

In order to put employees under pressure to go, the longer they wait, the lower the severance pay gets. From 2027, Bayer will no longer exclude compulsory redundancies. "The current difficult economic situation of the company means that compulsory redundancies after the expiry of this employment protection agreement are in the offing," wrote works council chief Heike Hausfeld to the employees.

The chemical company BASF (112,000 employees worldwide) already announced an austerity programme a year ago. By cutting 2,600 jobs (two-thirds of them in Germany), €1.1 billion should be saved annually. Now the group wants to save an additional €1 billion at its Ludwigshafen site. This will also be associated with further job cuts, announced CEO Martin Brudermüller.

The Essen-based chemical company Evonik also intends to cut 2,000 of its 33,000 jobs in the next two years, 1,500 of them in Germany. As with Bayer, the focus is to be on middle management. The Group has cited a slump in profits to justify the move. In 2024, the company expects an operating profit of "only" €1.7 to €2 billion with sales of €15 to €17 billion.

The largest European software group SAP has announced the cutting of 8,000 jobs. It justified this by focusing on other business areas, especially on AI for companies. This should create about the same number of new jobs, but not for the same people. Only about one-third of the 8,000 people affected are to be retrained, and two-thirds have to leave SAP. SAP is also concerned with "getting long-serving SAP employees with high salaries off the payroll," commented a member of the works council.

The household appliance manufacturer Miele wants to cut 2,000 jobs from its global workforce of 23,000 jobs. Seven hundred washing machine assembly jobs at the Gütersloh headquarters are to be relocated to Poland for cost reasons. The reasons cited by the company were a slump in orders after a sales record in 2022 and rising costs.

Several thousand jobs are also at risk in the household appliances division of Bosch (BSH), the European market leader. The works council is currently negotiating a massive reduction in employment.

Thyssenkrupp plans to cut at least 5,000 of the remaining 27,000 jobs in the once powerful steel industry in the Ruhr area. A blast furnace and two rolling mills in Duisburg are to be closed. This was reported by *Handelsblatt*, citing internal planning.

The company immediately denied this. But remarks by former Social Democratic Party chairman Sigmar Gabriel, who now heads the supervisory board of ThyssenKrupp Steel, and IG Metall confirm that job cutting plans are being discussed.

Gabriel confirmed in an interview that the board is currently working on proposals for restructuring the steel sector. The steel sector has an annual capacity of 12 million tonnes, but only sells 9 million.

And IGM district manager Knut Giesler called for an overall concept for the steel sector: "Whether sales, participation or self-employment – it finally needs an industrial concept that is financially and structurally secured. The constant back and forth should soon come to an end." This is an unmistakable signal that the union will also support the next jobs bloodbath, as it has done with all previous ones.

Rail

At DB Cargo, at least 2,500 positions are on the chopping block. A first white paper on "transformation" from September 2023 provided for the elimination of 1,800 jobs nationwide. A second white paper added 700 more. The number could increase even further.