FAQ

Questions and Answers on the Crisis in the Automotive Industry

Update: July 2026

The attack on employment at German automotive locations that we are witnessing today is unprecedented. After many conflicts at small and large suppliers and at major manufacturers such as Volkswagen or Ford, management boards are escalating the situation once again on a massive scale in the summer of 2026. Hundreds of thousands of employees fear for their jobs, and entire regions in Germany fear for their prosperity. In many companies, difficult negotiations on staff reductions, site prospects and future investment are now pending. Uncertainty among employees is enormous.

The causes of this crisis, however, do not lie with employees. They lie in changing global markets, growing competition, delayed investment and wrong decisions in companies. Developments that were foreseeable were underestimated, delayed or not addressed in recent years. Instead, managers are relocating production out of Germany in order to circumvent social and ecological standards and become cheaper at any price. Nobody should be under any illusion: this is an attack on the German model of prosperity, the economy and society.

Employees have already made substantial contributions: through flexibility, short-time work, site agreements and painful cuts in collective agreements. At the same time, many manufacturers and suppliers have generated high profits in recent years and distributed substantial funds to shareholders. If cost-cutting programmes are now primarily imposed at the expense of employees at German sites, that is unacceptable. We demand the opposite: what is needed is investment in future-proof products, qualification and secure locations, not merely short-term cost cutting.

Unfortunately, politics, associations and the media are dominated by many supposedly simple but plainly false explanations: wages are too high, the welfare state is too extensive, or the electric car is to blame. In this FAQ, we provide better answers to the most frequently asked questions.

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FAQ

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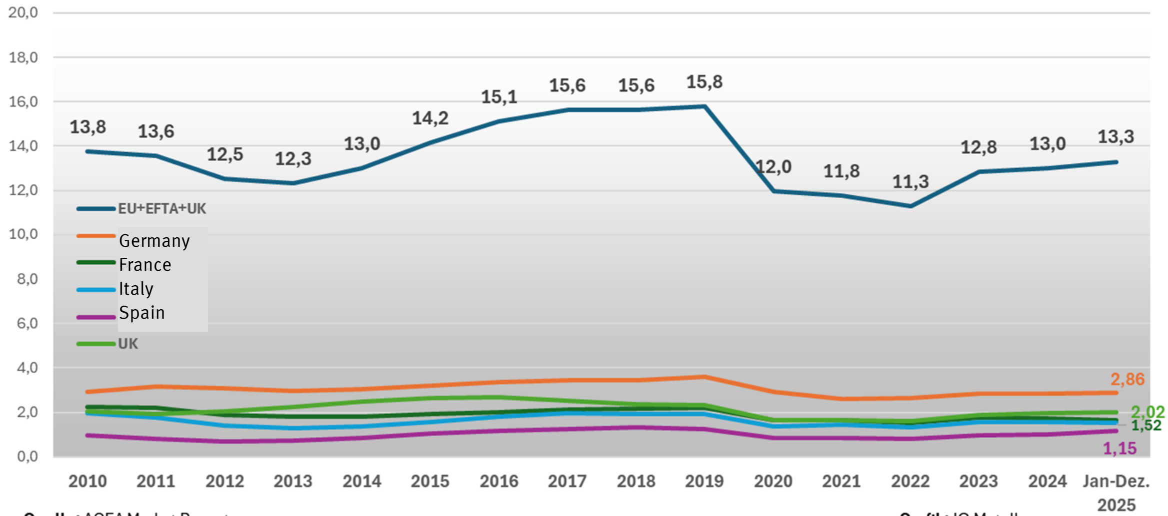
Why is the German automotive industry in crisis?

- More providers are competing on the global market. With Tesla and the Chinese manufacturers, **new competitors** have entered the field. Competition is becoming tougher and more difficult for **German manufacturers** because the competition has improved, in productivity and in the key future fields of electromobility, battery technology and software.
- **Global automotive demand** is recovering, but particularly in Europe and **Germany** it remains **below the pre-crisis level of 2018**. The causes are the global economic situation, the after-effects of the coronavirus pandemic, the energy crisis, wars and conflicts. The market is recovering only slowly, if at all, to the record level of 2019.

EU new passenger car registrations
Passenger cars in EU+EFTA+UK, million vehicles



Quelle: ACEA Market Reports **Grafik:** IG Metall

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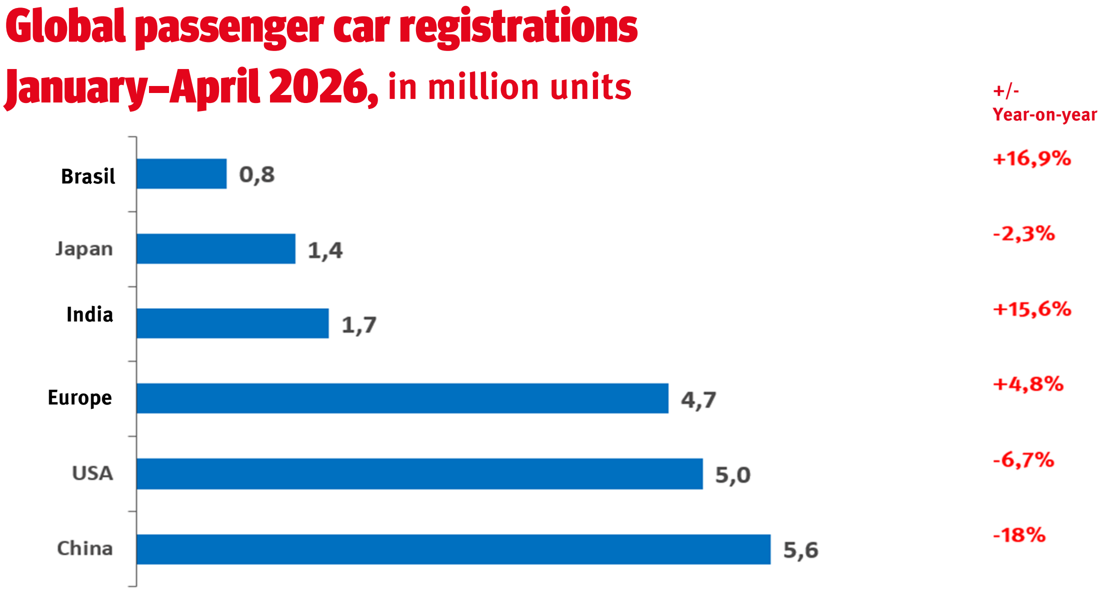
- In this respect, it is not only the automotive industry in Germany that is in trouble. The world's largest carmaker, Toyota, recorded a 21.5% decline in profits for 2025 compared with the previous year; the largest US carmaker, General Motors, even recorded a decline of 55% in the same year. **All established carmakers are threatened by weak demand and highly subsidised competition**. Even Chinese carmakers, especially the market leader BYD, are in crisis because domestic demand is currently falling sharply.



Quelle: VDA, Lagebericht international

- The Chinese market is the largest automotive market in the world. In China, half of new cars are already electrified, and **German manufacturers** are selling poorly precisely in this segment and are falling behind. As a result, they are **losing market share and profits from business in China are declining**. One example: Volkswagen profits from the Chinese joint ventures amounted to 4.6 billion euros in 2018, but only around 0.95 billion euros in 2025 (source: Volkswagen Group, Annual Report 2025).

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Where have the record profits of the corporations from recent years actually gone?

- Many companies in the automotive and supplier industry recorded **record profits until recently**, for example Volkswagen with a profit of almost 18 billion euros in 2023, BMW with more than 18 billion euros in 2022, and Mercedes with 23.4 billion euros in 2021. A large share of these record profits from recent years was **distributed to shareholders through dividends**. At Volkswagen, for example, payments to shareholders increased sharply. Whereas the Porsche and Piech families, through their holding company, received around 750 million euros in dividends annually until 2020, since 2021 they have received an average of almost 1.8 billion euros per year. While distributions to the heirs of the Porsche and Piech families have therefore more than doubled, pay at Volkswagen increased by only 11% over the same period. And just to put this into perspective: **a skilled worker would have to work around 100,000 years** to reach the Porsche/Piech dividends from 2014 to 2024.
- Of the Mercedes dividends, 2.17 billion euros went between 2021 and 2025 to Li Shufu, the owner of the Chinese car brand Geely. BMW and Mercedes also chose the strategy of **share buybacks** in order to artificially raise share prices in the short term. At BMW, the share buybacks alone generated an additional gain of about one billion euros for major shareholder Susanne Klatten since 2022, and even 1.25 billion euros for Stefan Quandt over the same period. All of this represents **investment funds withheld in favour of disproportionately large enrichment of shareholders**.
- In addition, a great deal of money was lost through **management decisions** that, in retrospect, **proved to be wrong, risky or too short-term**. There were also cases of rule violations and legal disputes that tied up substantial funds. For this reason too, it is wrong to seek responsibility for the current situation among employees. Many problems are homemade and lie in the strategic decisions of companies, not in wages or working conditions.
- After the “fat years”, the **share prices of many companies have now collapsed**. Capital markets are thereby anticipating a further decline in the market shares of German car manufacturers. Falling prices are based on investors' lack of confidence in the

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future. **Poor forecasts, however, are based on inadequate investment in future products** and solutions for yesterday and today. Instead of addressing the cause of the problem and securing market share in the long term through investment, German carmakers were primarily occupied with stabilising their share price through financial transactions and thus treating only the symptoms with a lot of money.

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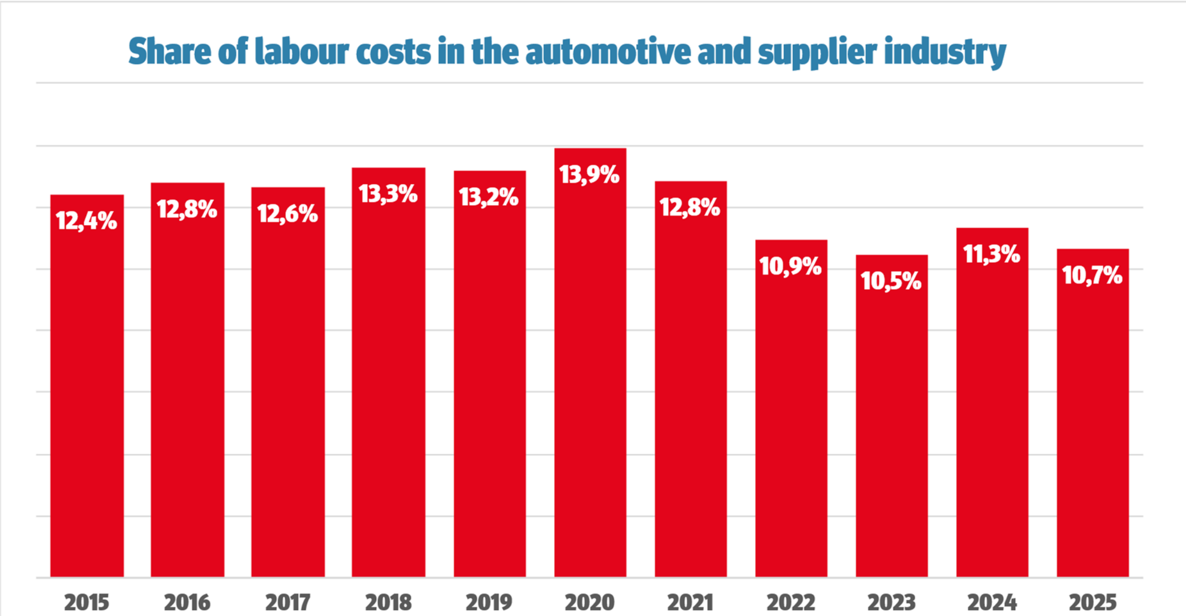
Are German wages and salaries much too high? Are they to blame for the crisis?

- Labour costs are **only a relatively small factor in the cost structure** of the automotive and supplier industry. Moreover, they have declined noticeably in recent years. In 2020, labour costs still accounted for 13.9% of total revenue, whereas in 2025 they account for only 10.7% of revenue.



Source: own illustration

- These are average figures, and for some suppliers the share may be higher, but the figures clearly show the scale involved. They also show how **deliberately exaggerated this topic is by employers**.
- In international comparison, **unit labour costs**, meaning the labour costs needed to manufacture a single product such as a finished car, have **for many years been at**

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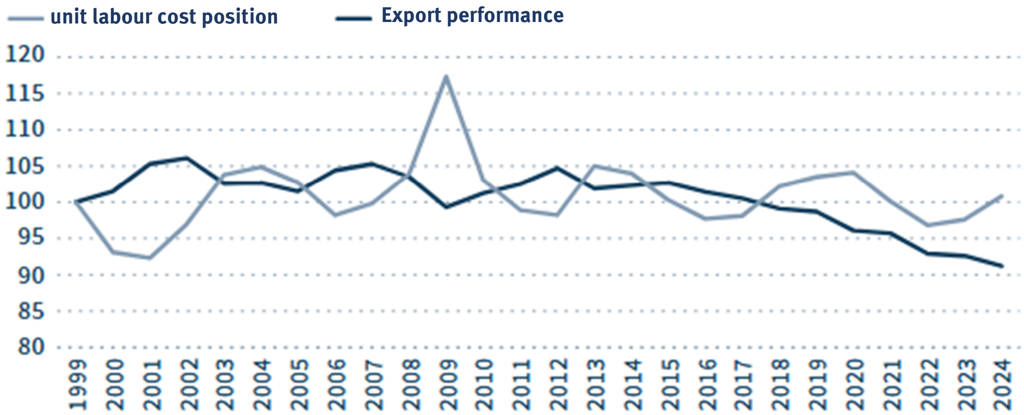
roughly the same level in relation to those abroad, while export performance, an indicator of how good a country is at selling goods and services abroad, is declining. So, once and for all: it is not because of wages.

Germany's unit labour cost position and export performance Abbildung 4

Germany's relative[1)] unit labour cost position and export performance, euro basis, index 1999 = 100



1) Average of the countries excluding Germany, Croatia, Bulgaria and Romania; weighted by their share of world exports over the period from 2022 to 2024
Sources: Deutsche Bundesbank; Eurostat; nationale Quellen; OECD; Statistisches Bundesamt; Institut der deutschen Wirtschaft

Source: https://www.iwkoeln.de/fileadmin/user_upload/Studien/IW-Trends/PDF/2025/IW-Trends_2025-02-06_Schr%C3%B6der.pdf

- A recovery in real wages after the long period of inflation is also the only **chance for a recovery in domestic demand** and thus a contribution to an improved automotive business cycle.
- While wages account for less than one fifth of revenue **in the automotive industry**, some managers are now trying to iron out their strategic mistakes on the backs of employees, driven by ever higher return demands from shareholders. We demand: **no orientation towards short-term return targets, but towards long-term earning**

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power. We need **strategic investment and the cooperative development of future perspectives with employees**.

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Does it help if we all work longer hours?

- **No.** The demand to abolish the 35-hour week makes no sense at all if the **problem is underutilisation. The problem of German carmakers is low demand and the resulting underutilisation of plants. Not a single additional car will be sold because the workforce works longer hours**. This is a strategy by employers to induce employees to resign of their own accord and to build pressure for the upcoming collective bargaining negotiations. The abolition of home-office options is also part of this.
- In fact, **Germany** is one of the **most productive countries in the world**. If gross domestic product is divided by the number of all hours worked, the result is a value for German productivity. This value is almost twice as high as in Hungary, for example, and even slightly above the value for the United States.
- **One reason for this enormous productivity is precisely that we have shorter working hours than other countries**. People in the eighth working hour of the day are nowhere near as productive as in the fourth or fifth. Doing a lot of work in a short time is the definition of productivity, and it is something people in this country should be proud of.
- The growth opportunities from increasing working hours would also be limited. The fact is: **we are working as much as never before**. This is because a much higher share of the population is working today than in the past. This is due to **higher labour-force participation by women**. If we want to mobilise more workers, the better starting point would be here: expanding childcare enables more women to engage in paid employment.

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Some companies really are in trouble. Do we not have to give up wages, special payments or working-time arrangements in order to secure jobs?

- Such agreements are normal business for IG Metall. **In the past year alone**, we enabled hundreds of deviations; **in the automotive industry** alone, these were **concessions worth billions**, affecting hundreds of thousands of employees. At Volkswagen, Mahle, Mercedes and many other companies, we put together packages of this kind. A few months later, employers then come back with more demands.
- We are currently experiencing this in the VW Group. In 2024, IG Metall reached a collective bargaining result with the company that was characterised by sacrifice. In view of the company's stated situation, employees were prepared to accept this. Key points were a job guarantee until the end of 2030, without compulsory redundancies, and the renunciation of plant closures. **Less than two years later, the Executive Board has now restarted the debate about plant utilisation and the necessity of closures**. That is unacceptable.
- **IG Metall is prepared to accept cuts to protect employment if companies are genuinely in trouble**. In the Pforzheim Agreement of 2004, IG Metall agreed with the employers' association Südwestmetall that companies in severe economic distress may deviate from collectively agreed standards in order to preserve jobs. In return, companies must allow IG Metall the opportunity to check whether a crisis actually exists. Companies that do not do this but publicly complain about excessive labour costs are not acting out of existential need, but in order to further increase their profits at the expense of employees.
- In any case, long-term problems cannot be solved with instruments of this kind. **What is needed for that is good site policy and investment** in the business models of the future.

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Why should companies not move to cheaper locations?

- **Because it is irresponsible towards their sites, employees and regions.** In the process of globalisation of companies and financial markets, the regional connection of companies has increasingly been lost. Responsibility towards employees is also continuing to decline. It is a morally wrong decision to always choose the cheapest possible locations.
- **Because it is short-sighted.** Offshoring has often not paid off in the long term. Companies later return and have wasted a lot of money. It is also unwise, for reasons of short-term profit calculation, to lose the plants and workers that will be needed to become leading again in the future. Demographic change and skills shortages will foreseeably mean that if the automotive industry cuts jobs now, it will lack labour in the future. Instead, we need further training and apprenticeship quotas in order to secure the long-term availability of tomorrow's skilled workers.
- **Because Germany is competitive.** Quote: “Compared with all other important trading partners, **Germany**'s price competitiveness has hardly deteriorated. Compared with China, however, it has deteriorated massively, above all because of a currency that is undervalued by around 20-30 percent and artificially cheapens Chinese exports. Even if **Germany** did all its own homework to increase competitiveness, China's politically generated price advantage would remain too large.” This was stated by Michael Huether, Director of the German Economic Institute, which is close to employers, on 10 July 2026. The causes of our problems therefore lie elsewhere.

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From IG Metall's point of view, what should companies do?

- **Think and act for the long term.** Short-breathed cost-cutting packages and site reductions do not secure a future, not even the company's own future. All the problems that companies supposedly currently have with **Germany** as a location will, in the long term, also arise at all other locations. Labour and energy costs converge over time. **Germany** has legal certainty that does not exist in other countries. Investments at German locations will pay off in the long term, especially in times of geopolitical uncertainty.
- **Restore innovation leadership.** An Audi advertising slogan was “Vorsprung durch Technik”. That is where the German automotive industry must return. Unfortunately, it has lost technological leadership in some important areas over recent years. This requires investment in research and development as well as in new production facilities in order to implement new developments.
- **Invest in German locations.** German sites have been neglected compared with the rest of the world over recent years, contributing to the loss of technological leadership. What is needed now is investment to create highly productive facilities where there are people to operate them, namely at the established locations to date.
- **Invest in people:** further training and vocational training to secure the skilled workers of the future. The qualification requirements for people in vehicle manufacturing are changing. Instead of relying on new, ready-made experts flowing into companies and the old ones being “sorted out”, the industry should train the existing workforce further so that employees can also contribute to production in the new automotive world.
- **Good products for everyone**: we need more volume models at German locations. Pure luxury strategies have failed, as has the huge product range at VW. In order to generate profits again, there need to be more cars that can be produced as a uniform model in large quantities. That lowers costs because more identical parts can be used and fewer different work steps are needed. It also allows these volume models to be perfected. Margins also rise again as a result.

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What must policymakers do to support Germany as an automotive location?

- The Federal Government and the EU must pursue more effective and **active industrial policy**, including **for automotive locations**. Key industries such as battery production must receive stronger financial support along the entire value chain. Charging infrastructure for electromobility and also the filling-station network for heavy commercial vehicles with hydrogen drives must be pushed forward across Europe with greater urgency. The supply of critical raw materials across the industrial value chain must become a core and key issue: diversification of sources of supply, substitution of critical raw materials, and recycling for more secondary raw materials.
- The automotive industry is internationally interconnected and needs open markets. But in the new age of geoeconomic competition, **Germany** and the European Union must act with greater self-confidence. If the United States practises hard-line protectionism and China practises state capitalism with subsidies, then the EU must push back. We need **more trade protection and local-content requirements** in order to retain European value creation and build it up for the future.
- In the competition over location costs, not every complaint by companies is wrong. Energy prices in **Germany** are too high, there is unnecessary bureaucracy, and planning and approval processes must be accelerated. Policymakers have set out on this path, but much more still needs to happen. We need a predictable and **competitive industrial electricity price**, **fewer bureaucratic burdens**, especially for SMEs, and **faster planning and approval** for new and expanded industrial settlements.
- Policymakers in Berlin and Brussels have rightly advanced **climate protection in transport**. At the same time, they **have still not created the conditions for achieving climate targets to a sufficient degree**. In particular, charging infrastructure in many states of the European Union needs to be expanded; the same applies to building a resilient and competitive battery value chain in **Germany** and Europe, also in order to reduce systemic dependence on Asian suppliers.

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- The Federal Government should provide stronger support to small and medium-sized companies in the supplier industry during transformation in financing new business models, liquidity and equity, for example through the new “Germany Fund”.
- Policymakers in Berlin and Brussels must make it much more their task to preserve industrial sites in their regions and to demand new investment, including from companies. **Any concession in regulation or funding should be clearly tied by policymakers to the preservation of existing value creation or investment in new value creation in Germany and Europe**. Instead of applauding blackmail through threats of relocation and wage dumping by companies, policymakers must see themselves as advocates for employees and regions.

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The United States is pursuing protectionist trade policy and China is subsidizing its auto industry. What should the EU do?

- The automotive industry is internationally interconnected and needs open markets. But if the United States practises hard-line protectionism through tariffs and China practises state capitalism through massive subsidies and the export of overcapacities, then there is no fair competition. The **EU too must therefore focus in the new trade conflicts on strengthening its own industrial locations**. Above all, this means investing, strengthening its own internal market and making its own value creation resilient. But we also need more **targeted trade protection for a level playing field**.
- One example: the European Commission comprehensively investigated distortions of competition in the field of battery-electric vehicles and, on that basis, decided on countervailing duties. IG Metall welcomes this approach. The measures make an important contribution to restoring fair competitive conditions and at the same time strengthen investment and employment in Europe. But we urgently need **tariffs on Chinese plug-in hybrid vehicles**, because in response to the BEV tariffs China is shifting its exports to plug-in hybrids. Their share has risen from 3% in 2024 to 18% in the first quarter of 2026. This creates massive pressure on the sales figures of hybrid cars manufactured in **Germany**, because the price differences between Chinese and German hybrid vehicles are enormous. This was not regulated by the market, but by subsidy policy in China. The EU must respond to this.
- IG Metall has long advocated a **European local-content strategy**. Companies that sell products in Europe should also produce a large share of them in Europe. This must be comprehensively supported and incentivised, and it should also apply to vehicles. At the beginning of the year, the European Commission made proposals for **“Made in EU” criteria in the automotive sector**. This is a huge step in the right direction. Public procurement and public funding are to be linked to the “Made in EU” criterion. In future, only “Made in EU” cars are also to be recognised for quotas for company fleets or electric small cars.

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- With a 70% requirement for all components, the supplier industry can also benefit from the regulation. In addition, European-content quotas for batteries and electronics that increase over time create incentives for new value creation in the EU and for resilience in the supply chain. IG Metall supports this approach and calls on the Federal Government to stop positioning itself against it. We need strong “Made in EU” criteria without loopholes for the electrification of company fleets, electric small cars, procurement and funding measures.
- Unfortunately, the effect of the approach is weakened by many loopholes. For example, only new or amended funding measures fall under the requirements. The criteria for procurement can already be ignored when there is a 25% cost difference. And the circle of eligible countries is, not least at the urging of the German Federal Government, in some cases defined very broadly. From IG Metall's point of view, **only the 27 EU Member States plus Great Britain, Switzerland, Liechtenstein, Norway and Iceland, the EFTA countries, should count. The rest is not “Made in EU”**.
- The **EU proposals on rules for foreign investments** by strong market actors, for example from China, in the vehicle and battery sector also point in the right direction with **requirements for European employment and know-how transfer**. This can prevent negative examples such as the settlement of BYD in Hungary, where exclusively imported components are assembled by foreign workforces and no genuine European value creation or employment is created.
- A major threat to world trade unfortunately comes today from the United States. The US President's **erratic and confused tariff policy** threatens prosperity and employment around the world. **Europe must find common answers and avoid an escalation of the trade dispute**. In difficult times for the German automotive industry and employees, these developments add fuel to the fire of uncertainty. In the end, the planned tariffs will be at the expense of employees **in the automotive industry** and consumers in the United States.

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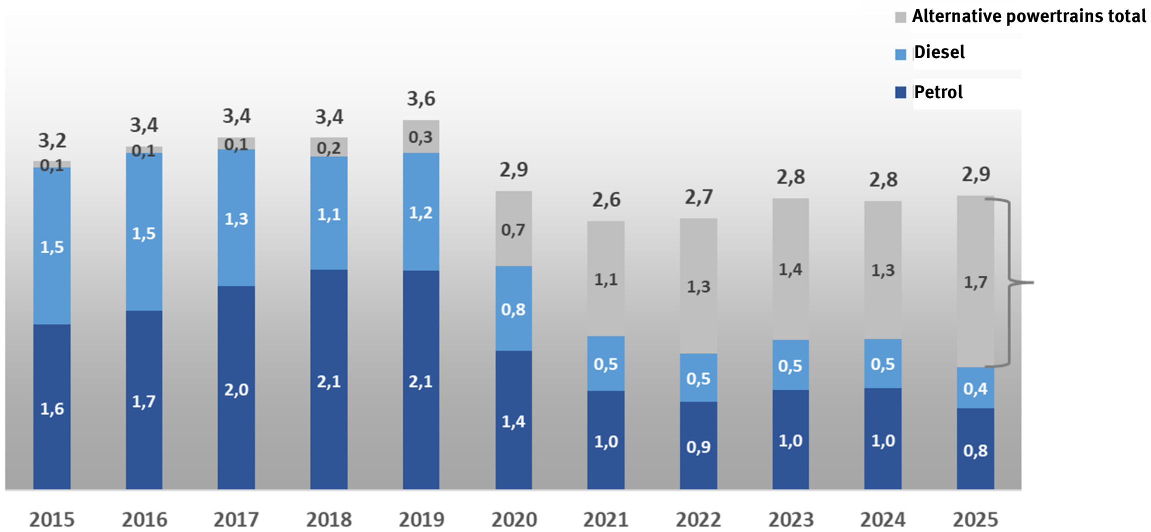
Is the so-called 2035 "end of the combustion engine" to blame for the crisis?

- **The current situation has only little to do with the EU rules on CO2**. "A substantial part of the decline in value creation therefore does not result directly from EU legislation regarding the phasing out of internal-combustion drives, but from the relative shift in global demand and production structures" (Fraunhofer IAO, ELAB2040, short study 2026). At present, growth in the European market is actually being driven above all by battery-electric vehicles; in June 2026, new registrations in the EU, plus the UK and EFTA, grew by 13.6%, and battery-electric vehicles by more than 60% compared with the previous year. Plug-in hybrids also increased by 25%. **Germany** has become the world's second-largest location for electric-car production. **"Without the production of electric cars, production at the German location would be roughly at the level of 1966"** (German Economic Institute: "The Automotive Industry in 2024", Cologne, 22 September 2024).

Number of newly registered passenger cars in Germany by powertrain type
in million vehicles



Quelle: Kraftfahrbundesamt

Grafik: IG Metall

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- The current **attacks by management boards on personnel and on locations often have entirely different reasons**. Sites are being reduced and new production is being built up at cheap locations abroad. **Transformation is often only a pretext; the real issue is margin optimisation**. Many managers struggle with transformation and fall back into old patterns. Shareholders call for quick returns.
- According to most forecasts, the **share of pure combustion-engine vehicles in the most important and largest markets will continue to decline** and the **share of electrified vehicles will continue to rise**. **Hybrids and plug-in hybrids, however, play a larger role in the transition than previously expected**. There will therefore continue to be a market for vehicles with combustion engines. But their share will decline, and these sales alone will not be enough to lead the German auto industry out of the crisis. A German “island solution” with a focus on combustion-engine cars cannot save the globally positioned German automotive industry either.

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Do the EU CO2 rules need an update?

Yes, IG Metall is calling for some adjustments to the European CO2 rules.

- The focus must remain on e-mobility, but we need more **flexibility for hybrid vehicles such as plug-in hybrids (PHEV) or vehicles with range extenders (EREV), including beyond 2035**. These vehicles make an important contribution because they combine CO2 reduction, value creation, employment and social acceptance. The currently planned tightening of the utility factor will make these vehicles unattractive for customers and manufacturers. This costs jobs, especially in the regionally anchored supplier industry. The European Commission should absolutely refrain from this tightening. At the same time, measures must be taken to increase the share of electric driving by these vehicles in order to improve their actual CO2 balance.
- The European Commission should present its proposal “for the registration after 2035 of **vehicles operated exclusively with CO2-neutral fuels**”, as has been announced several times. Despite all scepticism about the realistic mass availability of genuinely sustainable and climate-neutral alternative fuels, this perspective should not remain blocked by regulation. Investors and companies can then reassess the business case for this technology.
- We do not need any further unnecessary cost pressure on companies. In order to avoid penalties for manufacturers because of missed fleet-limit targets, the **stretching of CO2 reduction targets over several years** should therefore continue to be made possible. This “banking and borrowing” provides flexibility without allowing more CO2 emissions in the overall result.
- IG Metall supports the European Commission's proposed **crediting of green steel in CO2 fleet values**. This helps the steel industry, the auto industry, the climate and European resilience. It should be made possible before 2035, for example from 2030. In addition, further CO2 reduction measures along the automotive supply chain should become creditable, for example measures in the area of aluminium or recycling.

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Are German car manufacturers really so far behind in software, or is the problem being exaggerated?

- **Yes, the problems are real**. In software, digital vehicle functions and faster product development, some U.S. providers and above all Chinese manufacturers have caught up or overtaken in important areas. This concerns not only user interfaces, but also updates, connectivity, battery control and new digital services.
- That does not mean, however, that employees in **Germany** caused the problem. Many difficulties are homemade: overly complicated corporate structures, too many parallel platforms, constant changes in strategy, action taken too late and too little trust in the company's own development and software teams. **Software was treated for too long as an add-on to hardware, not as the core of the product**.
- The answer must therefore not be to outsource software competence or relocate it abroad. Anyone who loses control over vehicle software loses a central part of future value creation. Companies must strengthen their software competence in **Germany** and Europe: with clear responsibilities, stable teams, qualification and binding investment.
- For employees, one thing is clear: software is not a marginal issue. It helps determine which products are successful, which locations have a future and where new work emerges. That is why **software competence belongs to the industrial future of automotive locations**.
- And **Europe certainly offers advantages here: data sovereignty, data protection, a uniform regulatory framework in the EU internal market and legal certainty**, which are not comparable in other regions. Companies should draw strength from this to build software in Europe according to a European gold standard. This can become a competitive advantage.

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FAQ

Why should I care about all this if I do not work in the automotive industry?

- The automotive industry makes a **significant contribution to GDP in Germany**. A crisis in the auto industry affects the whole country. Less employment and lower pay create less demand in all other sectors of the economy. In cities where a large share of value creation depends on cars, **job cuts would lead to further job cuts at companies that have no direct connection with the automotive industry** but live from local demand.
- **If wages fall so that profits rise again, this is a redistribution** not only to the richest in our society, but **to the richest in the world**. Volkswagen is 30% owned by foreign institutions, above all the State of Qatar. At Mercedes, 5% of dividends flow to Kuwait, 20% to the rest of Asia and 17% to the United States. At BMW, only 15% of institutional investors come from **Germany**. Pushing down wages in order to increase profits causes **capital outflow and makes Germany as a whole poorer, because the money is pulled out of the domestic economic circuit**.
- And quite fundamentally: wages and salaries distribute the values created by a company and by an economy fairly, including among those who create these values through their work. If the "primary distribution" of economic production is weakened, this also attacks the model of a society with strong middle classes and an even distribution. Financial capital is generally concentrated in the hands of only a few. It therefore affects us all when more and more value creation goes to capital owners. This value is then lacking in the regions, the municipalities, the social institutions, the many service providers who then lack orders, and ultimately the people who can increasingly less afford a good life.
- The **strong co-determination of employees and also the participation of the public sector in the goals and purpose of large companies is therefore right and important**. Some today criticise the VW Act as "out of date". It is rather a model for the future, especially in difficult times.

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