

## Volkswagen's Historic Crisis: Inside the Plan to Cut 100,000 Jobs and Half Its Lineup

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Volkswagen is in the middle of what its own CEO calls the most comprehensive realignment in the company's nearly 90-year history. Europe's largest automaker is weighing cuts of up to 100,000 jobs, the closure of as many as four German factories, and a reduction of its global model lineup by as much as half, all while its stock trades near 16-year lows and its most recent quarterly profit fell nearly 10% from a year earlier. This is not a routine cost-cutting exercise. It is a legacy automaker fighting to stay relevant against a competitive threat it did not see coming fast enough.

Here is what is actually happening at Volkswagen, why it is happening now, and what it signals about the pressure facing traditional automakers worldwide.

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### How Bad Are the Numbers, Really?

Volkswagen's operating margin, the percentage of revenue the company actually keeps as profit after core costs, collapsed to just 2.8% in 2025, down from 5.9% the year before. That is a company that used to comfortably clear 7% in better years now struggling to hold onto a margin that thin. Full-year operating profit for 2025 sank more than 50%, landing at 8.9 billion euros, weighed down by 5.9 billion euros in one-time charges that included a 2.7 billion euro writedown tied to Porsche.

The pressure has not let up in 2026. Volkswagen's second-quarter operating profit fell another 9.5%, to 3.5 billion euros, missing analyst expectations. The company has now abandoned its earlier forecast of revenue growth for the year and instead expects revenue to decline by as much as 3%. Shares in Volkswagen and Porsche Holding have dropped to their lowest levels in roughly 16 years, and the stock is down more than 30% over the past 12 months.

*A company that once targeted 8% to 10% operating margins is now fighting to defend a range of 4% to 5.5%. When a business of Volkswagen's scale sees that kind of margin compression in back-to-back years, it is not a blip. It is a structural problem.*

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### The China Problem, In Volkswagen's Own Words

For decades, China was Volkswagen's single most profitable market. That is no longer true, and the reversal has been steep. Volkswagen's China profits have fallen more than 80% over the past decade, and the company has lost its position as the top-selling automaker in China to domestic competitors, most notably BYD.

CEO Oliver Blume did not soften the framing when he addressed the situation directly: Volkswagen now faces more than 150 competitors in the Chinese market, and a growing number of them are expanding aggressively into Europe, Volkswagen's home turf. Chinese brands including BYD and Geely are pushing into the European market with lower-cost electric vehicles and plug-in hybrids, and several are building local production bases inside Europe to sidestep import tariffs entirely.

Blume's summary of the situation was blunt: Volkswagen is no longer just fighting for market share in China. It is now fighting Chinese competitors on its own home continent. That dynamic, a domestic threat becoming an international one, is a big part of why Volkswagen's leadership believes incremental cost-cutting will not be enough this time.

## What Is Actually on the Table

Volkswagen had already agreed with its unions in 2024 to cut 35,000 jobs at its core brand in Germany by 2030, part of a deal that also ruled out compulsory layoffs and factory closures through the end of the decade. Blume is now pushing to effectively double that commitment, proposing up to 100,000 total job cuts across the group, and has warned that as many as four German plants could be at risk once that 2030 protection period ends.

| Element                 | What Volkswagen Has Proposed                                                          |
|-------------------------|---------------------------------------------------------------------------------------|
| Job cuts                | Up to 100,000 positions group-wide, doubling a prior 50,000 commitment                |
| Factory closures        | Up to 4 German plants under review, including Emden, Hanover, Zwickau, and Neckarsulm |
| Model lineup            | Cut by up to 50%, concentrated on the most profitable market segments                 |
| Production capacity     | Reduced to 9 million vehicles per year, down from a pre-pandemic goal of 12 million   |
| Long-term margin target | 8% to 10% operating margin by 2030                                                    |

The lineup cuts are just as dramatic as the workforce numbers. Volkswagen has said its model range will gradually shrink by up to half as the company concentrates on its most attractive and profitable segments, and offering complexity, the sheer number of trims, options, and configurations available on any given model, will be reduced by as much as 75%. The company has not specified exactly which nameplates are being eliminated, though reporting suggests smaller European models like the T-Cross, T-Roc, and Taigo are more exposed than core U.S. sellers like the Tiguan and Atlas.

*If this restructuring proceeds as proposed, it would represent the largest workforce reduction in the history of the global automotive industry, surpassing the roughly 50,000 job cuts General Motors made during its 2009 bankruptcy.*

## Why This Is Not a Simple Decision to Execute

Volkswagen's ownership and governance structure make this restructuring far more complicated than it would be at a typical publicly traded automaker. Labor representatives and the German state of Lower Saxony together hold more

than half the seats on Volkswagen's supervisory board. Lower Saxony is both a shareholder in the company and home to six Volkswagen plants, giving it a direct financial and political stake in keeping those facilities open.

That structure produced a visible standoff in July 2026: labor representatives on the supervisory board reportedly blocked the specific job cut and factory closure proposals during a tense meeting, even as the company's public statements confirmed the broader lineup and capacity reduction plan would proceed. Worker protests were organized at 18 Volkswagen sites across Germany, including outside the company's Wolfsburg headquarters, as the metalworkers' union IG Metall mobilized against the proposed cuts.

Tariffs have added a separate layer of financial pressure on top of the competitive and labor challenges. Blume has stated that U.S. tariffs alone are costing Volkswagen as much as 5 billion euros annually, a cost the company is absorbing at the same time it is trying to fund the restructuring itself.

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## Volkswagen's U.S. Operations Are a Different Story

It is worth being precise about geography here, since headlines about mass layoffs can create the impression the cuts are global in the same proportion everywhere. Volkswagen's Chattanooga, Tennessee plant, the company's primary North American manufacturing base, has not been named among the facilities under review in the German restructuring plan. Reuters reported specifically that the Chattanooga plant does not appear to be part of the proposal targeting up to 100,000 jobs in Germany.

That does not mean the U.S. operation has been untouched. In April 2026, Volkswagen confirmed a smaller, separate action cutting fewer than 75 salaried and administrative positions in the Chattanooga area, explicitly stating hourly production workers were not affected. Around the same time, the plant ended assembly of the electric ID.4 to shift production capacity toward the higher-volume, gas-powered Atlas SUV, a move the company framed as resequencing its EV strategy rather than abandoning it, though a future version of the ID.4 for the North American market remains only loosely committed to at this point.

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## What This Signals for the Broader Industry

Volkswagen's crisis is an extreme version of a pressure playing out across nearly every legacy automaker right now: rising Chinese competition, tariff costs that did not exist a few years ago, and a electric vehicle transition that has been more expensive and less linear than most companies planned for. What makes Volkswagen's situation stand out is the scale, both the size of the company itself and the size of the response it now believes is necessary.

Whether the full 100,000-job plan survives negotiations with labor and the German government remains genuinely uncertain. What is not uncertain is that Volkswagen's leadership has concluded the company's existing cost structure cannot compete with Chinese rivals as they currently are, and that belief alone is likely to keep reshaping the company's factory footprint, product lineup, and workforce for the rest of the decade.

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