

# Volkswagen brand's biggest performance program on track, with earnings contribution of up to four billion euros expected for 2024



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BY [VOLKSWAGEN](#)

Company and Works Council agree on key measures paper

- Performance program to optimize costs and performance in order to achieve the 6.5 percent profitability target for 2026
- Agreement reached after constructive negotiations: new policies for staff reduction measures aim to reduce personnel costs especially in the administrative units by 20 percent
- Volkswagen AG extends its partial retirement scheme to staff born in 1967, from January 2024, and maintains hiring freeze

The Volkswagen brand has achieved an important milestone in the

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global performance program, with management and employee representatives reaching agreement on key points to streamline the company, following intensive negotiations. The objective of the three-year program is to secure the Volkswagen Group's core brand competitiveness, ensure it is future-proof and sustainable in the long term. The Volkswagen brand aims to make a positive earnings contribution totaling ten billion euros by 2026, also to offset negative effects such as inflation and higher raw material costs. The operating return on sales is expected to improve sustainably to 6.5 percent in 2026. The Volkswagen brand projects that the program will deliver positive earnings contributions of up to four billion euros as early as 2024. To achieve this, the Company concentrates on performance-enhancing and cost-saving measures in the program's three focus areas: optimizing material and product costs, reducing fixed and manufacturing costs and increasing revenues. The Company and the employee representatives have also reached agreement on staff reduction measures to cut personnel and labor costs. These measures will apply throughout Volkswagen AG. As such, from

January 2024 the Company will extend its partial retirement schemes to all employees born in 1967 (and for severely handicapped employees born in 1968), to reduce administrative staff costs in particular. The current hiring freeze and access freeze to the Tarif Plus salary group will continue until further notice.

Performance program focuses on performance improvements and cost savings

The

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program is being implemented in all areas and at all levels of Volkswagen. Measures that have already been adopted and are currently being implemented include the following:

- Development times for new Volkswagen models will be cut from 50 to 36 months so that vehicles are brought to market faster without sacrificing quality or safety. This will save more than one billion euros over the period covered by the planning round through 2028.
- The number of test vehicles in Technical Development will be reduced by up to 50 percent as digitalization and technological advances enable more testing to be carried out on test rigs. This could save around 400 million euros per year without compromising quality.

Other measures include improved procurement services, which will enable annual savings of over 320 million euros to be generated, enhanced after-sales business, which will generate more than 250 million euros per year, and the optimization of production time along the agreed site pacts, which will save over 200 million euros each year. All of these measures will be implemented as early as 2024.

### Socially acceptable job cuts

Volkswagen AG's performance program is also focusing on selective administrative job cuts with the goal of sustainably improving cost structures and safeguarding jobs in Germany at the same time. The demographic curve – which will see baby boomers retiring in the next few years – will also be leveraged to the maximum with partial retirement being offered to employees born in 1967 (1968 for severely handicapped persons). Workforce reduction measures that are already being used such as the hiring freeze and the stabilization of Tarif Plus will be continued.

Volkswagen AG aims to reduce its administrative staff costs in particular

by 20 percent. The Company will also offer selective termination agreements at all levels if necessary. There is no general termination-agreement program. Open positions in the future will not be filled or will only be filled in exceptional cases. For this, the Company will also facilitate transfers within the Group via an internal job market. The workforce reduction measures will take effect for Volkswagen AG from January 2024, seamlessly following on from the “Digital Transformation Roadmap” agreement concluded between the Company and the employee representatives in 2019.

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