

Mercedes' "Next Level Performance" cuts programme: A declaration of war on the workforce

K. Nesan
25 February 2025

At the end of last year, in the midst of a jobs massacre and plant closures at Volkswagen, Mercedes-Benz announced a cuts programme codenamed "Next Level Performance," which aims to permanently save the company €5 billion over the next three years, a large part of which will be achieved through job reductions. Half of this is to be accomplished this year. A further billion is planned for 2026 and the remaining €1.5 billion in 2027.

Last Thursday, Chief Human Resources Officer Sabine Kohleisen and Works Council Chairman Ergun Lümalı presented employees with an intranet video showing what they have been negotiating since mid-January. What Ergun Lümalı described as "constructive talks" to "secure the future in 2035" turned out to be joint preparations for an unprecedented attack on Mercedes workers. The following cuts are on the table:

- Loss of entitlement to the contractual additional allowance (T-ZUG), which has been agreed since 2019 and is paid once a year at 27.5 percent of the average monthly salary for employees working shifts, looking after children or caring for relatives and can be converted into eight days off.
- Abolition of the annual profit-sharing scheme for employees, which has been in place at Mercedes since 1997. In 2023, each employee received an average of €7,000. The greedy shareholders, on the other hand, were paid a record dividend of €5.5 billion. The abolition of profit sharing alone will bring the company €630 million at the expense of the current 90,000 employees. In addition, anniversary bonuses will be reduced.
- All employees will have to take one day off on Christmas Eve and New Year's Eve instead of two half days as before.
- Reduction of the miserable pay rise agreed by the IG Metall union in November 2024. According to the collective agreement, wages should rise by 2 percent from April 2025 and by a further 3.1 percent from April 2026. This is now in question.
- Flexibility in production. Workers will be deployed in different production halls and have to move between the different stages of the production process, regardless of their pay grade. High-paid jobs are being replaced by lower-paid ones. As part of outsourcing projects, parts of or the entire production process will be outsourced to external companies at a lower cost in order to reduce labour requirements.

In the intranet video, Kohleisen hinted at massive job cuts. She called for "leaner" structures in order to master the company's

immediate challenges. While labour costs had allegedly exploded in recent years, the company's productivity had not increased to the same extent, she said.

The sluggish development of electromobility, unplanned high investments in combustion engines, the continuing decline in sales in the important Chinese market, which is technologically innovative and where there is cheaper competition, required structural changes, according to Kohleisen.

Immediately after the announcement of the savings programme, Mercedes-Benz CEO Ola Källenius gave an interview to the *Süddeutsche Zeitung*, followed two days later by the chairman of the General Works Council, Ergun Lümalı, in the *Frankfurter Allgemeine Zeitung*. Like in a rigged card game, the interviews revealed the cost-cutting programme planned and agreed to by management and IG Metall, which will exceed the attacks at Volkswagen.

Manager Magazin reported in December that Mercedes intends to implement the €5 billion savings programme over the next two years by cutting up to 20,000 jobs. Källenius would neither deny nor confirm the figures in his interview, suggesting that management and IG Metall were still negotiating the actual number of jobs to be cut, which may be higher.

At the end of January, the editor-in-chief of *Manager Magazin*, Isabel Hüslén, said in the magazine's weekly podcast that the year 2025 would be decisive for Mercedes. Depending on further market developments and sales results, it was possible that up to 20 percent of the 166,000 jobs worldwide could be cut. That would be more than 33,000 jobs.

Källenius praised the job cuts at Volkswagen as part of the German car industry's "continuous improvement process." What Volkswagen had implemented also applied to Mercedes. Structures had to be reconsidered, which also included personnel costs. But unlike at VW, this would be done calmly, "responsibly and together with the works council."

In response to repeated questions asking how many redundancies were planned, Källenius replied, "It makes no sense to give a specific figure. You look at your company as a whole, you have revenue, you have costs, investments, and from this you come up with a result and an investment target that you set yourself. We don't come along with a lawnmower and say we'll make minus x percent. We turn over every stone and improve our structures."

The savings programme was aimed at increasing the “result and an investment target” that was not achieved in previous years.

Since May 2022, the Board of Management has been pursuing the strategy of primarily producing luxury cars, with the aim of achieving a return on sales of 14 percent or more by the middle of this decade. In 2022, the return on sales of Mercedes-Benz cars was 14.6 percent, but the expected returns have not been achieved since then. In 2023, it fell to 12.6 percent and in 2024, according to preliminary figures, to 7.5 to 8.5 percent. Total profit for the Mercedes-Benz Group is expected to be “probably significantly below the previous year’s level.” In 2023, it amounted to €19.7 billion and €20.5 billion in 2022.

The transformation to electromobility being pushed by industry and government is not about protecting the environment, but provides a pretext for massive job and social cuts. The inflated prices of electric cars are not affordable for most workers.

According to the Federal Motor Transport Authority, the number of newly registered electric cars in 2024 was 381,000, a decrease of 27.4 percent compared to 524,000 such registered vehicles in the previous year. The number of registered vehicles with petrol engines rose by 1.4 percent to 992,000, while the number of diesel vehicles fell slightly by 0.7 percent to 483,000.

Mercedes sold just under 2 million cars worldwide in 2024, 3 percent fewer than in 2023. The share of electric cars was 9.3 percent. That is 185,000 vehicles, 23 percent fewer than in 2023. In 2022, Mercedes had planned to increase the proportion of electric vehicles to 50 percent by 2025. It is currently below 10 percent.

The cost-cutting programme is meeting with fierce resistance from workers who are concerned about the future of their families.

General Works Council Chairman Lümalı said in an interview with the *Frankfurter Allgemeine Zeitung* in mid-December that he was aware of the “unrest and uncertainty” of the workers on the production line. They watched the news every day to see how badly the German automotive industry was doing in China and Trump’s threats of punitive tariffs. The workers in Sindelfingen were also familiar with single-shift production. Factory 56, one of the most modern production facilities in the world, where the luxury models are produced, has been running in single-shift operation since December due to a lack of orders.

Lümalı basically agreed with management that cost-cutting measures were unavoidable. “The situation is not easy. We will talk about variable costs, but also about fixed costs in production, logistics and materials,” he said. “And the Executive Board will certainly also confront us with personnel costs. But we can only do what is realistically realisable and finds acceptance and understanding. ... We will analyse feasible cuts for the team and then see what figure comes out in the end.”

In reality, Mercedes workers are threatened with cuts similar to those at Volkswagen, which Källenius described as a “continuous improvement process” in the automotive industry.

Lümalı made it clear in his interview that he completely subordinates the interests of the workforce to management’s profit strategy and would never dream of waging a principled fight in defence of jobs and incomes. Even more absurd for him is a joint struggle with fellow workers at VW or in the supplier industry,

where hundreds of jobs are being destroyed every day, or with auto workers in other countries who are fighting against the same international corporations.

“In every discussion with the Board of Management, I demand a growth strategy,” Lümalı told the *Frankfurter Allgemeine Zeitung*. “I am very clear on that. We will not be satisfied with less than 2 million vehicles a year—we need that to utilise the German sites to capacity. To achieve this figure, we need growth, growth, growth. This requires new strategies to win back lost market share.”

He also expressly defended Källenius’ “luxury strategy.” “If I see that I am selling fewer cars than planned, but I need profits to finance the transformation, then I have to generate a higher margin on the fewer cars sold.”

Mercedes workers can be certain that apart from a few words of indignation about the “horror list” and the “poison list,” the IG Metall and works council will do nothing against the cuts programme, but will fully support it and play a decisive role in its implementation.

In order to beat back the attacks by Mercedes, it is essential to break with IG Metall and its works council representatives and join forces with all autoworkers who are prepared to fight to form rank-and-file action committees. These committees must be independent of IG Metall and responsible only to the rank-and-file, take the fight into their own hands and network with action committees in other plants, companies and countries.

They must defend all jobs at all sites as a matter of principle and reject all concessions on wages and social gains. Secure jobs and decent wages are more important than the profits of the billionaire shareholders.

Workers who agree with this should get in touch with the action committee via WhatsApp at +49-163-337 8340 or register using the form below.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact