

Schaeffler looks at downsizing measures, to cut 4,700 jobs in Europe

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About 3,700 job cuts will result from production relocations

The board of managing directors of Schaeffler AG has agreed on structural measures with a regional focus on Germany and Europe in response to the challenging market environment amid global transition to electric vehicles, Schaeffler announced Nov. 5.



Source: Getty Images/ pixelfit

Schaeffler's structural measures have three key parts, with the first one focusing on the need to improve the earnings performance of the company's Bearings and Industrial Solutions division, which is grappling with continuing economic weakness, structural problems and increasingly intense competition.

The second part comprises the synergies from the merger with Vitesco Technologies Group AG. These will mainly be in the form of revenue and purchasing synergies but will also involve some workforce downsizing.

The third part encompasses measures stemming from the ongoing transformation of the automotive supply industry. These include measures relating to the declining volume in internal combustion engine (ICE) technology and the current weakening of new programs for electric drives in Europe. These measures, therefore, affect both the company's Powertrain and Chassis division and its E-Mobility division.

Schaeffler said that the structural measures approved by the board envisage a gross loss of about 4,700 jobs, some 2,800 of which will be in Germany. This includes 3,700 job cuts resulting from production relocations, corresponding to about 3.1% of the total post-merger headcount. According to the company, the merger in October had increased its total headcount by about 35,000 to approximately 120,000.

These downsizing measures will impact 10 locations in Germany, the company said, adding that five locations elsewhere in Europe are affected as well, including two that are set to be closed. While Schaeffler did not disclose which five other locations in Europe will be impacted, it said that it intends to divulge more information regarding these locations by the end of 2024.

Schaeffler said it intends to implement the majority of these measures over the period from 2025 to 2027.

As a result, Schaeffler estimates that these structural measures offer potential savings of about €290 million annually starting in 2029. About €75 million of these savings will come from cost synergies from the merger with Vitesco. These cost synergies are part of the target effect of €600 million per year disclosed when the merger transaction was announced. The implementation of the new measures will require a one-time expenditure of about €580 million, largely consisting of provisions and relocation costs.

Schaeffler AG CEO Klaus Rosenfeld said, "By taking the measures we will tackle three issues. Firstly, we will get our bearings and industrial business back on track. Secondly, we will realize cost synergies from the merger with Vitesco Technologies. And thirdly, we will continue the transformation of our Powertrain [and] Chassis and E-Mobility divisions. Given the current business environment, this program is necessary to safeguard the Schaeffler Group's competitiveness over the long term. We will implement it in a socially equitable and carefully considered manner."

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