Navigating Workforce Shifts in German Industry

Personnel Restructuring Radar

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By Jens Jahn and Marios Dimitriou

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Overview

Executive Summary

BCG's Personnel Restructuring Radar provides a quarterly, indicator-based view of workforce restructuring signals among Germany's largest listed corporates. In Q1 2026, the composite score edged down to 17/40, the first directional move after two stable quarters at 18/40. The reading points to a restructuring environment that continues to moderate on the surface, while underneath, the composition of activity is shifting: temporary flexibility instruments are fading, permanent structural measures persist, and social partner dynamics are picking up.

All patterns at glance

The Radar is built on four equally weighted dimensions: personnel cost down intensity, short-time work, site restructuring activity, and social partner sentiment, each scored from 1 to 10 and aggregated into a composite score (maximum 40). Macroeconomic indicators are tracked separately as context.

The one-point decline from 18 to 17 may appear modest in isolation, but underneath the surface the building blocks are moving in opposite directions. Short-time work has fallen to its lowest reading in the Radar’s history (2/10), suggesting that temporary flexibility instruments are losing relevance as companies transition to permanent structural measures. Meanwhile, social partner sentiment rose from 4 to 6, driven in part by the 2026 works council election cycle, which has heightened engagement between management and employee representatives.

The divergence signal

This quarter’s defining feature is divergence across the four dimensions. Previous quarters showed a broadly aligned picture, with the building blocks either rising or holding steady together. Q1 2026 presents a more fragmented pattern: fewer layoff announcements and declining Kurzarbeit on one side, but more active social partner dynamics and a slight uptick in site closures on the other. For stakeholders, this means the headline number alone does not tell the full story; the mix of instruments matters as much as the overall score.

This divergence matters for interpretation. It indicates that Q1 is not simply a quieter quarter, but a more complex one: fewer temporary measures are visible, while implementation, negotiation, and selective footprint decisions continue underneath the headline score.

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Quiet Descent, Varying Signals

Q1 2026 closes with a composite PRR score of 17/40, down one point from Q4 2025. For the first time since Q2 2025, the Radar registers a directional move rather than stability. The question for interpretation is not whether this represents a turning point, given the decline is too marginal for that, but what it reveals about how restructuring activity is evolving across Germany's largest corporates.

As in previous editions, the Q1 result is anchored in the PRR's four equally weighted indicators: personnel cost down intensity, short-time work, site restructuring activity, and social partner sentiment. Read together, the composite score provides an integrated view of how companies combine structural measures, flexibility levers, footprint actions, and stakeholder dynamics rather than serving as a narrow layoff metric.

This is where the Radar's value lies for interpretation: it helps distinguish between quarters where a score shift reflects uniform movement across dimensions, and quarters where the same headline number masks meaningful divergence underneath. Q1 2026 is clearly the latter. The composite declined by one point, but the building blocks moved in opposite directions. That divergence, not the headline, is the story.

Some key take-aways at glance

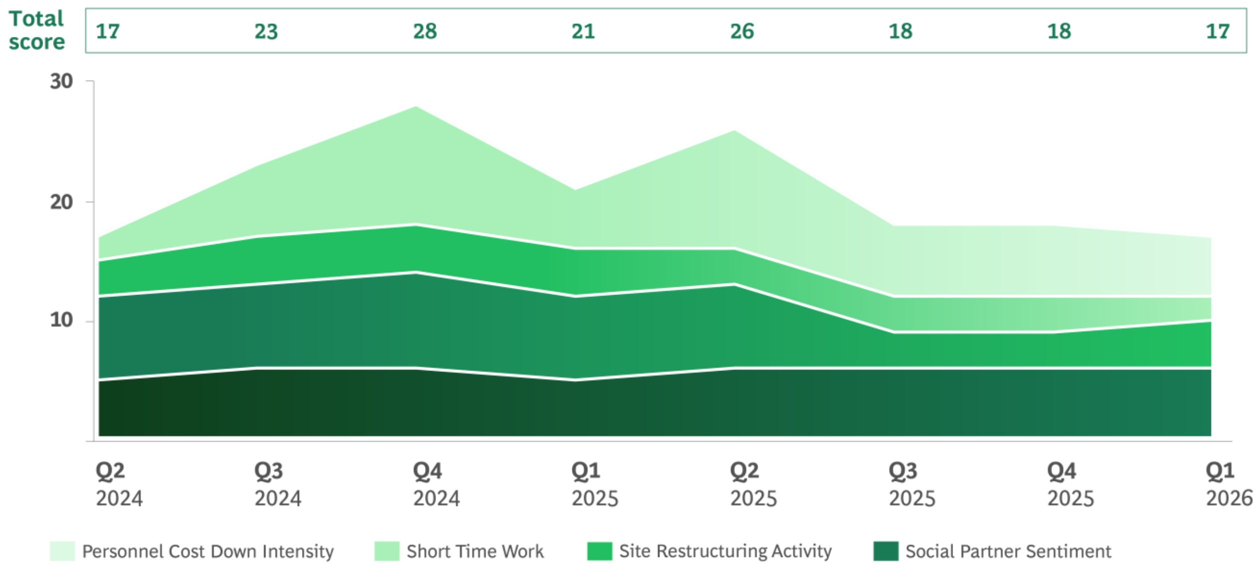
- **Restructuring is moderating, but not receding.** The one-point drop to 17/40 marks the lowest composite score since Q2 2024 (17/40), but the underlying drivers are fundamentally different. In early 2024, the lower score reflected an economic environment that had not yet triggered broad-based restructuring. In Q1 2026, it reflects an environment where companies have already executed the most urgent measures and are now in the later phases of multi-quarter programmes. The distinction matters for forecasting, as this is a late-cycle moderation, not an absence of activity.
- **Temporary flexibility is giving way to permanent measures.** Short-time work dropped to 2/10, roughly 39,200 employees on average, well below the five-year median of approximately 91,000. This is the lowest reading in the Radar's history. When companies stop relying on Kurzarbeit, it typically signals one of two things: either demand has recovered enough to no longer require flexibility buffers, or overcapacity has been addressed through permanent actions such as layoffs, exits, and closures. In the current macro environment (Business climate index at 86.4, GDP at approximately 1%), the second explanation is more plausible. The temporary bridge has been crossed, and what remains tends to be harder to reverse.
- **Social partner dynamics are slightly heating up.** A key driver is the 2026 works council election cycle: across German corporates, employee representatives are being newly elected or re-confirmed, and freshly constituted councils tend to assert their mandate through active engagement, particularly where restructuring programmes from 2024 or 2025 are now moving into implementation. This institutional rhythm means that social partner activity is likely to remain elevated through Q2 and Q3 2026 even if no new restructuring measures are announced.
- **Site closures tick up, led by a high-profile case.** Three companies announced facility closures in Q1, up from two in each of the previous two quarters, pushing the site-restructuring rating from 3 to 4. The most significant case affected a large German logistics operation and escalated into formal labour-court proceedings after standard negotiations did not produce agreement. Additional production-related shutdown announcements in industrial sectors contributed to the quarter's increase. While the overall count remains low, single large-scale closure announcements continue to shape quarter-level restructuring narratives disproportionately.

Taken together, Q1's decline to 17/40 points to a restructuring environment that is stable on the surface but is shifting beneath, with temporary levers fading, structural measures persisting, and social partner dynamics intensifying.

The key interpretation is therefore compositional: not "how much activity," but how instruments diverge and whether companies can navigate this transition while maintaining coherence and predictability for key stakeholders

EXHIBIT 1

Personnel Restructuring Scores Over Time



Source: BCG analysis.
Note: the PRR tracks number and intensity of publicly announced actions (e.g. layoff programs, site moves, etc.). It does not quantify total affected employees per quarter.

Media Analysis

Q1 2026 media coverage of workforce restructuring in German corporates reflects a maturing narrative. The dominant framing has shifted further from "crisis and cuts" toward "transformation in execution." Coverage increasingly treats restructuring as an ongoing management process rather than a newsworthy event in itself.

Keyword frequencies.

The vocabulary of Q1 restructuring coverage continued to shift. Shock-oriented terms like „Massenentlassung" (mass layoffs) appeared less frequently than in any previous quarter, while process-oriented terms gained ground. „Sozialplan", „Freiwilligenprogramm", and „Umsetzung" (implementation) appeared consistently, reinforcing the picture of restructuring as something managed, phased, and governed. Two new keyword clusters stood out. First, references to the works council election cycle appeared at notably higher frequency. Second, „Kurzarbeit" (short-term work) nearly vanished from coverage altogether, consistent with the Radar's lowest ever short-time work reading at 2/10.

Tonality shifts.

The tone of Q1 coverage split along a clear line. Routine programme updates from established restructuring cases were reported in a procedural, almost administrative register, treating workforce adjustment as part of regular corporate housekeeping. Coverage of large-scale facility closures was more adversarial, driven by escalation in co-determination committees after bilateral negotiations stalled. Among listed companies in Germany, such escalations remain relatively uncommon, and the press treated them accordingly. This tonal divergence is likely to persist into Q2 2026: as standardized social-partnership processes fade into the background, exceptional conflict-driven cases are expected to attract disproportionate attention.

Sentiment markers and notable trends.

Two themes shaped Q1 sentiment beyond the usual restructuring reporting. First, the works council election cycle introduced a governance angle largely absent from previous quarters. Because candidates and election committee members receive special dismissal protection during the election period, the timing and execution of restructuring measures can be directly constrained, a tension several articles noted explicitly.

Second, corporate insolvencies continued to surface as context. According to the IWH insolvency trend, February 2026 recorded 1,466 corporate insolvencies, with 23,000 employees affected, a 22% increase compared to February 2025.[1] While the case count itself rose only modestly, the sharp jump in affected headcount suggests insolvencies are increasingly hitting larger businesses. This frames restructuring among listed companies as part of a broader pattern of corporate stress that extends well beyond the DAX and MDAX peer group.

[1] Leibniz-Institut für Wirtschaftsforschung Halle (IWH), Insolvency Trend, February 2026.

Communication in Workforce Restructuring

Separating Signal from Noise

Across Q1 2026, restructuring communication in German large corporates increasingly intersected with a separate but related question: how to talk about artificial intelligence. The intersection is not coincidental. Many of the companies announcing workforce reductions in Q1 are also publicly investing in AI capabilities, deploying generative tools in customer service and administrative functions, and being asked by analysts, journalists, and works councils whether the two stories connect. How companies have answered varies in ways that are themselves analytically revealing.

The Q4 2025 deep dive analysed the structural quality of restructuring communications across five message dimensions. This quarter we narrow the lens to a single dimension within the same sample: how AI is positioned, or not positioned, in the restructuring announcement itself. The question matters because Q1 2026 is the first quarter in which AI capability and workforce decisions have begun to converge visibly in German corporate communication. How companies handle that convergence reveals something about where the market currently sits on a question without an obvious right answer.

The assessment lens

The deep dive uses the same sample as the composite score. To classify each case consistently, we assessed the restructuring communication against three questions:

1. **Mention:** Is AI named in the restructuring communication at all, whether as context, driver, or future investment?
2. **Direction:** If AI is mentioned, is it associated with workforce reduction, workforce redeployment and reskilling, or independent strategic investment?
3. **Linkage:** Is the relationship between AI and the workforce decision explicit (causal), parallel (co-existing but separate), or absent from the communication?

Together, these archetypes provide a structured way to interpret how German large corporates currently position AI within restructuring communication.

Four observed communication archetypes

Archetype 1: AI as named cause

The most explicit position. AI is identified as a reason for workforce reduction, with specific functions, roles, or operational areas named. The communication moves beyond rhetoric into operational specificity: which AI capability is replacing which work, and at what scale.

The clearest Q1 2026 examples positioned AI as directly linked to workforce efficiency gains and operational redesign. In these cases, restructuring communication moved beyond broad transformation language toward more explicit references to automation potential and changing role requirements. Public discussion around these announcements often connected workforce adjustments with advances in generative AI capabilities, particularly in administrative and service-related activities.

At the same time, companies generally maintained a degree of formal communication distance. In several cases, AI was not explicitly identified as the sole driver of workforce reductions in official restructuring disclosures, but became associated with the broader transformation narrative through executive commentary, investor communication, media interpretation, or prior public demonstrations of AI capabilities.

This positioning remains relatively rare in the current sample. Most Q1 2026 restructuring announcements referenced AI either indirectly or as part of longer-term transformation agendas rather than as a direct rationale for workforce reduction. The observed caution may reflect the reputational, regulatory, and stakeholder sensitivity associated with explicitly linking AI adoption to personnel measures

Archetype 2: AI as enabler

The position in which AI is presented as creating capacity for redeployment, reskilling, or workforce transformation rather than as a destroyer of roles. The narrative is forward-looking and paired with concrete commitments to upskilling, internal mobility, or new role creation.

This is the position one would most expect to see in restructuring announcements made in 2026. Announcing layoffs is communicatively expensive: it generates union friction, regulatory attention, and reputational risk. A company with a parallel AI investment story has an obvious opening to combine the two narratives, framing AI not as the threat behind the cuts but as the mechanism that creates new opportunities for affected employees. The opening exists. None of the observed Q1 cases takes it.

No company in the sample combines its restructuring announcement with substantive, structural commitments to AI-enabled workforce redeployment of the kind that would qualify. Some companies elsewhere in their corporate communications adopt enabler-adjacent language, framing AI as a partner to the workforce rather than a threat, but those statements appear outside the restructuring announcements themselves, the enabler position is absent.

Archetype 3: AI as parallel investment
A pattern in which AI investment and workforce reduction appear in the same communication or strategic update, but without causal linkage. The two stories run side by side. The investor or reader is left to infer the relationship, or to conclude that there is none.

The Q1 2026 example comes from an automotive supplier recently spun off from its parent company. The organization announced the elimination of research and development positions across multiple geographies including Germany, while simultaneously confirming continued investment in software-defined vehicles, autonomous driving, and other AI-adjacent capabilities. The two announcements appeared in the same statement. The justification for the headcount reduction was framed in terms of efficiency and a challenging market environment, not in terms of AI displacing R&D roles. The continued AI investment was framed as future capability building, not as the operational reason that fewer engineers were needed today.

This position represents a middle ground. AI is acknowledged and made visible to stakeholders, which differentiates it from the silent driver position below. The causal silence, however, allows the company to maintain narrative flexibility. If the cuts succeed in stabilising costs and the AI investments deliver capability, the two stories can later be combined retroactively. If either fails, neither is contractually tied to the other.

Archetype 4: AI as silent driver
The company is observably deploying AI at scale that materially affects workforce planning, but the restructuring communication frames the workforce impact in other terms: demographics, efficiency, transformation programmes, market conditions, or competitive pressure. AI appears in strategy materials, investor presentations, and the technology pipeline, but not in the workforce narrative attached to the restructuring announcement.

Few Q1 cases fit this position. A large insurer publicly committed to several million euros in annual cost savings by 2030, with AI implementation explicitly named as part of the transformation programme. The company stated that workforce reductions were not planned, only workforce relocations were under review. A large software major experienced significant investor concern over its AI in the first quarter, including a sustained share price decline and insider reports of comprehensive internal restructuring planning at elevated urgency. The company excluded layoffs while qualifying that this position holds only as of today, a phrasing that signals the exclusion is conditional and time bound. AI is centrally implicated in the strategic context, but the workforce communication maintains traditional framing.

Cross-cutting observations
Across the quarter, several broader communication patterns emerge.

First, most restructuring announcements continue to rely on traditional framing centered on efficiency, competitiveness, demand pressure, or structural adjustment rather than explicitly linking workforce measures to AI deployment. Even where companies are visibly investing in AI capabilities elsewhere, restructuring communication often treats AI and workforce reduction as separate narrative tracks.

Second, companies appear significantly more comfortable communicating AI as a strategic growth, productivity, or innovation agenda than as a workforce-impact topic. This creates a noticeable asymmetry in current corporate communication: AI ambition is increasingly public, while AI-related workforce implications remain comparatively indirect or under-articulated.

Third, the quarter suggests that companies are still testing the acceptable communication boundaries around AI and workforce change. Some organizations have started to acknowledge the connection more visibly, while others continue to maintain deliberate separation between technology transformation narratives and restructuring communication.

Implications for communicators
The Q1 2026 evidence points to three practical considerations for companies navigating restructuring communications in an AI-saturated environment.

First, the choice about whether and how to invoke AI in restructuring narratives is itself a strategic communication decision, not a neutral disclosure. Q1 2026 shows that companies facing similar economic and operational conditions are making materially different communication choices, and those choices are increasingly being noticed by analysts, unions, journalists, and investors.

Second, the absence of visible enabler framing is one of the clearest observations of the quarter. Companies that are both restructuring and investing heavily in AI may have an opportunity to position the two stories as complementary rather than competing. Doing so credibly, however, would require substantial supporting infrastructure, including upskilling commitments, redeployment pathways, and internal mobility programmes rather than narrative framing alone.

Third, maintaining a strict separation between AI transformation narratives and workforce communication may become increasingly difficult over time. As external stakeholders gain greater visibility into operational AI deployment through investor communication, regulatory disclosure, and industry reporting, the gap between transformation messaging and workforce implications may attract greater scrutiny. Companies should therefore anticipate increasing pressure to communicate more consistently across technology, workforce, and transformation narratives.

Conclusion

Q1 2026 reinforces a restructuring environment that is moderating on the surface while continuing to evolve underneath. With the composite PRR score edging down to 17/40, the quarter does not point to a broad escalation of workforce measures. Instead, the data suggest that many German corporates have moved beyond the most acute adjustment phase and are now managing the later stages of multi-quarter transformation programmes with a more differentiated mix of instruments.

Key takeaways from Q1 2026:

1. **Stable moderation.** The one-point decline marks the first directional move since Q2 2025, but the broader signal remains one of controlled adjustment rather than reversal. Companies appear increasingly focused on execution and implementation, with fewer shock-driven announcements and more phased workforce measures.

2. **Structural measures are replacing temporary flexibility.** Short-time work fell to its lowest level in the Radar's history, reinforcing the view that companies are relying less on temporary labour buffers and more on permanent structural actions where required.

3. **Co-determination is becoming more operationally visible.** The rise in social partner sentiment reflects more active engagement between management and employee representatives, partly shaped by the 2026 works council election cycle. Co-determination increasingly influences the timing and implementation of restructuring programmes rather than simply signalling agreement or conflict.

4. **Communication narratives are becoming more complex.** This quarter's communication deep dive suggests that restructuring narratives increasingly intersect with broader AI and technology transformation agendas.

Outlook

Looking into the remainder of 2026, the key question is less whether restructuring continues and more how the mix of measures evolves. Q1 suggests a continued shift away from temporary flexibility instruments toward more structural workforce and footprint adjustments where required. At the same time, clear communication and predictable stakeholder engagement will remain critical as companies move from programme announcement into execution.

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