

European Works Council

Fair differentiation between employees is acceptable, exclusion can never be tolerated

"I could easily see **30% of our non-customer-facing roles** such as Human Resources getting **replaced by Artificial Intelligence** and automation over a five-year period", Arvind Krishna told Bloomberg on May 1, 2023. This figure represents about 7.800 jobs worldwide. He repeated a similar message in his CEO Office Hours on May 3, 2023 and shared his fundamental belief about machines increasing our quality of life by automating and replacing labour, especially repetitive back-office work. "By re-skilling and learning new skills, this makes us even more valuable in the economy to come" Arvind said. He added "I'd like IBM to be twice the size in revenue, not in the number of employees. In that way we are more competitive, we can compensate our employees better and we are more attractive to our owners".

The IBM EWC can fully understand that AI will take over human workloads more and more and sees clear benefits of the use of AI. The team requested IBM senior management to **provide a comprehensive and holistic overview of the company's strategic direction** and to provide information about the specific implications of AI to European colleagues, especially working in non-customer-facing back-office roles, including timelines and solutions. The membership informed IBM senior management that Arvind's statements had created questions and sentiments of unrest and emotion amongst European IBMers. European employees cannot understand that important, strategic information about their future and their employment has to be read frequently in the press. Internal communication is often late and after decisions have been taken or provided in a fragmented manner and insufficiently complete to really understand the bigger picture. Understanding the company's strategy is crucial to anticipate adequately and to improve the engagement of IBMers all over Europe.

IBM senior management stated that Arvind's comments should be considered as commercial statements to clients and financial stakeholders. In this context, management also referred to the announcement of watsonx during the IBM Think event, with IBM being 'client zero' to make use of its own technology and thereby showing the world the benefits of generative AI. **IBM senior management was unable to confirm the specific impact of the use of AI** in non-customer-facing roles in Europe. Based on headcount numbers provided at the meeting, the IBM EWC estimates that the work of around 3.000 European colleagues in back-office roles could be touched by AI in the coming five years. The membership requested IBM senior management to make a European assessment and analysis urgently for Human Resources and all other Support Units and to inform and involve the IBM EWC about the situation, expected implications and scenarios.

IBM senior management provided an update regarding IBM's Internal Mobility Framework renamed in **IBM's Business Mobility Framework**, aimed at matching IBMers declared redundant on vacant positions. The IBM EWC was informed that 70% of open vacancies are filled by IBMers today and that the company aims at increasing the target to 85%. IBM senior management stated that they do not measure nor track the effectiveness of this renewed 'fluid process' for colleagues who are requested to look for an alternative job, because their current position is not strategic to IBM anymore. The IBM EWC expressed its deep concern about this approach, especially since internal redeployment is IBM's key solution to avoid resource actions.

As an example, and after repeatedly raising requests for information, the IBM EWC was after months at last informed about a **new third wave of redeployment in TLS**, using IBM's Business Mobility Framework. However, IBM senior management provided only the total number of impacted employees within TLS Remote Technical Support and TLS Indirect Support Staff around Europe and said to be ignorant about the country implications and breakdowns. The IBM EWC cannot understand how IBM, as a data-driven AI company, is able to effectively support and redeploy the TLS workforce without knowing in which European countries employees are located and without structured tracking. To avoid that IBMers are excluded from relevant opportunities, the IBM EWC urges IBM senior management to actively start monitoring and tracking the effectiveness of its redeployment processes for employees who are requested to look for alternative work within the company.

IBM senior management furthermore informed the IBM EWC that there is no European IBM-expert who can provide a comprehensive and holistic overview of IBM's worldwide strategy and who can explain the implications for European employees. The IBM EWC is disappointed and concerned. In the 'new IBM', it is **more important than ever before to be in the right strategic part of the company** and to work in a 'hot' customer-facing job role or critical profession. It was explained at the meeting that approximately 50% of our European employees have technical skills around AI, Cloud, Quantum and Security and work in a strategic job role. IBM primarily invests in these employees. With AI tools such as Watson Compensation Advisor, the company qualifies job roles and determines on a yearly basis which employees in which job roles and in what parts of the business are relevant, strategic and qualify for an ESP salary increase.

The IBM EWC concludes that **employees without these technical skills are considered as less relevant** by IBM's smart systems and algorithms. In this logic, the membership observes that IBM structurally ignores the results of its Engagement Surveys. Compensation & Salary has been ranked as the #1 topic driving the most negative impact on engagement around Europe for at least five consecutive years. The company is not willing to invest any money in employees whose work can be replaced by AI tools within five years. Based on this approach, a growing part of our employees feels excluded and has lost buying power over the past years and will continue to do so, especially in times of high inflation. The IBM EWC considers IBM's current salary practice as perverse, inhumane and in total contradiction with the company's principles of equal opportunity and equal treatment. Fair differentiation between employees is acceptable, exclusion of colleagues can never be tolerated.

"Compensation was increasingly cited as a key reason for switching jobs compared to the previous year". This is one of the main conclusions in the global employee survey from IBM's Institute for Business Value (IBV) presented on April 18, 2023. The IBV surveyed more than 20.000 employees worldwide, identifying opportunities for clients to improve the ways in which they engage with their workforces. The survey shows that the most important engagement factors are salary (52%), job security (43%) and employee benefits (42%). The brand name of the company was ranked lowest (16%) and workforce loyalty levels posed a risk, as most employees were more aligned with the work they do rather than who they work for. In the view of the IBM EWC the findings of its own IBV are fully logical and normal. Active application in practice, especially within IBM, should be common sense.

IBM EMEA started the year very well with 8% profitable revenue growth in 1Q 2023 and delivered, as in 4Q 2022, the best financial performance compared to other geographies. Despite this excellent financial contribution and irrespective of continued high inflation, the ESP budgets around Europe were disappointingly low. IBM senior management indicated that the **average ESP 2023 salary budget allocated for IBM Europe lies 1,5% below the average IT market movement** in Europe. By differentiating strongly, only a specific group of strategic employees benefited most and received an ESP salary increase above the market average. The IBM EWC estimates that around one third of all European employees has been excluded from any increase. The membership concludes that this is a deliberate policy of IBM, where employees in less strategic functions are on purpose rewarded below their peers in the market, hoping that they will resign. IBM has become an average company, paying its European employees in too many cases below the market average.

Therefore, **IBMers and their families all over Europe feel marginalised and excluded** by our company. The IBM EWC believes that IBM should act as a leader in the IT-market and pay all employees equitably, especially in times of high inflation. The team urges IBM senior management to revisit its current approach of exclusion and to behave socially responsibly. The membership requests IBM senior management to allow and actively promote flexibility within the current ESP systematic, to decide locally what portion of the ESP-budget is divided equitably amongst all employees, irrespective of their role or business unit. Strategic business units especially in IBM Technology cannot be successful and grow their business without close alignment with IBM Consulting and the Support Functions. We are only stronger together if we operate as One IBM.

The IBM EWC regrets that it has overall become **increasingly difficult to play its role and to carry out its tasks** as representative body on behalf of the IBM-colleagues around Europe. In too many situations the membership must read in the press about important business decisions after they have been made, where the IBM EWC should have been informed and involved beforehand. In this way the team doesn't feel heard nor taken seriously by IBM senior management. By simply and repeatedly echoing IBM's global policies and programs in a rigorous manner, IBM senior management leaves the clear impression that global consistency prevails over local relevance. Genuine feedback and the voice of the European employees are thereby systematically ignored and put aside. The IBM EWC seeks constructive cooperation and urges the IBM EWC Chairman to ensure the provision of complete and relevant information in a timely manner, to facilitate adequate consultation and to allow the IBM EWC to play its role.

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