

European Works Council

Statement – Resource Action with primary focus on support staff in most European countries

“We are seeing increased productivity in our business, which will lead to workforce rebalancing fairly consistent with 2023 levels”, SVP and CFO of IBM Corporation Jim Kavanaugh stated at the presentation of IBM’s 4Q and FY 2023 corporate financial results on January 24th, 2024. “IBM will likely spend the same amount on restructuring as it did in 2023 – \$400 million – when our workforce was reduced by about 3.900 jobs” he added in response to questions of Bloomberg.

At today’s Extraordinary Meeting, it was officially confirmed that a Resource Action (RA) will be implemented worldwide, which will impact Europe more significantly than in 2023. IBM senior management stipulated that this RA is not a typical financial action but should be much more regarded as a ‘transformative’ action in support of IBM’s strategic transformation. Compared to last year’s workforce rebalancing, which was aimed at carving out ‘stranded costs’ in just a handful of European countries, the focus this time is primarily at reducing the level of Support Staff employees in most European countries. Around **80% of the current reduction target** is aimed at IBM’s Enterprise Operations & Support (EO&S) and Q2C missions, Finance & Operations including Procurement, CIO, Human Resources, Marketing & Communications and Global Real Estate. Especially our International Centers in Slovakia and Hungary are impacted. With reference to external benchmarks, IBM senior management indicated that in the IT-industry the ratio between so called ‘direct’ customer facing and ‘indirect’ support roles lies around 95 to 5, where current ratios within IBM Europe show a different picture.

The membership discussed the information and details provided about the size, scoping criteria, employment implications and timelines for Europe. Apart from a handful of smaller European member states, the current restructuring impacts all European countries. The IBM EWC estimates that **approximately half of IBM’s global reduction target** is aimed at optimising European staffing levels all over the continent. European member states covered by the IBM EWC Agreement must downsize their overall staffing levels on average by approximately 4%. Especially for Italy and Spain this percentage lies well below the European average, because these two countries were in scope of the 2023 optimisations too.

As in 2023, also this year **Slovakia** is targeted with the highest reduction accounting for roughly **one-third of the total European reduction target**. Especially Slovakia’s International Center in Bratislava has to absorb significant reductions of staff which amount approximately to 40% in CIO and more than 25% in EO&S/Q2C. The impact on **Hungary’s International Centers** supporting EO&S/Q2C and CIO from Budapest is significant as well, with reduction targets of almost 60% and 40% of current staffing levels respectively, while IBM’s **Finance mission in Sofia, Bulgaria** must downsize by more than 50%. The IBM EWC questions what will be left of our footprint in these Centers and whether sufficient critical mass remains on-site to ensure adequate support to the business. IBM senior management confirmed at today’s meeting that IBM’s International Centers around Europe continue to remain a relevant and critical part in IBM’s global delivery and support strategy.

After open and constructive discussion and dialogue, and after raising several questions, the IBM EWC membership **did not receive any insight in the financial business case** behind the current Resource Action. The team regrets that for example no KPIs to measure its success and no data regarding the Return on Investment were provided and this prevents the IBM EWC from thoroughly assessing the justification and value add of the current operation.

The membership plans to hire **external expertise** to conduct a detailed analysis of the current situation and to make a comparison of the new reality as soon as the RA has been concluded. The IBM EWC observes that especially in smaller and medium sized countries around Europe, the number of support staff employees is already low to sometimes marginal. Additional optimisations could completely erase current staff and are regarded as sub-optimum with the risk of further increasing workloads for remaining employees, a negative impact on the continuity of quality support and the possibility of additional work-related stress and mental illnesses. This should be actively monitored and avoided.

The IBM EWC remains positive and supportive to the company's focus on internal redeployment based on **IBM's Business Driven Mobility (BDM) Framework**. Where BDM is not providing suitable and sustainable job alternatives inside the company, the IBM EWC can support alternative solutions by offering tailor-made voluntary solutions to employees to pursue a career outside IBM. This especially applies to IBM's Support Staff. At today's meeting it was explained that all IBM employees should develop so called '**adjacent skills**' to ensure their internal mobility. After extensive discussion and dialogue about the meaning and definition of adjacency, the team concludes that it is of utmost importance that additional and explicit clarity and information by job role and Business Unit is provided to all employees, to ensure that they can continue to pro-actively build and develop relevant skills to pursue alternative job opportunities within the company as much as possible. The IBM EWC estimates that colleagues especially in support roles require additional investment and time to improve their internal employability.

The IBM EWC was informed at the meeting that IBM aims at **offering voluntary packages** as much as possible to ensure that employees in scope of this Resource Action can leave the company as ambassadors. The membership requests IBM senior management to inform and instruct country management accordingly. The IBM EWC understands that local implementations are guided by local law and practice, however, at European level one consistent and uniform approach for all European countries in scope of this RA should be discussed, outlined and agreed to ensure that IBM-employees all over the continent are treated fairly and equally, according to the same rules and principles. The EWC membership **requests IBM senior management** to ensure that:

- first and foremost, subcontractor replacement is advertised and applied;
- scoping criteria are transparent and timely agreed and communicated, including a fair objection process and period;
- managers make their employees aware of the adjacent skills in their respective job roles and job families and pro-actively coach their teams in re- and up-skilling programs;
- cross LoB job opportunities are pro-actively facilitated and supported;
- innovative and constructive approaches are developed and offered, such as paid Leave of Absence, paid sabbaticals and Bridge-to-Retirement programs;
- so called 'domino solutions' are actively promoted and supported;
- only voluntary programs and generous packages are offered, to allow IBMers to leave the company in a mutually agreed and good spirit;
- outplacement support is offered to all employees in scope on acceptance of an offer;
- IBMers leave the company as ambassadors.

Based on the corporate announcement and additional information provided at today's meeting, the IBM EWC concludes that the company wants this RA to be **implemented in this first quarter**, leaving the impacted employees only a few weeks to make up their minds. IBM senior management explained that they have no indication about any pressure or unfair timelines and that all time required will be given to support the local information and consultation processes within the European countries in scope. The EWC membership requests IBM senior management to **continue the dialogue** on the current Resource Action at European level as well, to provide regular status updates and to give additional insight in the business case and rationale.