

European Works Council

AI is replacing workloads and back-office jobs, IBM says it cannot provide specific insight

One year ago, in early May 2023, our CEO Arvind Krishna told Bloomberg that he could easily see **30% of our non-customer-facing roles** such as Human Resources getting **replaced by Artificial Intelligence (AI)** and automation over a five-year period. That figure represents roughly 8.000 jobs worldwide. As stated before, 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. However, tangible information about the specific implications of AI to the daily work environment of our European colleagues and their employment, especially those working in our Support Functions, is of critical importance.

The IBM EWC believes that **every employee has a legitimate interest** to know what workloads and jobs IBM plans to optimise and automate along what timelines. IBM senior management should be able to provide specific and workable answers to concrete questions of IBM-colleagues around Europe, for example about the potential impact of AI to their individual job, what alternative work options are at hand or can be developed, what new work and job roles AI creates around Europe, what opportunities are available to qualify and develop themselves for these new roles, about re-skilling and up-skilling programs and about so called 'adjacent skills'. They need clarity to determine where they stand today and what is required to ensure their employability within the company in the era of AI.

Over the past twelve months, the membership repeatedly requested IBM senior management to **provide specific information and insight and to involve the IBM EWC** in the plans and necessary steps to follow, including timelines and alternative options and solutions. Unfortunately, so far only generic and high-level outlines and concepts have been shared. The team welcomes the information provided at today's meeting by IBM's Institute for Business Value (IBV) about generative AI. The IBV conducts world-class research and studies and advises clients about the impact of generative AI to a broad range of their business functions, such as Finance, Order Management, Order-to-Cash, Human Resources and Marketing. Executives recently surveyed by the IBV stipulated the importance of being specific about the application of generative AI. The membership fully recognises and supports this relevance and urges IBM senior management to do the same.

The ongoing **lack of clarity and specific guidance from IBM senior management** for Europe again struck the membership. A compelling and motivating direction which offers actual insight and future perspective for our company seems completely absent, while IBM as client zero is implementing and testing its own generative AI technology and watsonx solutions and offerings internally before going to the market. It is of critical importance that strategic statements from our top management in Armonk are clarified and translated into a European roadmap, with relevant and practical guidance, meaningful career conversations and regular updates about the future of our work. Top management should provide such clarity and actively inform employees – and their management - to ensure that they can take ownership of their career and that they can contribute and anticipate adequately. IBM is a leading developer and supplier of AI, it is not credible that our senior management is not able to be more open and specific. This creates negative sentiments amongst employees and possibly unrest.

Less than ten months after Arvind's statements, the impact of the use of AI within our company has become very visible around Europe. In 1Q 2024, IBM executed a **Resource Action which was explicitly triggered by automation and the use of AI**. Around 80% of the total European reduction target was focused on IBM's Support Functions. Many experienced colleagues, sometimes with unique skills that cannot be replaced by AI nor can be

backfilled easily, already left the company or will leave shortly. The critical mass in these units erodes further and the IBM EWC observes that in too many cases there was insufficient time for careful handover of work, which impacts the quality and continuity of operations. The IBM EWC also observes that AI and automation are not always ready before headcount reductions take place, which leads to a significant increase in workload and stress of remaining staff. The team decided to request for external expertise to analyse and assess the factual situation after the recent restructuring, especially in IBM's European Support Functions, as well as in IBM Technology and IBM Consulting.

The IBM EWC was informed at the meeting that the **European IBM Consulting** revenue grew low single digit in 1Q 2024 while signings declined double-digit. The membership is concerned about a declining pipeline, which consequently might have an impact on the number of consultants on the bench today and which in the longer run could possibly lead to workforce optimisations. IBM senior management stated that IBM Consulting still has a robust pipeline around Europe, able to support the growth target for full year 2024.

To fundamentally change the mode of operation within IBM Consulting and to drive better sales relationships and commercial success with our clients, IBM Consulting started a project named 'Greenstar'. **Greenstar aims at reducing around 90% of applications** currently used to support the sales and delivery process. AI and automation functionalities will be infused. This streamlined process will allow practitioners to support the achievement of IBM's 2024 growth target. IBM plans the first rollout for the end of August 2024 and expects two main benefits; margins will improve and no new hires will be needed to support the planned growth of our business. The IBM EWC is positive about this initiative. However, the membership wants to highlight the potential risks of IBM's ambitious timeline and observes that change management activities have not yet started three months before the first roll out. The team expects Greenstar to create additional workload and possibly stress and burnouts in the short-term. In the longer run, the membership anticipates that jobs could take place if the expected revenue target will not be achieved.

The IBM EWC has for a longer time observed and raised its concern about **the contribution of the IBM Ecosystem to the company's overall revenue**. In the mix, IBM Ecosystem is not growing in line with IBM's strategy. During today's meeting, the membership again discussed the situation with IBM senior management. It was explained that the contribution of our Ecosystem is expected to improve significantly in 2024, for example by focusing more on the cooperation between IBM Software and our Business Partners to make the IBM Ecosystem more robust and successful. The IBM EWC welcomes the company's additional focus.

IBM senior management stated that **total compensation at IBM Europe** is aligned and attractive in the market, while providing insight in the base salary, variable pay, and equity investments made in 2024. Inflation is easing up in Europe. IBM senior management explained that the ESP-increase of the base-salary was slightly above the weighted European market movement, which is regarded as positive. Around one-third of European employees was excluded from this increase, in some cases due to an off-cycle salary increase, promotion or role change. The IBM EWC requests IBM senior management to provide additional insight and data points regarding the distribution of the ESP-increase as a percentage of the base-salary for 2023 and 2024.