

European Works Council

Statement – Resource Action with continued focus on Support Functions in most European countries

“Looking to the first quarter, we expect workforce rebalancing fairly consistent with the prior year”, SVP and CFO of IBM Corporation Jim Kavanaugh stated at the presentation of IBM’s 4Q and FY 2024 corporate financial results on January 29th, 2025. At today’s Extraordinary Meeting, it was officially confirmed that a Resource Action (RA) will be implemented worldwide, which will impact most European countries too. IBM senior management stated that the size and scope of this RA is limited and focused, as the overall reduction of European staff is low single digit and lies below the reduction target of 2024.

The IBM EWC cannot agree to the company’s statement, because IBM has become a significantly smaller organisation compared to five or ten years ago. In this context, the team observes that also lower reduction numbers have mostly more critical impact than before, especially in IBM’s European Support Functions. Carving out a few roles compared to limited local staffing levels can lead to extremely high and impactful reduction percentages that easily go up to 30% or 50% or even more. As in 2024, the current RA **focuses again primarily at reducing the level of working in Support Functions** all over Europe. Around **70% of the current reduction target** is aimed at IBM’s Q2C and Enterprise Operations & Support (EO&S) missions, Finance & Operations including Procurement, CIO, Human Resources including Global Administration, Legal and Marketing & Communications.

IBM senior management stipulated that this RA is not a typical financial action but should be regarded as part of an ongoing ‘simplification journey’ aiming at improving productivity and efficiency by making use of technological advances and co-locating work to global - rather than to European - Delivery Centers in Asia. Especially colleagues working in **our International Center in Slovakia are for the third consecutive year impacted most**. Around one-third of current staff working in Q2C and Support roles is expected to be declared redundant, this counts for roughly half of the total restructuring of European Support Functions. IBM senior management repeated explicitly that the European Q2C mission in Bratislava continues to be of strategic importance. However, the current optimization aims at moving repetitive, commoditized Q2C work to India and Philippines, while all complex roles that add higher value will remain in Bratislava. It was confirmed that after concluding the current RA, actual staffing levels in Q2C and Support in Bratislava stay intact.

Over the last three years, the number of employees in Support Functions has been reduced dramatically. Consequently, today **only a hand full of Support Staff experts is left at country level**. Local footprints have eroded, countries hardly have any critical mass on-site and local support teams have been marginalised. The IBM EWC believes that this is not without risk to the quality and continuity of daily operations and observes that repeated restructurings led to increased workload, which negatively impacted morale and engagement of local staff. The membership anticipates that this situation will further deteriorate after the current RA, as a compelling and motivating vision with a clear future perspective seems absent for employees who continue to work in Support Functions around Europe. IBM also makes insufficient investments in compensation and salary of support staff employees, simply because the company regards them as non-strategic. The IBM EWC cannot accept that this group is ‘dismissed’ because of their job role, knowing that adequate support is and remains of critical importance to the success of IBM Technology and IBM Consulting.

At the meeting, IBM senior management explained that it also aims at flattening the company’s organisational structure and **delaying and deconstructing hierarchical and approval levels in IBM Technology and IBM Consulting** to speed up decisions and actions. The reduction at IBM Consulting counts for approximately 25% of the European reduction, the remaining number is aimed at modest optimizations in IBM Technology. Consequently, the IBM EWC expects especially managers and leaders in band 9 and up in IBM Consulting to be in scope of this restructuring.

IBM senior management confirmed that **around 10% of (Associate) Partners will leave the company** and also said that the strategy is to move job roles such as Application Developer, Project Manager and Business Analyst from IBM mainline to CICs. The shift of these roles is excluded from this RA and will be managed through natural attrition in IBM mainline and new hiring in CICs. The membership foresees that carving out the most senior people of IBM Consulting can have negative impact on our capability to generate new business. The membership can understand that reducing the number of management layers can improve the speed of decision making. However, creating a more compelling and inspirational leadership style based on solid knowledge and understanding of technology and industries requires dedicated and focused management development programs and longer-term investments in culture change.

The IBM EWC observes that another RA creates unrest and dis-engagement amongst employees all over Europe and **urges IBM senior management to apply more organic optimisations on a quarterly basis**, rather than 'big bangs' once a year. Organic optimisations support careful handover of workloads and ensure quality and continuity of operations in a timely and planned manner. This was also confirmed by Syndex, an experienced and well reputed international consulting firm, that analysed and assessed the effectiveness of the previous RA in 2024 upon the IBM EWC's request.

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 fair objection procedures and periods;
- managers pro-actively coach their teams towards re- and up-skilling programs to allow for internal redeployment opportunities supported by Business Driven Mobility;
- cross LoB job opportunities are pro-actively facilitated and supported;
- Bridge-to-Retirement programs and paid Leave of Absence/paid sabbaticals are offered;
- so called 'domino solutions' are actively promoted and supported;
- only voluntary programs and generous packages are offered, to allow IBMers to leave the company as ambassadors in a mutually agreed and good spirit;
- outplacement support is offered to all employees in scope on acceptance of an offer.

The membership discussed the information and details provided about the size, scoping criteria, employment implications and timelines for Europe. **The current restructuring impacts half of all EU-countries, 14 member states are exempted.** The IBM EWC believes that the local circumstances in these 14 countries do not differ much from the specific business situation in the countries which are in-scope of the current RA. IBM senior management explained the company's rationale to exclude them and was requested by the team to confirm that no additional restructuring will take place.

Based on the corporate announcement and additional information provided at today's meeting, the IBM EWC concludes that the company wants this restructuring to be **implemented in this first quarter of 2025**, 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 and to provide regular status updates.