

# European Works Council

## ***Statement – Significant workforce rebalancing across Europe in 2<sup>nd</sup> quarter***

Compared with other geographies, IBM Europe demonstrated the best year-on-year performance in 2018 and was the only region to deliver full-year growth. In the first quarter of 2019, Europe was again the best performing geography. Despite this, a significant 'traditional' **workforce rebalancing action** in Europe was presented at the Extraordinary Meeting on 14<sup>th</sup> May 2019. This action will be largely voluntary. The Chairman made it clear that no backfills will be possible; as a result, the EWC foresees a further increase of workload for the remaining IBMers.

The total planned impact of the current headcount reduction is comparable to the last downsizing in the first quarter of 2018. The impact varies by country and can on average be described best as a low single digit reduction. The current action is felt mostly by **UKI** and **DACH**, both of which account for one fifth of the total reduction across Europe, followed by **IBM Nordics**. The **CEE** countries account for over ten percent.

The EWC is most concerned about significant headcount reductions in IBM's strategic growth areas. IBM's **Cloud Platform, Cloud Data Platform, Cognitive Applications and Security** units across Europe are again in scope and contribute to one third of the total reduction. The EWC membership notes that the Cloud and Cognitive Software revenue of IBM in Europe in the first quarter was not in line with the corporate model. However, if it is the company's ambition to become the leading Cloud and Cognitive Software provider, we would expect staff numbers in these strategic areas to increase accordingly.

More than one third of the total European reduction target is aimed at **GTS**. This is most significantly felt in the Nordic countries, especially Norway. While the EWC membership has been advised that no actions will be taken without prior customer agreement, we are deeply concerned about the unprecedented impact this restructuring will have on the delivery of contracted services, Net Promoter Scores and the employees affected. The EWC calls upon IBM senior management to revisit the proposed reduction targets to ensure the continuity of local service levels.

Support functions such as Human Resources, CIO, Asset Management and Q2C, referred to as Cognitive Enterprise Services / Enterprise Operations & Services (**CES/EO&S**), are again significantly impacted. The EWC was unable to conduct further analysis, as a more detailed breakdown was not made available. It was requested at the meeting that this breakdown be provided urgently.

Over the past years, IBM has started to move away from its more 'traditional' restructuring actions focusing on simply cutting jobs, towards a '**job-to-job**' approach, which primarily aims to effect more innovative and constructive approaches to optimise staffing levels around Europe, e.g. paid/unpaid Leave of Absence, Bridge-to-Retirement and re- and up-skilling programmes to support internal redeployment and thus avoiding downsizing. The EWC regrets that the current program does not utilise these options. The EWC urges IBM senior management to continue to investigate, apply and advertise subcontractor replacement where possible as one of the alternative approaches. Outplacement support should also be offered to employees on acceptance of an offer.

The company wants this resource action to be concluded in the second quarter. However, the EWC believes that financial engineering and US accounting rules should never hinder sustainable solutions, create time constraints or otherwise disadvantage employees being in scope of this resource action. Local information and consultation processes should start as soon as possible, to allow employees in scope maximum time within this quarter to consider their options.

The Chairman stated that several aspects and dimensions of the current workforce rebalancing are still under review and discussion, e.g. the breakdown between TSS and IS headcount, between 'mainline' and CIC and between manager/non-manager could not be provided. It was requested that these breakdowns be provided urgently to ensure that the EWC can conduct further analysis and acquaint itself. In addition, the EWC requests that IBM senior management **continues the dialogue** on the current workforce rebalancing action and to give additional insight on whether this restructuring is delivering against the financial business case and rationale.

Given the extremely short notice of this Extraordinary Meeting and the ongoing reviews and discussions, the EWC requests that the consultation continues face-to-face at the Select Committee meeting on June 13, 2019, with regular status updates thereafter.

Finally the EWC membership felt that the atmosphere in the Extraordinary Meeting was not as conducive to constructive discussions as in the past. The EWC is committed to continue to establish good working relations with the new Chairman, to preserve a climate of trust, openness and mutual respect, in which members feel encouraged and welcomed to voice their opinions and views.

IBM European Works Council  
Brussels – 16<sup>th</sup> May, 2019