

IBM launches new form of day-wage labour

Dietmar Henning
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IBM (International Business Machines) was once considered a pioneer in the field of computer technology. Now the US-based conglomerate—employing more than 400,000 people worldwide—is a pioneer of a modern form of global day-wage labour. And Germany is serving as a pilot project for a radical reorganization of its existing work structures around the world.

According to an internal corporate strategy paper, obtained by *Spiegel* magazine, IBM will be reduced to a core workforce. Of the more than 20,000 employees in Germany, at least 8,000 will lose their permanent jobs and be replaced by flexible external workers.

The programme, called “liquid,” provides for outside workers to be hired flexibly as required. The hiring of external IT experts and other specialists is to take place via a specially created Internet platform, in the form of a so-called Cloud.

Up to now, the IT industry has regarded the Cloud as the delivery of computing as a service, with the infrastructure, hardware and software existing on internationally networked servers, effectively invisible to the user, hence, “in the Cloud.” Access is usually via the Internet. The purpose of cloud solutions is to lower costs because resources are ready at any time, but paid for only as they are used at the time needed.

This model is now to be applied broadly to people. Those currently employed as permanent staff by IBM will in future become free-lancers in an international “talent cloud.” To be part of this cloud they will have to obtain quality assurance certification as specified by IBM. It will not just be IBM, but also other businesses that will access this human cloud.

Spiegel compares the “talent-Cloud” with Facebook. As in social networks, the profiles of IT professionals—including scores (“Likeability”) and references from previous employers—will be visible for

interested companies.

Positive scores—including the timely payment of credit card bills—and self-financed training courses at IBM would increase the “digital reputation” of an IT specialist.

“Personnel organised in a ‘cloud,’” the magazine quotes from the IBM document, “would receive international employment contracts, in order to circumvent restrictive regulations in their home country.” The “globalized employment contracts” would last only for the duration of individual projects. Thus, the company would reach a state “achieved long ago by the financial markets”: it could “do away with part of the national regulations.”

Permanent employees—with social security protection, guaranteed salary, paid vacations and sick leave, etc.—would be transformed into modern day-wage labourers, hired just for one project or contract for a limited time, sometimes by one firm and sometimes by another. “Such a system, where workers compete globally for temporary jobs using Internet platforms,” *Spiegel* comments, “means, “companies such as IBM would make huge savings and increase efficiency significantly.”

IBM has not yet taken a position on the reports by *Spiegel* magazine. “As an innovative company, we constantly explore a variety of means and approaches to offer customer value,” the company announced.

By restructuring employment relations, IBM is seeking to further increase its profits so as to remain attractive to investors. IBM reported a turnover of \$29.5 billion and a 4 percent increase in profits to \$5.5 billion for the fourth quarter of 2011.

Just last year, Warren Buffett’s investment company Berkshire Hathaway bought a stake in IBM, valued at \$10.7 billion. According to data from Thomson Reuters, Buffett is the largest shareholder in the corporation. The multi-billionaire praised IBM’s

management, which even in the midst of the economic crisis had ensured good profits. “They did a great job,” he said.

The “liquid” model now being pursued is not limited to IBM. Most computer specialists are already aware of Amazon’s “Mechanical Turk,” an automated marketplace for simple operations. Top Coder, the largest Internet platform for software developers, has already gained 388,000 “members.”

It is no accident that IBM is looking to Germany as the country to pilot this model. Since the Hartz welfare and labour “reforms” of the former Social Democratic Party-Green government (1998-2005), Germany is at the forefront in developing forms of precarious employment.

The IBM model globalises the so-called employment contract, increasingly replacing agency working as the preferred form of low-wage labour. Companies assign key tasks to subcontractors, paying only for each project.

Fourteen major subcontractors in the German retail and logistics industries with a total of 50,000 employees have established their own employers' association, the Association of Instore and Logistics Services (ILS), and agreed a contract with the “yellow” union DHV, a member of the Christian Trade Union Federation (CGB).

The DHV has agreed gross hourly rates of €6 in east Germany and €6.50 in the west. This allows the company to compete even below the minimum wage for temporary employment advocated by the German Trade Union Federation (DGB) of €6.89 (east) and €7.79 (west). The drugstore chain Rossmann has confirmed that it uses such low-wage workers now in half its branches, some 800 stores. Other retail chains and grocery stores are also using this form of exploitation.

Meanwhile, the sort of employment conditions in the retail sector are being extended to manufacturing. According to a survey conducted by the IG Metall union, more than 70 percent of companies in the electrical and metal industry in Baden-Württemberg now use such contracts, replacing the core permanent workforce in more than half of all factories.

At the BMW plant in Leipzig, half of the 5,000 workers are employed via external agencies. A total of 26 service providers are active at the plant. Their

employees are ??substantially worse off than the usual temporary labour, who must still be paid the minimum wage.

The same is happening at the Audi plant in Ingolstadt, where about half the workforce is “external.” They earn €500 to €800 per month less than the “internal” workforce, and work 40 hours a week instead of 35.

The rise of low-wage work in Germany in recent years has seen the number of permanent full-time jobs steadily fall. The decline is more than 18.5 percent between 1999 and 2009, according to figures from the Institute for Labour Market and Occupational Research. The number of “atypical” forms of employment, such as temporary employment or self-employment has risen by almost 80 percent. Just under half of all 41 million people in work in Germany today have a permanent position.



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