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CEO Keynote: The Future Of Work

Thank you Michael and thank you to CEDA for inviting me here today.

CEDA is an important forum that makes a valuable contribution to the exchange of ideas around key issues for our country, and for our future.

One of the biggest issues we face today is something that affects us all - the future of work.

Work is important – it's important for our livelihood, for our self-esteem, for our identity - and collectively for our economy and our country.

But the nature of work is changing rapidly. It is changing because of advances in digital technologies and connectivity. This will affect every aspect of our lives and every job and every business and it is driving disruption to the traditional workplace on a truly global scale.

Some people believe we are going to be replaced by robots, artificial intelligence and automation and that there is cause for great alarm.

However, I am a technology optimist so I see a different world. A world full of opportunities if we make the right investments and the right decisions.

But I certainly do not under-estimate the scale of the impact on the workforce now underway, nor the level of concern and fear some feel.

The workforce changes we are seeing are profound.

They will be felt across the board.

The key question is, what are the things Australia needs to be thinking about and doing now so that we will all be ready?

PROFOUND CHANGE

I do not know about you, but I still find it hard to believe we are already almost 20 years into the 21st century.

I can still vividly recall the end of 1999, the excitement around the end of the century and even the concerns over the Y2K Bug. Many thought it would lead to catastrophic events.

But how wrong did we get that one!

We have come a long way since then.

Twenty years ago, 3G phones had only just been launched and Internet access on our phones became possible for the first time.

This year 5G will become a reality and it will be 100 times faster than 3G!

But 5G is much more than just a faster smartphone, though it is certainly that too.

5G brings a quantum leap in network speed and capacity in an age where the demand for data is exploding. However, the true power of 5G is that it is arriving at exactly the same time that a number of other extraordinary technologies are maturing.

These include software defined networks, the Internet of Things, cloud computing, machine learning and Artificial Intelligence.

In a world where sensors are now being incorporated into virtually everything and connected, this unique convergence of technologies – all maturing simultaneously and brought to life by 5G – will be transformational.

Sensors will produce huge amounts of data able to be stored and processed in the cloud with incredible computing power and where artificial intelligence or machine learning engines will turn this data into insights to drive automation and power robotics.

These capabilities have far reaching implications for every industry. In many ways, one can argue we are entering the fourth industrial revolution as we enter the 2020's.

The question I want to address today - what does all of this mean for work and for jobs in the future?

THE FUTURE OF WORK

CEDA's own research has estimated that five million jobs in Australia - almost 40 per cent of all jobs that exist today - have a moderate to high likelihood of disappearing in the next 10 to 15 years.

Machine learning is the biggest driver of this and in future many tasks, particularly traditional services type activities, will be done by computers more quickly, more cheaply and more accurately in whole or in part.

Does that mean the robots are about to take our jobs?

From my perspective - as a technology optimist - I would say no.

Certainly, there are profound changes ahead, and all jobs will be affected in one way or another, but we should also not forget new jobs will be created in new areas, requiring new skills and new talents.

Human creativity and entrepreneurialism should never be under-estimated.

To ready our workplaces, help those in the workforce today and to prepare tomorrow's workers, we do need to think carefully about the future of work, the investments we are making and the capabilities and skills we are building.

I would like to use the changes underway within Telstra to illustrate how this is playing out in the real world.

AN INFLECTION POINT FOR TELSTRA

Let me start with the context.

Telecommunications companies in Australia and around the world are facing unprecedented change, driven by massive growth in the demand for data, increasing competition and rising customer expectations.

I have yet to meet a customer who has told me their internet is too fast, and who does not want twice as much data next year for a lower price.

Added to this Telstra has an extra, separate challenge that can be summarised in three letters: The NBN.

The National Broadband Network re-nationalises Australia's fixed broadband network and this means Telstra is no longer the main wholesaler provider as it had been since privatisation.

The impact of this on Telstra is profound - it means we lose between one third and half of our earnings. Revenues that essentially now go to the Government not Telstra.

You cannot take away a material part of a company's business and earnings and expect it to carry on with the same strategy and the same workforce.

It is hardly surprising therefore that at Telstra we are reducing our workforce by 8,000 roles, around a quarter of our team.

NBN co, which is becoming the provider of wholesale fixed broadband services in Australia, now employs almost 7,000 people directly and has a field force of 24,000, many of them former Telstra employees.

I am sure this point is not lost on you.

NBN, combined with a changing marketplace and the broader opportunities created by the fourth industrial revolution have meant we must restructure for the future. Our plan to do that is called T22.

T22 is about Telstra radically simplifying our products, eliminating customer pain points, creating all-digital experiences, leaving our legacy behind and – most relevant to my address today - transforming our workplace.

To help transform our workforce we have developed a Future Workforce Strategy which lays out how we need to attract, develop, retain, re-train and re-balance our workforce.

It also details how we need to be more agile in the way we work.

A key part of our program is to bring those serving our customers closer to a smaller, more agile group of senior and middle management and that means we are reducing this group by at least 25% and our organisational layers by between two and four.

While we are reducing our directly engaged workforce we are also building new capabilities by recruiting 1,500 new roles in areas such as software engineering, data analytics and cyber-security.

These roles are sourced where the best talent is available, both within and outside of Australia.

Currently and by necessity, we are sourcing far more of this talent from outside Australia than from within. We are therefore committed to working with government and industry partners to explore building a bigger technology talent pipeline within Australia, for the overall benefit of the nation – I will come back to this point shortly.

By the end of FY21, the proportion of both our offshore workforce and our industry partner workforce will decline as a result of reduced call volumes and more effective and efficient order fulfilment delivered through our strategy.

Through all of this we also remain absolutely committed to maintaining our presence in regional Australia and I do not expect the current balance of our workforce between metro and regional to change materially as a result of T22 although our overall workforce will reduce.

NEW WAYS OF WORKING

A key part of our workforce strategy is ensuring we create a great environment for our employees and continue to improve our standing as an employer of choice.

We need to make sure that Telstra is an easier place to work for our employees and as part of that strategy we are introducing new ways of working, including agile.

I am sure many of you like me, use products and services from companies such as Netflix, or Apple or Sonos and have seen how regularly you get a notification of a change to their app that you need to implement.

It is constant.

However, they are not adopting agile because it is the latest management fad - they are doing it because their business model is built around continuous rapid upgrades and improvements to customer experiences, products and services.

That is what agile enables.

Companies that use agile get better results for customers, they do it faster, at a lower cost, and with a better employee experience.

The introduction of agile is also a recognition of the fact that at Telstra we need to bring on people with different thinking and different mindsets. As a company we believe diversity in our workforce leads to diversity of thought and in turn better customer outcomes.

In practical terms that means we do not need the perfect engineer, we need a great engineer who can collaborate and participate in problem solving across the business.

It is an important shift and it goes right to the heart of the type of company we need to be.

GLOBAL DEMAND FOR TALENT

As I mentioned earlier, T22 also means we need to build new skills and capabilities in new areas.

We need these capabilities now, but the fact is we cannot find in Australia enough of the skills that we need on the scale that we need them, such as software engineers.

Why? There simply are not enough of them. The pipeline is too small.

We are also competing for these skills domestically with other Australian organisations, including some of you in the room here today.

That competition is fierce and it is estimated Australia will have a shortfall of 60,000 skilled workers in the ICT sector in the next five years.

That means we are having to recruit some of those capabilities on the global market, including in places like India.

Given our urgent need, Telstra will be creating a new Telstra Innovation and Capability Centre in Bangalore, which will become operational later this year.

Bangalore is India's 'Silicon Valley' and even there we are competing for talent with the likes of Apple, Google and other digital companies.

This Innovation and Capability Centre consolidates our presence in India where we already work with many partners and takes in house talent we previously sourced from third parties. It means we can quickly hire, develop and scale that talent across our business including back into Australia.

It also complements what we are doing here in Australia within Telstra Labs, Muru-D our accelerator program and our customer insight centres.

A key step to bringing more of that talent into Australia is first bringing it in house to Telstra and that is what this centre enables.

IMMIGRATION

Another key factor for us is the ability to bring skilled migrants into our team when we need to.

Immigration in Australia is an often vexed issue and attracts an enormous amount of political and media angst. In fact, it isn't just an issue in Australia – in the US and the UK we are seeing significant negative commentary around immigration. I believe this is an unhealthy and potentially dangerous path for the world to take.

We need to build skills not walls.

An ongoing skilled migration policy is essential for Australia and essential for Telstra to attract and recruit the right talent and capabilities we need to transform and compete effectively on a global stage.

We support the continuation of policies that include measures which simplify and reduce administrative costs and serve to attract talent.

It is also important to remember that a well-targeted skilled migration policy is a job creator, not a job taker.

Skilled migrants bring ideas, they bring expertise and innovation, and they bring the capacity to train and skill their Australian colleagues.

Skilled migrants also add to Australia's wealth. Research by the International Monetary Fund estimated Australia's migration program would add up to 1% to annual average GDP growth from 2020 to 2050 because it focused on skilled migrants of working age and would limit the economic impact of Australia's ageing population.

So we not only need strategies for the future of work at a company level, we need them at a national level as well.

A BROADER VIEW - SHARED PURPOSE

As we rapidly approach the 2020s and think about the future of work in a time of great technology change we need vision.

We need a vision with clear goals and strategies for all Australia. We need a vision that embraces businesses, unions, not-for-profits, governments, communities, young and old.

A vision that capitalises on our position as an already technologically advanced nation, a nation of early adopters, that transcends the political cycle, encourages and supports innovation and is cognisant of the tech changes fast coming down the path.

To remain the lucky country we need to become a future-focussed country too – and that takes vision at a national level.

BUILDING CORE SKILLS

We also need to ensure we are building the right core skills to set up Australia with an educated, skilled and creative population able to work productively in the innovative workplaces of the future.

In the digital age it is people, the skills they have but also the way they think and the way they collaborate that will underpin Australia's competitive advantage.

At the heart of this are STEM skills – science, technology, engineering and mathematics – though it is important for this to be broadened to STEAM - the extra 'A' being a reference to the Arts or what is sometimes termed "soft skills".

I prefer to think of them as the "glue skills". Let me explain.

Take a skill that we need at Telstra – engineering.

Every engineer who comes up with a new innovation practices far more than maths, engineering, and technological prowess.

They also use design-thinking, creativity, and communication skills to bring those innovations to life.

Today's innovators – including those at Telstra - work collaboratively in open workspaces, sharing ideas globally with other thinkers.

These less tangible skills allow the best ideas to morph into something great – that is what I mean by “glue”; it means the final result is greater than the sum of the individual parts.

Australia's curricula, our training courses and our workplaces must reflect that 21st-century professionals need to be well-rounded design-thinkers and skilful communicators.

We need to do much better as a nation building our workforce on a foundation of STEAM.

PARTNERSHIPS

The final area we must focus on as a nation for our workforce is partnerships, and particularly the close alignment required between business, government and the tertiary sector.

I flagged earlier, Australia's skilled labour market is currently too small to meet Telstra's need for specific skills and we have had to ramp up our recruitment of software engineers from overseas.

To give that more global context, Australia had around 1,200 new software engineers in the last 12 months, compared to 44,000 in India. That is 40:1.

Adding to the challenge we must compete for those skills domestically with other Australian organisations.

That is why Australia must build these skills locally and as a major employer with significant technology skills, Telstra very much wants to play its part in this.

To that end, in addition to what we are already doing locally, we are establishing a partnership program with a small number of universities around developing specific capabilities.

We recently started to partner with the University of Wollongong on their new Global Leaders Development Program and have taken our first of their Big Data students as an intern, one of 80 students from around Australia who have been working with us over the summer.

In the months ahead, similar partnerships will be established with a number of additional tertiary institutions around key technology areas such as software defined networking and machine learning.

As part of this we will also guarantee we will take a certain number of graduates each year.

As a nation we have to do more to get the balance right between what the government does, what the private sector needs and what is being taught in institutes and universities.

When we look at the deep domain technology skills we need at Telstra, when we look at our growth profile, Australia is just not able to meet our requirements in the short term and we have to tap the global talent market while those issues are addressed domestically.

There is a national call to action in this - we have to stop looking at it and start acting because we do not have time; these challenges are on us right now.

We want to be part of this discussion. More importantly we want to be part of the solution.

Let me finish my remarks today on a personal note.

Last year I marked 40 years in the workforce. I started work at the age of 15 in London as a shipping clerk, a job that no longer exists. Offices were organised by hierarchy, computers worked using punched card and paper tape and people even smoked in the office.

I have seen firsthand how the workplace has changed as I know you have. I have seen how roles change and how some disappear altogether. At the same time however, employment has increased as has productivity and efficiency as new technologies have been introduced.

I have also seen many changes in the nature of what constitutes a successful company.

From Australia's perspective it is perhaps a missed opportunity to consider that in the main our top 10 listed companies are many decades old and from traditional industries.

The contrast with the US could not be more stark where their top 10 includes a number of relatively recently formed digital companies such as Microsoft, Apple and Amazon.

This is neither a criticism or prognosis of the future of any of these companies. However, it is stark illustration of how technology has shaped another country's economy and corporate sector.

We would be naive to think technology is not going to continue to drive changes in our lives and in the workplace - the real issue then is how do we respond and how we prepare ourselves for the future.

How do we ensure our companies and Australia is successful because these changes are upon us now.

Thank you.

