Operator workforces are shrinking as operators aim to develop more-skilled and digital-driven labour forces

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We at Analysys Mason collect data about operator financial key performance indicators in our Global Telecoms Data programme. Recently, in April 2019, we added six new metrics relating to operator employment levels and costs; as a result, data for the fixed and mobile operations for over 40 global telecoms operators is now available in the Analysys Mason DataHub. The new metrics added are the number of employees, total employee expenses, revenue per employee, average employee expenses per employee, EBITDA per employee and employee expenses as a percentage of revenue.

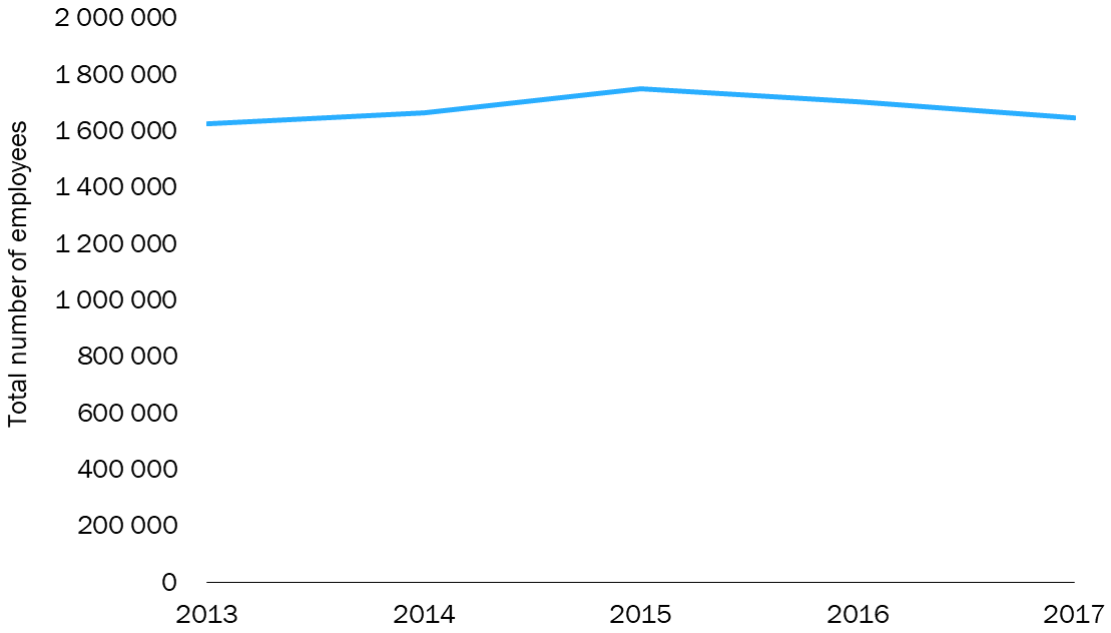
This comment provides a brief overview of how the size of the global operators' workforces has changed and gives insights into the strategies that operators have implemented to reorganise the structure of their personnel.

Global telecoms operators' workforce sizes are shrinking

Figure 1 shows the total number of people that were employed by global telecoms operators between 2013 and 2017. The number of employees peaked in 2015 and has declined since then. Several operators have implemented (or plan to implement) initiatives that will significantly reduce the number of jobs that are available (some are aiming to reduce the workforce size by more than 5%). For instance, Telenor's number of man-years declined by 10.6% over the 5-year period to 2017, and in 2018, the operator announced that it plans to lay off a total of 6000 employees (around 20% of its 2017 workforce) between 2018 and 2020.

There are some exceptions to this general trend. For instance, the number of full-time-equivalent United Group employees increased from 1594 to almost 3500 between 2013 and 2017. Similarly, the number of full-time-equivalent Altice employees grew from around 4000 to over 47 000 during the same period. In both cases, the size of the workforce increased mainly as a result of the acquisition of other telecoms operators.

Figure 1: Number of global telecoms operator employees, worldwide, 2013–2017[1]



Source: Analysys Mason, 2019

There are three main factors that usually lead operators to rationalise the size of their workforce.

- **Digital transformation (DTx).** Digital transformation usually refers to the automation of basic services, transactional and repetitive tasks and internal processes. As a result, the workforce employed to provide these types of services becomes redundant or must be reallocated.
- **Reorganisation of the structure of the company.** Operators are moving away from a rigid hierarchical workforce structure and towards a more-agile, flexible and efficient one. This usually results in the implementation of organisational delayering plans (that is, making positions in middle management and traditional business support functions redundant).
- **Cost containment.** Operators are aiming to trim their operating expenditures in order to preserve their competitiveness in the market and increase their investment capacity. Examples of cost-saving initiatives include the simplification of the product portfolio and lines of businesses and the disposal of non-core business units.

Digital transformation is becoming a key target for many operators and they hope to benefit from the opportunities offered by new technologies (such as artificial intelligence (AI) and robotic process automation (RPA)). For example, Vodafone deployed RPA bots in its share services centres to automate some back-office tasks as part of its 'Vodafone Digital' programme. As a result, it claimed that it had reduced the number of full-time-equivalent employees across its shared service centres by over 900 in the 6-month period ending in September 2018.

1 The data displayed in Figure 1 is the total number of employees of 34 global telecoms operators. Data for each operator is available in Analysys Mason's DataHub.

In general, there is a positive correlation between DTx and productivity (or revenue); businesses that become more efficient through DTx should experience an increase in the productivity of their workforce.[2] However, to support DTx, operators must employ a more highly skilled workforce and this is likely to result in an increase in operating costs (due to higher employee expenses). Therefore, we expect that DTx will lead to a slimmer, more highly paid and more productive workforce, but the net effect of DTx on a company's profitability remains unclear.

A skilled labour force is critical for operators to remain competitive

The telecoms industry is rapidly and constantly evolving (in terms of innovation and technology developments). This poses a challenge to operators, as they must make sure that their employees have (or acquire) the necessary skills to keep up with the changing market dynamics (especially in the digital field). An unqualified workforce may significantly hamper the competitiveness of an operator and reduce their overall productivity. To address this threat, operators are following two (complementary) strategies.

One strategy consists of recruiting new employees and replacing the current staff (that have minimal or inadequate skills) with new and more-qualified workers (or with workers with different skills). For instance, Proximus announced in its 2018 annual report that it is considering reducing the size of its workforce by almost 15% (1900 people) between 2019 and 2022, but at the same time, also plans to "recruit 1250 employees with specific skills".

The second strategy consists of giving the current workforce the opportunity to learn the necessary new skills. Operators may find it more convenient to retrain their employees than recruit new ones. Several operators have already started to focus on staff training programmes; the 'AT&T 2020 workforce programme' is one of the best examples of such a programme. The operator has invested USD1 billion to reskill almost half of its workforce by 2020 after discovering that around 100 000 of its employees did not have basic digital skills (especially in the engineering, maths and software fields). Telenor reported that almost all of its employees attended some sort of training course in 2018, and that, on average, each employee spent 47 hours on online training courses.

2 For more information, see Analysys Mason's The financial impact of digital transformation: evidence and analysis.