

## **Joint Committee on Enterprise, Trade and Employment – Discussion on challenges facing the technology sector**

### **Introduction**

Chairman, members, thank you for invitation to speak to you today on challenges facing the technology sector.

When layoffs occur, as we have seen with some high-profile global technology companies in recent weeks, our first concern is with those who are losing their jobs. Working with colleagues across the Government system and with our large portfolio of multinational companies, IDA will do all we can to match these employees to the extensive employment opportunities that still exist across the economy.

Growth rates accelerated for many technology companies during the pandemic as consumers moved rapidly online and as businesses sought to increase the pace of their digitalisation efforts. After a period of rapid hiring and jobs growth, some companies in the sector are finding that they need to reduce their costs and employee numbers in line with reduced revenue forecasts and weakening company valuations amid global economic headwinds.

The companies that have announced job losses will continue to operate in Ireland, many of them at a considerable scale. IDA remains focused on partnering with these client companies, our extensive and complex technology sector, and the wider FDI base, to continue to grow their presence in Ireland and deepen their impact on the Irish economy.

### **Situation update**

As we monitor developments in the technology sector, IDA is actively engaged with our technology client base at the Irish site level and global corporate level. The Agency is providing regular updates to the Department of Enterprise, Trade and Employment and remains in close contact with the Tánaiste and his officials on developments as they unfold.

When employment reduction decisions are not Irish-site specific but rather made at a global level with implications across multiple international sites, decisions can take time to filter down to local level. This is the nature of global operations with multi-functional teams spread across locations. We recognise and understand the uncertainty that this can cause to

Ireland-based employees of companies that make global level employment reduction decisions.

As the geographical spread of employment reduction decisions become clear, companies intending to pursue collective redundancies in Ireland have clear obligations under employment law to notify the Minister for Enterprise, Trade and Employment of the proposed collective redundancy and to subsequently engage in a 30-day information and consultation process with employees' representatives.

Where companies are reducing headcount through redundancies, IDA Ireland, as a matter of course, works with those companies to understand the skills profile of impacted staff. Those profiles are then shared with clients of both IDA and Enterprise Ireland that are hiring and that may be looking for similar skills. Technology is now pervasive across all sectors and the need for technology skills across the entire industrial base has never been greater, which should provide opportunities for those seeking new employment.

### **Wider context**

While recognising the difficulty of this moment for people seeking to find new employment or facing uncertainty about their current positions, it is important to place the developments of recent weeks in the wider context of very strong growth in recent years and continued strong appetite among companies to invest in Ireland.

We will be able to provide updated data on employment levels on the ground within the IDA client base later this year once the Annual Employment Survey (AES), which is currently in the field, is completed. Last year's survey showed that employment within IDA's portfolio of MNCs continued to grow throughout the pandemic. Total direct employment in IDA client companies grew by 7% in 2021 to reach a record 275,400<sup>1</sup>. Employment increased in every region of the country, taking IDA client employment outside Dublin to 151,700, 55% of total employment in the portfolio.

Technology is a core part of the FDI base and it has had substantial positive impact on the Irish economy. It is nevertheless a sector which has experienced constant change, churn, and disruption for decades. Yet the underlying trend has been of increasing growth and innovation in Ireland by foreign and domestic firms. The pace of digitalisation across all

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<sup>1</sup> Department of Enterprise, Trade and Employment (DETE), Annual Employment Survey 2021

sectors and the associated need for new digital infrastructure and services will see technology remaining central to growth in 2023 and beyond.

### **Investment outlook**

As noted in our statement to this Committee earlier in the month, IDA has seen a continued strong flow of investment to Ireland since reporting our mid-year results in early July.

In the first half of 2022, IDA approved a record number of investment projects, 155 in total, including 73 new name investments. The potential job creation of over 18,000 associated with the investments won in H1 2022 rose above the record pre-pandemic levels achieved in 2019. Winning investment for regional locations across the country remains a priority for IDA, as reflected in the 73 regional investments secured in the first half of the year. These investments will build on the record regional results achieved in recent years.

Notwithstanding the current challenges and uncertainty in the global environment, IDA client companies are generally optimistic on the prospects for their businesses, and we have sight of a healthy pipeline for the first half of 2023, albeit slightly weaker than in H1 2022.

Responding proactively to change has always been a hallmark of Ireland and IDA's success over the past 70+ years. IDA's client portfolio has historically exhibited considerable resilience and an ability to continue to invest, retain and even grow employment in difficult economic circumstances. This reflects a deliberate policy of portfolio and geographic diversification so that, so that when some sectors, activities or source markets are experiencing difficulties, others continue to grow.

In an evolving global landscape, our teams around the world continue to scan for potential opportunities for Ireland, to find new areas of growth aligned to the country's strengths. These opportunities range from digital technologies and microelectronics, to advanced therapy medicinal products and emerging developments in the renewable energy sector.

### **Supporting the existing base**

As we strive to identify new investment opportunities, IDA is also mindful of the need to stay close to our large existing portfolio of over 1,700 client operations at a time of uncertainty in the global economy and capacity constraints in the national economy.

As part of this, through the Transformation and Sustainability pillars of IDA's strategy, we are engaging with companies on a range of measures to improve their competitiveness,

including investment in staff and management training; research, development and innovation (RD&I); digitisation; energy efficiency; and decarbonisation.

These efforts are being aided by the development and implementation of new financial supports including the Enterprise Emissions Reduction Investment Fund and the recently announced Ukraine Enterprise Crisis Scheme.

### **National operating conditions**

To support the existing FDI base and to attract new investment, IDA relies on the skills of our people, the support of Government, and collaboration with a range of stakeholders across the enterprise ecosystem.

Whether in the Technology sector or Life Sciences, Green Economy or International Financial Services, it is vital that we have in place the national operating conditions that can support the retention and attraction of FDI. Client companies remain positive about the business environment in Ireland and our attractiveness relative to key competitor locations for FDI.

We face several immediate competitive issues related to the carrying capacity of the economy with regard housing, energy, water, infrastructure and planning. These capacity constraints risk impairing the positive impact of Ireland's FDI growth. Continued action at speed and scale to address these challenges is essential if we are to successfully move to an internationally competitive low carbon, high tech economy.

### **Conclusion**

Ireland's FDI performance has proven resilient and dynamic during adverse times, growing strongly despite the shocks posed by Brexit, the pandemic, and Russia's invasion of Ukraine and other geopolitical developments.

As we partner with clients to provide support in the current challenging landscape, IDA is also looking to the future as we engage with the Department of Enterprise, Trade and Employment on the forthcoming White Paper on Enterprise and carry out a mid-term review of our organisational strategy.

While we face a more complex and adverse operating environment, we remain optimistic about FDI's ability to contribute to Ireland's economic success in 2023 and in the years ahead.