

Technology Ireland submission to the Joint Committee on Enterprise, Trade and Employment on challenges facing the technology sector - Wednesday 23rd November 2022

Chairman, Deputies and Senators,

My name is Una Fitzpatrick, Director of Technology Ireland and I am accompanied by my colleague Erik O'Donovan, Head of Digital Policy, Ibec. I wish to thank the Joint Committee for the opportunity to address you on the challenges facing the technology sector in Ireland today.

Technology Ireland is an Ibec trade association that is the largest and most influential business organisation representing Ireland's tech sector. The membership is made up of the leading Irish-owned and FDI players in the Irish technology sector. Our network is structured around a series of core working groups, member forums and networking events, all of which are the primary enablers of our strategy. I am also a board member of DIGITALEUROPE the European organisation that represents the digital technology industry.

Since 2013, the sector in Ireland has grown at an average of 12% per annum. Most notably the sector has grown by 30% over the last two years. The digitally intensive sector now directly employs over 270,000 people here. From the CSO data released earlier this year based on 2019 figures they report that employees in the ICT sector have the highest average annual earnings in the country receiving €8.5bn in wages in 2019. Approximately 63% of the ICT workforce had a third level qualification or higher, among the highest in the overall economy. The total investment in the ICT sector at the end of 2019 was €103bn (10% of all capital assets in Ireland).

A global slowdown in the technology sector has been forecasted for some time. Over the last 6 to 8 months, we have seen international global inflationary pressures impact on the sector and in the Technology Ireland budget submission to Government earlier this year stated 'Budget 2023 must address issues of inflation and infrastructure gaps with the potential to impact growth, particularly with a forecasted slowdown in global technology hiring. This budget must fortify our ability to thrive in the future, by investing in skills, focusing on research and innovation and enhancing our regulatory capacities.'

Ireland remains the heart of the technology industry in Europe, but we cannot be complacent and must continue to focus on increasing our attractiveness and outpace our competitors. Technology Ireland recently launched its new 4-year strategy for the sector. Our new strategy maps the success factors which have led to Ireland's innovative technology sector and sets out in various pillars the areas of focus for Technology Ireland as we look to the future: such as people, ESG factors and shaping EU and international regulation.

- **Building the Future Workforce**

While the news of recent weeks regarding redundancies in a small number of companies is disappointing and deeply upsetting for the individuals impacted there remains a high demand for tech talent in this country, in particular in our indigenous tech companies who found it challenging to hire at pace over the last two years. A successful technology sector needs access to a constant and frictionless supply of talent, which is why we have placed talent as our number one pillar for 2022. A crucial ingredient in Ireland's success story has been the talent available to both our indigenous and multinational companies. That talent has traditionally been supplied through two streams – the output from our third level colleges and the flexibility and attractiveness of Ireland in accommodating overseas talent. Both these streams are now under pressure and therefore a strong response is needed to maintain a sustainable pipeline of talent.

- **Ireland as a Regulatory Hub - Leaning Into NDS/Digital Framework Ireland:**

The stated ambition of the Government in their National Digital Strategy, the Digital Ireland Framework, is to make Ireland a centre of regulatory excellence in Europe. In a time of less certainty, the best protecting mechanism that we can take in order to ensure that Ireland remains, and grows, its reputation as a technology hub is to have a well-resourced regulatory structure which ensures that Ireland is seen as a safe place in which businesses can invest.

Ireland needs to continue to lean into its stated ambitions in the Digital Ireland Framework, specifically where the Strategy commits to a strong, stable and coherent regulatory framework for digital, with highly capable and well-resourced regulators. We have seen the resources of the DPC grown consistently year-on-year, but we have also seen the challenges multiply in that same timeframe. The continued resourcing of the DPC, as well as the new Media Regulator, will be crucial in order to preserve and protect Ireland's hard-fought wins in this sector.

Ireland's unique position as European HQ for many international tech companies means that we have a responsibility to lead the way in shaping good, clear, evidence-based regulation and to demonstrate best practice in the implementation of those regulations. Such leadership must begin at home. Ireland's position as a tech hub has the eyes of Europe and the wider International world upon us.

This means we should have our finger on the pulse of developments internationally that will matter to our businesses tomorrow. That is why we envision Ireland as a global regulatory hub and continue to call for increased governance capacities given the concentration and diversity of technology companies established here. Ireland and the wider world stand at a crossroads with crises on multiple fronts. To fortify ourselves against the headwinds, Ireland must work in tandem with global partners to influence the shape of the policy landscape we want to do business in.

- **The Need for Cohesive Policy Formation:**

Ireland needs to have coherent policy frameworks around which technology companies can plan to a medium-term horizon with a strong degree of certainty. In this moment, while this is broadly the case, there is scope for improvement and the continued prioritisation of a digital brief within the Department of Enterprise is a sensible approach, though there still needs to be more coordination between the various Departments which are devising policies that are applicable to the technology sector as it is presently split between various Departments, each of which often has different priorities and different degrees of understanding of the nuances of the sector.

Within the Digital Ireland Framework, this too is acknowledged, where it is said that "more specifically speaking to the point that there is a recognition within Government that "Ireland's digital policy is likely to play an increasingly important role in shaping location decisions of Multi-National Corporations (MNCs)". Equally, the Digital Ireland Framework states that "there is a commitment to increasingly lead, shape and influence at EU level and be a strong advocate for an optimal regulatory framework - "an agile and workable regulatory framework". This is an area where Ireland sometimes leads, but sometimes is a little behind. Becoming more involved in the Digital Nations, or DN, would offer a platform for Ireland to influence like-minded, forward-thinking countries in a more cohesive way in order to secure our strategic objectives. Both of these priorities within the Digital Ireland Framework need to be increasingly considered together in a strategic way in order to best preserve our hard-won advantages.

- **Support for Irish Tech SMEs**

SMEs and entrepreneurs are the lifeblood of the Irish economy. It is imperative that the SME voice is to the fore in all policy development within the sector. We campaign to improve investment supports for indigenous technology firms, reduce the cost of doing business and unlock start-up growth potential through innovation.

In order to support SMEs and founder led organisations we call for

- Fit for purpose and accessible funding and incentives which are simple, accessible, and granted in a timely fashion. In particular, improve tax incentives such as Capital Gains Tax Relief, R&D Tax Credit and Employment Incentive and Investment Scheme and produce an SME tax roadmap.
- Ensuring that the talent, skills and labour market is constantly reviewed to be agile, informed and interconnected to respond appropriately and in a timely fashion to the fast paced changing business model.
- Intensify support for SME enterprises in its digital transition, to ensure our continued competitiveness.
- And finally Regulatory Impact Assessments must be completed before rolling out any new regulations, to assess impact on start-up in particular.

Conclusion

In conclusion, Chair, I want to assure the Committee that the tech sector will continue to grow in Ireland in 2023, albeit at a lower level than it has over the last two years. We need to continue to focus on people and talent development, and as we approach CAO application time of year, the sector wishes to encourage students to consider a career in tech which can facilitate a career in any sector in the world.

Technology Ireland remains committed to working with Government and all stakeholders to meet the challenges impacting us all, to ensure Ireland can remain a technology powerhouse.