



aiaa

australian information
industry association

AIIA SURVEY

DIGITAL STATE OF THE NATION 2022

APRIL 2022

DIGITAL STATE OF THE NATION 2022: AIIA MEMBER SURVEY

One of the AIIA's greatest strengths is its large and varied membership base. Our members cover the entire spectrum of the tech ecosystem, from start-ups and sole operators, and SMEs through to multinational corporations. These member organisations encompass a broad base of technology solutions including telecommunications, cloud, infrastructure, systems integration, cyber security, hardware and software platforms and management consultancy to name a few.

For the third year running, the AIIA has surveyed the tech sector to better understand the issues faced by industry. This aids in policy development and representation, but also critically enables us to communicate the key issues to government. In addition, the AIIA is proud that we have over 200 individual members actively engaged across our State & Territory Councils and Policy Advisory Networks, fruitfully devoting their time and expertise to strengthening the industry.

Our national Policy Advisory Networks (PANs) include:

- Digital Skills
- Federal Government
- Domestic Capabilities
- Legal
- Corporate Social Responsibility and Standards
- Health
- Cyber Security (new for 2022)

Through our State and Territory Councils, there are additional sub-PANs that focus on issues in their respective jurisdictions.

Overview

The 2022 survey included the same questions from the previous two years to enable the AIIA to gauge changes in response over time, but includes additional questions where new issues have emerged.

**In market
March 2022**



Over 100 companies including



**11%
sole
operators**



**23%
MNCs**



**55%
SMEs**




**8%
Public
Sector**

SUMMARY AND KEY FINDINGS


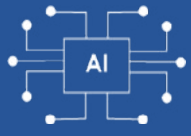


Business confidence in the economy has **weakened** in 2022.

Lack of skills remains a **critical hand brake on growth** for the tech sector. Of concern is the fact that many companies are responding by increasing the **offshoring** of work.




Government has a **strong role** to play in addressing the **skills deficit**.





AI skills demand is up by 8% and there has been a 9% increase in companies using AI in their business.

Industry has growing concerns regarding the increase in regulatory red-tape.



The education sector is not meeting industry needs: the amount of upskilling that industry must undertake for tech graduates to ensure job readiness is increasing, with only 5% of respondents assessing that graduates were job-ready.

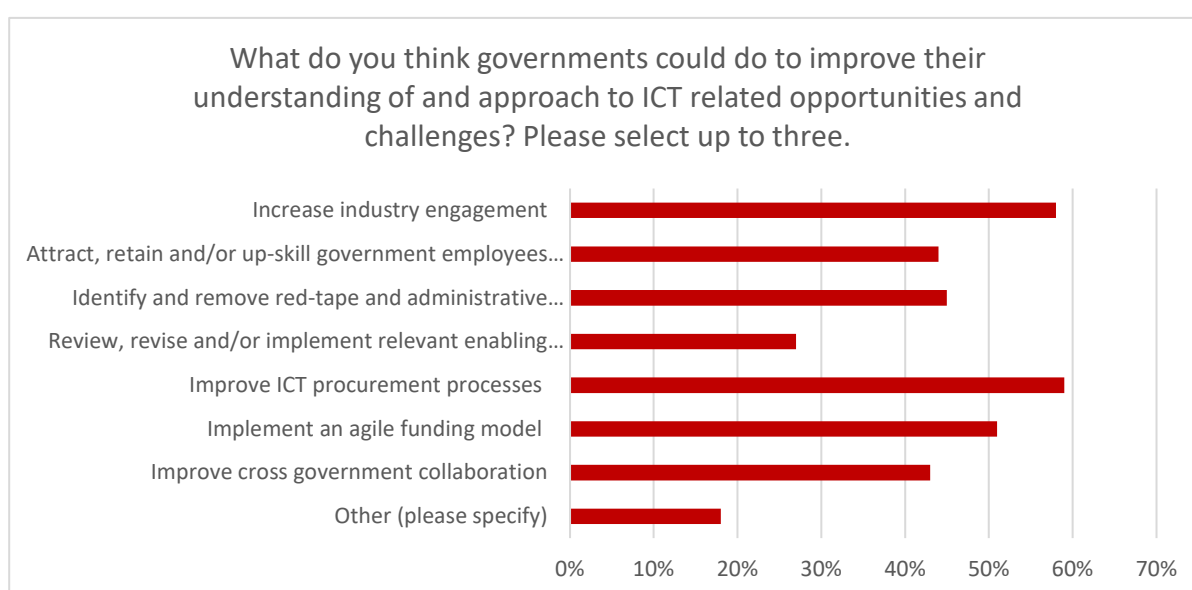



Excitingly, 44% of Australian tech companies surveyed are looking to expand business overseas or increase exports: an increase of 26%.

BUSINESS AND ECONOMIC CONFIDENCE DECLINES AND ROLE OF GOVERNMENT

The AIIA Survey has observed a statistically significant shift in business sentiment and confidence in the future of the Australian economy from this time last year. In 2021, 69% of respondents expressed confidence compared to only 47% in 2022, with neutral sentiment rising almost 10 points and the percentage of concerned respondents rising from 15.5% to 28.4%¹.

Despite significant recent emphasis, and investments by some governments in digital strategies, clearly not all governments are doing enough, with 62% of industry respondents stating that government does not have an adequate understanding of the importance of the sector to the Australian economy (similar to 2021). When asked the subsequent question about what government should be doing in response, the answers prove enlightening²:



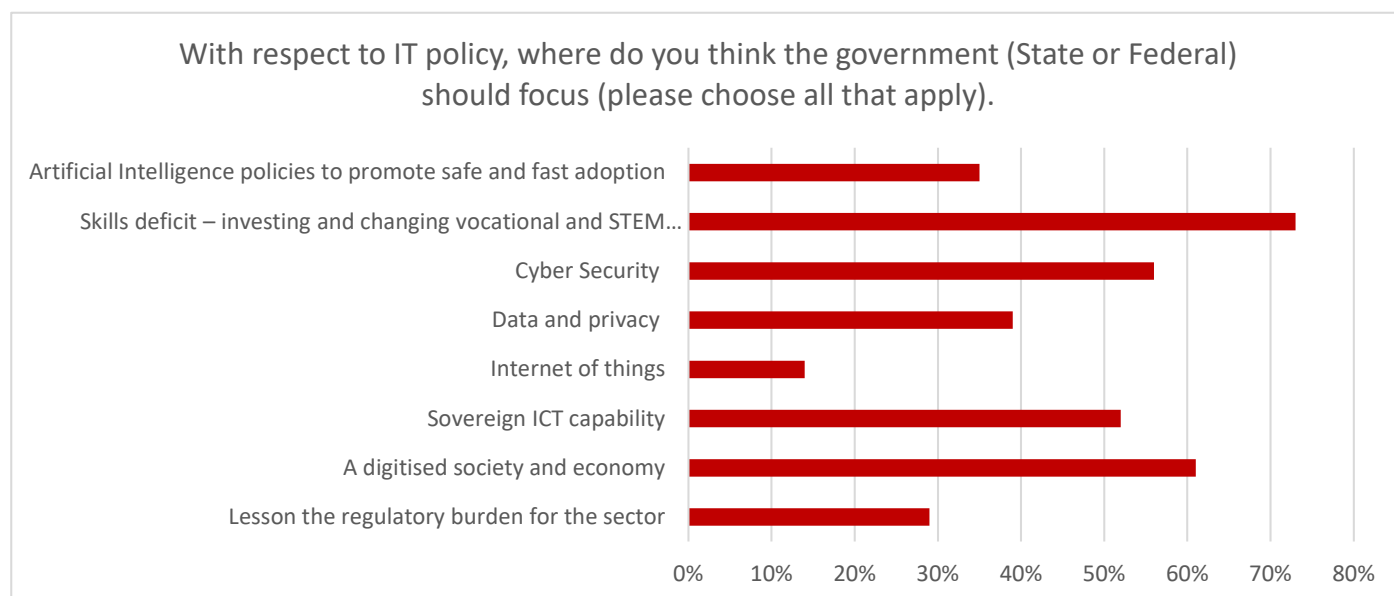
When considering changes in responses from last year, the need to increase industry engagement was still a top two concern but dropped 12%, as did talent. The only categories that showed an increase were removing red tape and administrative burden (up by 5 points). The second category that showed an increase was "other".

The increase in red tape and administrative burden confirms the concerns of the AIIA regarding the increased tech regulation that is occurring across our sector and the wider economy. The Critical Industries Cyber Security Legislation (CI SoNS), Privacy Act requirements, the Digital Transformation Agency's Hosting Certification Framework (HCF) and proposed Mandatory Ransomware reporting regime are examples of increased and at times duplicative regulation. For this reason, the AIIA has been calling for a more coordinated approach to tech regulation and formulation of a cross-government regulatory oversight body that includes industry, which could be fulfilled by the creation of a Council of Tech Regulators.

¹ Question: In terms of the future of the Australian economy, are you: Confident, Neutral, Concerned?

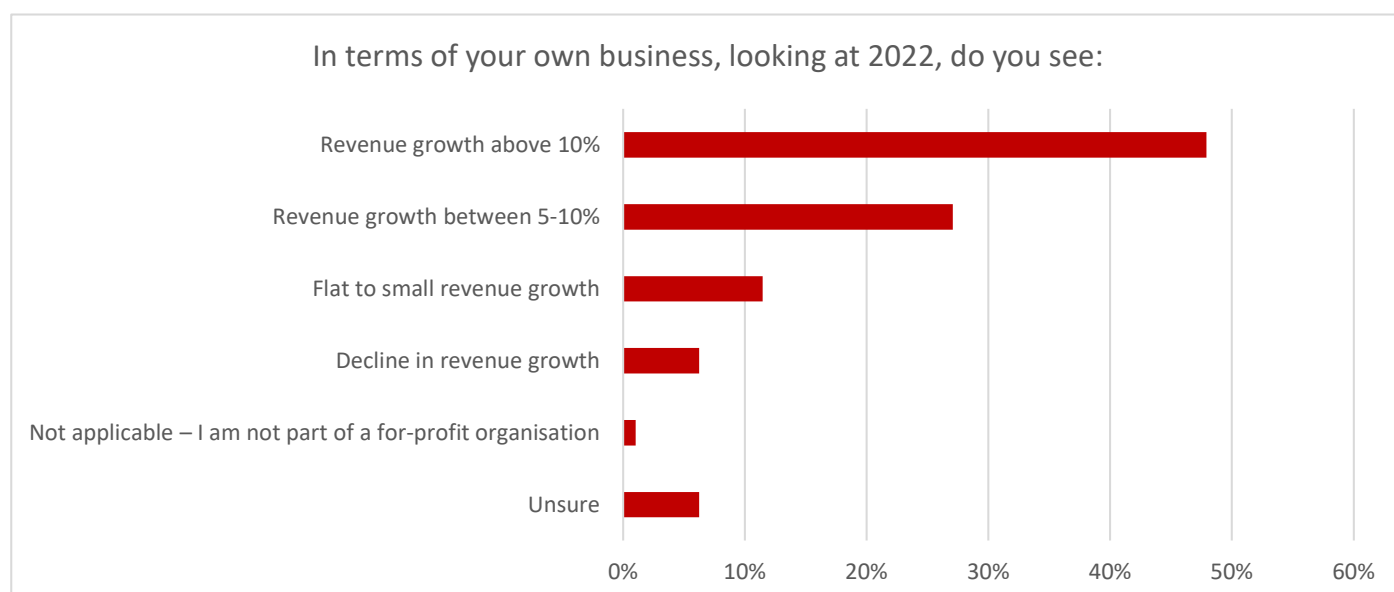
² Question: With respect to IT policy, where do you think the government (State or Federal) should focus (please choose all that apply).

When asked more specifically on areas of IT policy government should focus, we saw that some statistically significant shifts occurred from 2021,³ with 2022 results showing:



Interestingly but not unsurprisingly, the largest response and biggest change (a 17% increase) in area of policy nominated by respondents was the role government should play in addressing the skills deficit and investing in the education system (73%) followed by cyber security at 56% (a 2% increase). The response to lessen the regulatory burden for the sector was a new option in the survey and coming in as a 29% demonstrates this is a large concern for many companies.

On the question as to revenue growth in 2022, there has been a concerning 5.5% increase in respondents saying they have seen a decline in revenue growth (up from 0.9%) alongside the almost 75% of companies expecting strong growth. This is an insight that not all tech companies are experiencing strong conditions, with growth challenges in certain areas.



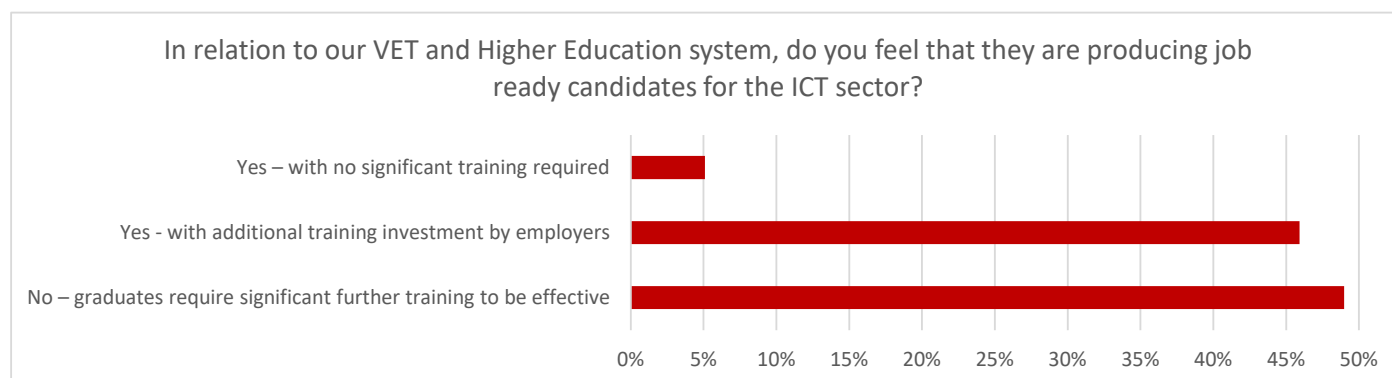
³ Question: With respect to IT policy, where do you think the government (State or Federal) should focus (please choose all that apply).

In terms of barriers to expanding their business, 'skills shortages' was the clear leader at 45% of respondents, with 'other' the next at 26%. COVID and border closures dropped from 10% to 5% as a concern.

SKILLS AND HIRING

On the question as whether our VET and higher education (HE) system is meeting employer and industry needs, the answer in the negative is clear and as a country and system we need to do better⁴.

Only 5% of respondents thought the education system produces job-ready candidates, with the 'no' response jumping almost 10 per cent to 49%. The shift shows that increased training is required and that the system is failing the sector.



On the question of hiring FTEs in 2022, over 75% of companies surveyed said they are actively recruiting, which reinforces the skills and training gap, as well as the opportunity for the economy and school leavers to be reassured the jobs are open and available.

In a further indication in the lack of tech graduates to meet industry demand, and in a reflection of the tight labour market more generally in 2022, there has been a shift in the intended source market of tech companies securing the FTEs for whom they are actively in the market, with results showing a 20% drop in hiring from Australia (85% in 2021 to 65% in 2022)⁵.



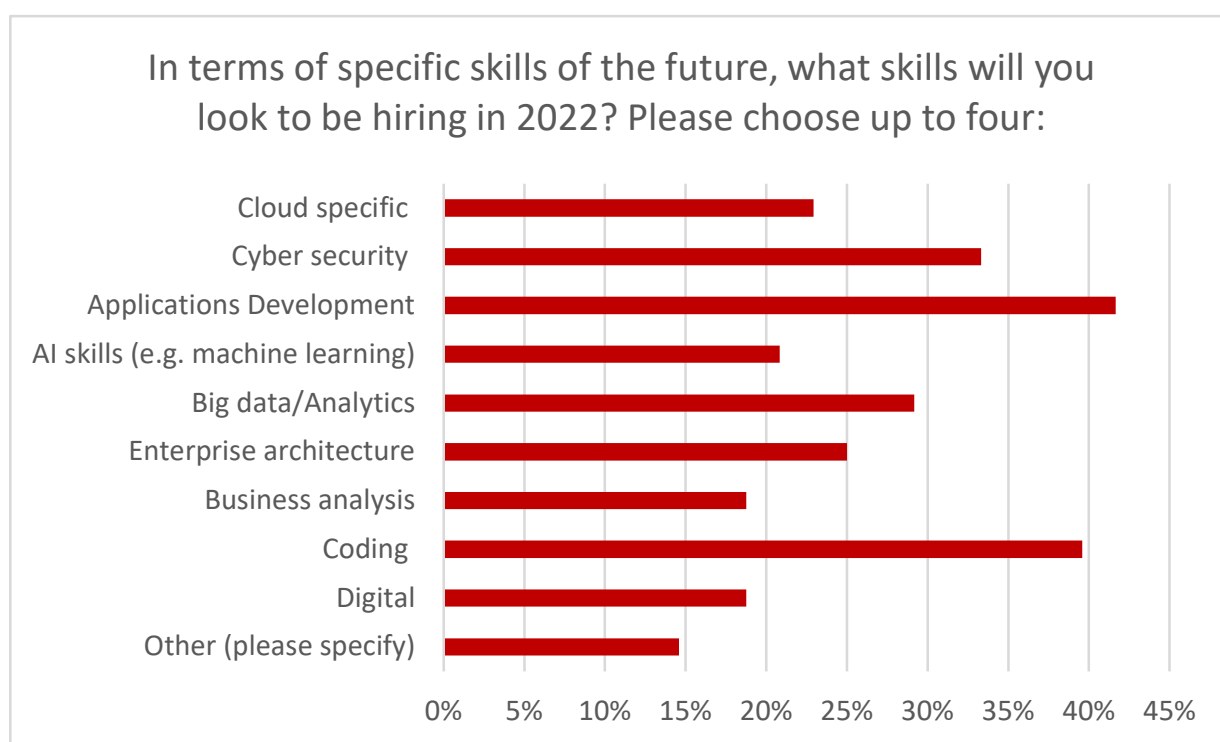
⁴ Question: In relation to our VET and Higher Education system, do you feel that they are producing job ready candidates for the ICT sector?

⁵ Question: Do you expect to be hiring staff from Australia or from overseas?

On the role industry is playing to re-skill workers for jobs of the future, responding companies who stated they were already doing this remained constant at around 64%, but an increased number of respondents said that they needed to do more (up by 3%).

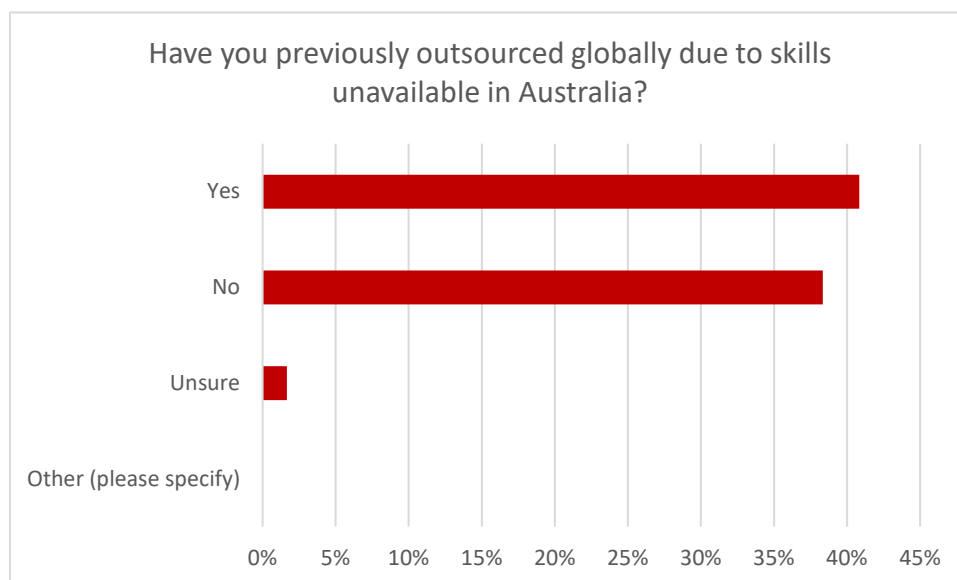
In terms of in-demand tech skills, the data shows that the skills industry requires are spread fairly evenly across the tech ecosystem but with some interesting insights and changes from the year before, including a drop in cloud-specific skills by 19%, a drop in cyber security by 15%, and big data and analytics dropping by 12%.

The skills that went up in terms of demand by industry were AI skills, up 8%, applications development, up 3%, enterprise architecture, up 3.5%, and business analysis, up 1%.

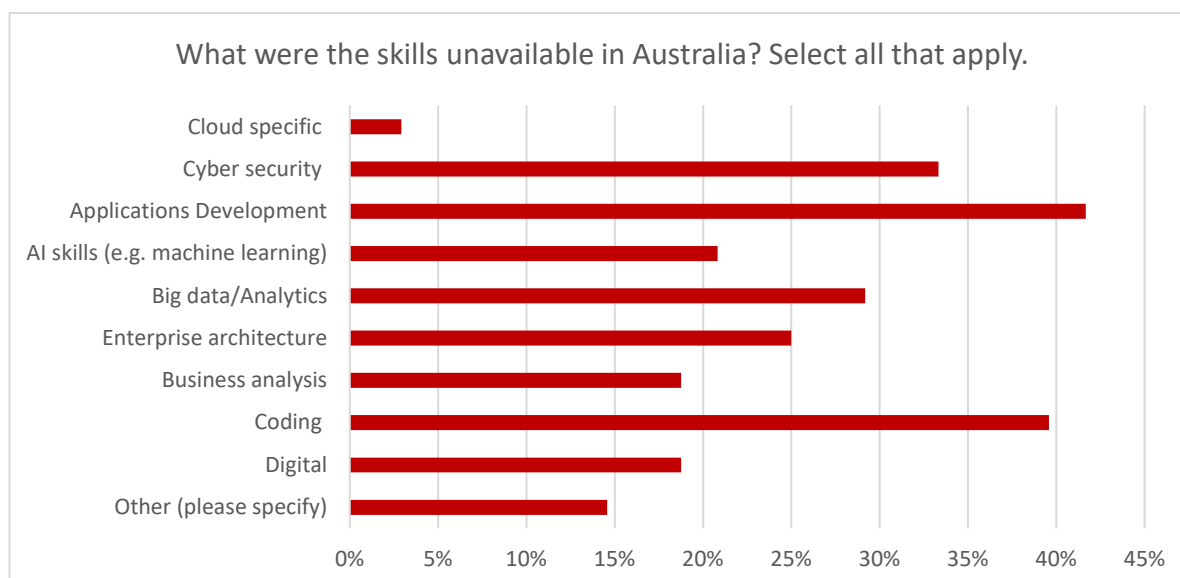


Further evidence of the tech skills shortage across the Australian economy – and a concern for policy makers – is the change in the site for labour and work delivery companies are seeking, with a significant increase in outsourcing work offshore.

Companies responding to the survey were asked whether they have outsourced globally due to lack of local skills, with the affirmative answer going up by 15%.



Regarding the specific deficiencies in Australia in terms of skills, these are detailed in the table below, with the main shift in the 12-month reporting period taking place in coding (up 15% while enterprise architecture was up 9%), which could reflect the increase in Australian companies sourcing work offshore.



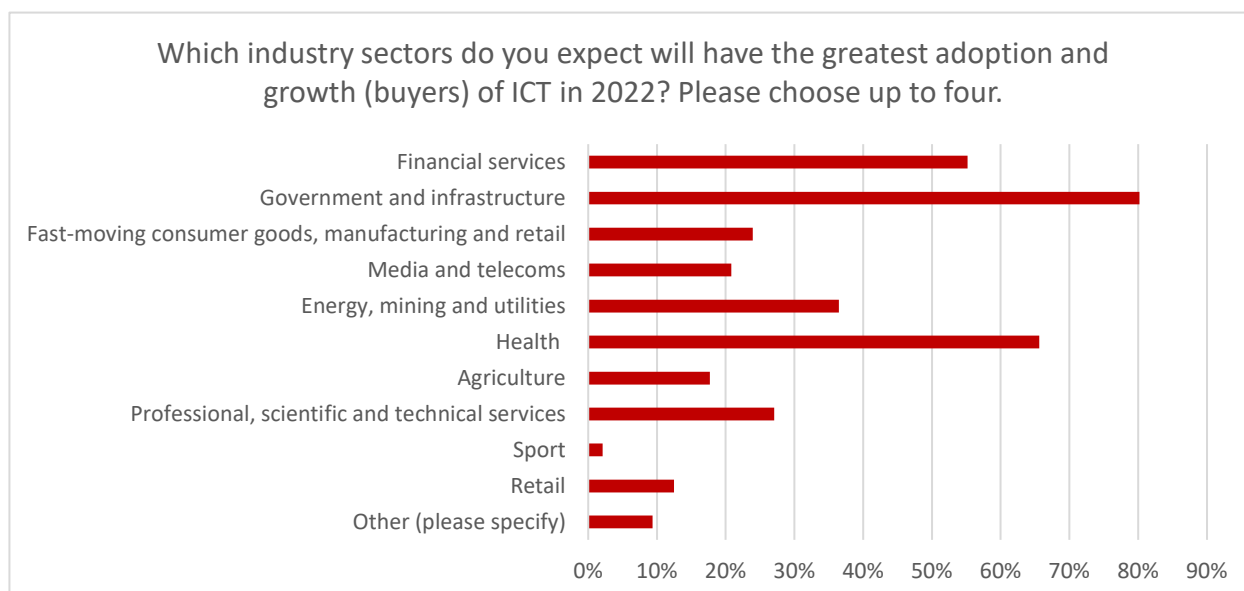
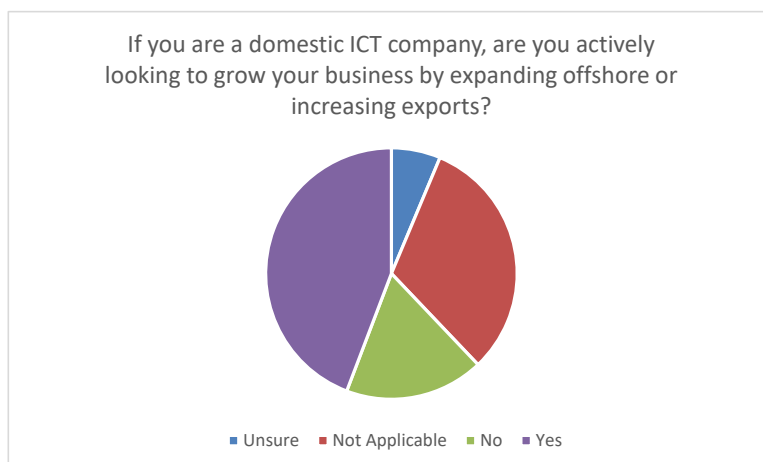
On AI technologies and the extent to which companies are or will utilise them, the AIIA saw a 9% increase in the 12-month reporting period in companies using some AI technologies at the present time, with 3.5% more companies saying they are researching how to utilise AI in their business. The unsure figure interestingly dropped by almost 9%, while those not interested in using AI grew by 4%; so businesses are becoming more aware of the technology and making decisions around its use now and in the future.

THE INDUSTRIES AND TECHNOLOGIES THAT WILL SEE GROWTH

What is exciting for the industry is the significant change in outlook for domestic tech companies when asked whether they were looking to expand offshore or increase exports, with a 26% increase to 44% of companies answering in the affirmative.

The question on which industry sectors members forecast as experiencing the most tech adoption and growth in the forthcoming year⁶ is worth comparing shifts in sentiment from 12 months ago. The major changes include: Financial services up 10%, government down 5%, media and telecoms up 10%, professional scientific and technical sector up 9% and retail up 7%.

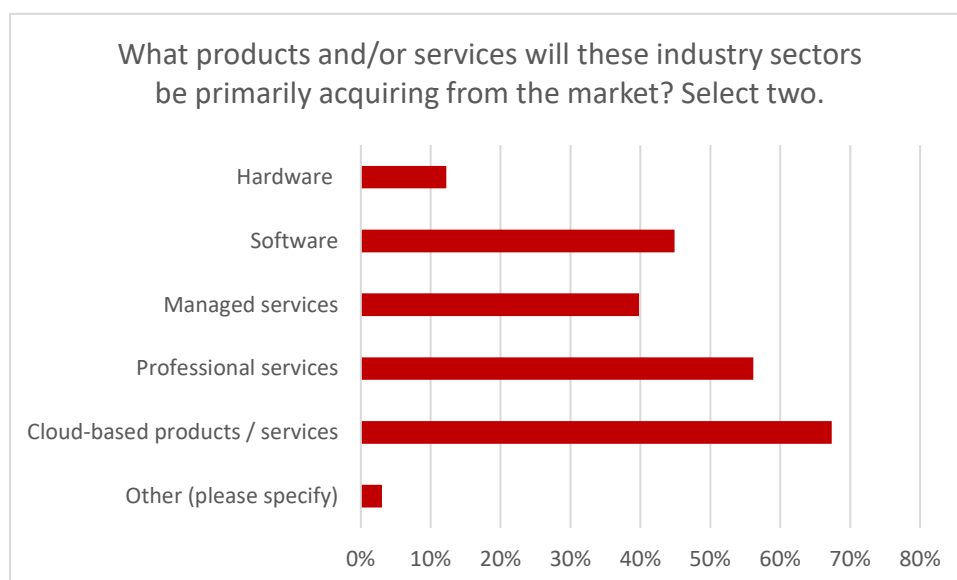
When asked why these sectors are investing in technology, an interesting change was the almost 10% increase in respondents giving the answer “maximising the value of data holdings.” The top two nominated drivers of investment, ‘enhancing the customer experience’ and ‘increasing operational efficiency’ dropped by 7% and 6%, respectively⁷.



⁶ Question: Which industry sectors do you expect will have the greatest adoption and growth (buyers) of ICT in 2022?

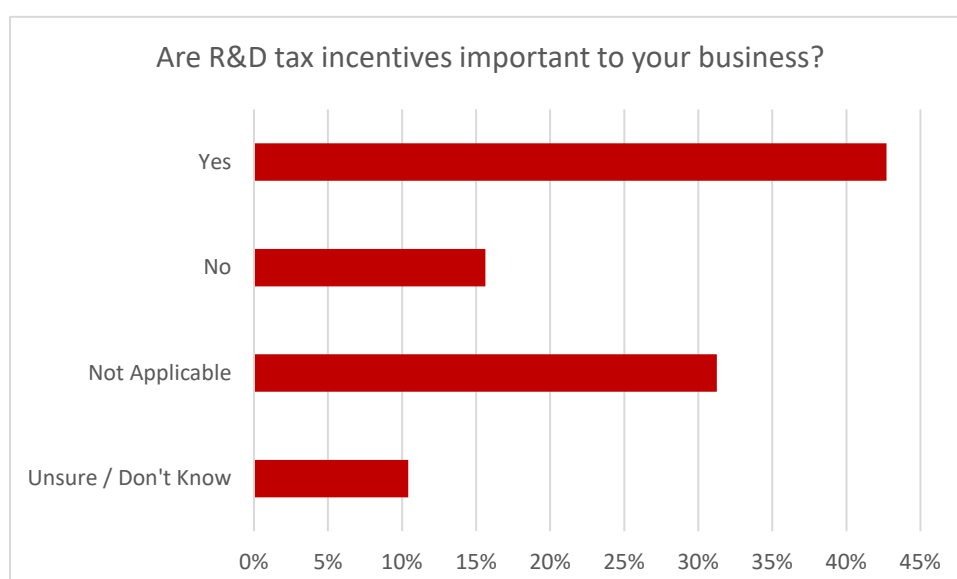
⁷ Question: What factors do you see driving this adoption in those selected industry sectors?

When asked which products or services these industry sectors will be acquiring from the market, cloud-based products and services again topped the list (but dropped 12%) with software increasing 10%.



R&D

On the question of R&D tax incentives and their importance to the respondent's business, the AIIA saw an increase in understanding, with the number of respondents selecting 'Unsure / Don't Know' dropping by almost 10% and the number of respondents selecting 'Yes' increasing from 9% to 42% of respondents. This is a pleasing result, given the advocacy of the AIIA in this area, and reflects the billions of dollars the federal government has invested in the R&D Tax Incentive in the 2021 budget as well as the the Patent Box, which was recently expanded following a recommendation by the AIIA in the March 2022 Budget.



ABOUT THE AIIA

The Australian Information Industry Association (AIIA) is Australia's peak representative body and advocacy group for organisations in the digital ecosystem. Since 1978 AIIA has pursued activities to stimulate and grow the digital ecosystem, to create a favourable business environment for members and to contribute to Australia's economic prosperity.

We do this by delivering outstanding member value, by providing a strong voice of influence; building a sense of community through events and education; enabling a network for collaboration and inspiration; and developing compelling content and relevant and interesting information.

Our members are diverse and truly represent the diversity of the Australian tech ecosystem and include Australian SMEs and larger technology, telecommunications and infrastructure and cloud companies as well as hyper-scale cloud and multi-national software and SAS providers.

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Australian Information Industry Association

For further information please contact the Policy and Advocacy team at the AIIA at policy@aiaa.com.au.

