

IRISH INTERNET ASSOCIATION (IIA)

14 July 2011

This proposal has been conceived in response to the most pressing issue of skills shortage as faced by members of the Irish Internet Association in their efforts to sustain and grow their businesses.



Critical Skills Retention & Development Programme



Executive Summary

The current skills shortage is the greatest impediment to business growth in the digital sector. We need to stem the flow of emigration of ‘smart skills’ and to incentivise positive repatriation of those who have left and the managed immigration of the skills we need. There are interesting proposals circulating for a ‘nerd visa’ but the Irish Internet Association believes that such proposals do not go far enough. It is not a question of managing who ‘can’ come to work in Ireland but rather a question of getting them to ‘want’ to work in Ireland.

For our digital economy to continue to flourish, we need to build a reservoir of the world’s best talent to work here. With so many other countries competing for the mantle of the ‘smartest’ smart economy, we need to be smart about attracting people to come here. People follow jobs, but job creators set up camp where they have a deep well of talent from which to draw and a strong ecosystem of local partners.

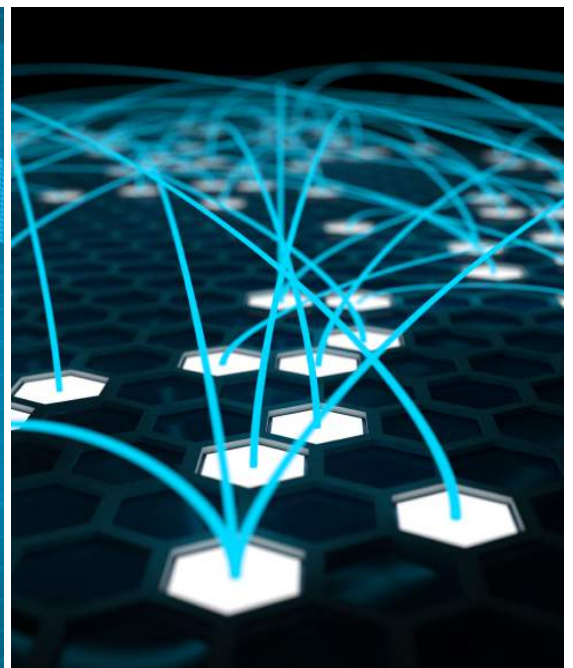
Combined, multinationals and Irish entrepreneurs are our greatest platform for growth in home-grown innovation and exports.

“I will be listening closely to hear what more government can do to support start-up companies like this to ensure that home-grown innovation can drive a generation of start-up companies and get jobs and the economy growing again”

Minister Richard Bruton

In a recent statement following a visit to Irish social networking start-up, SkillsPages, Minister Bruton said “I will be listening closely to hear what more government can do to support start-up companies like this to ensure that home-grown innovation can drive a generation of start-up companies and get jobs and the economy growing again”.

The IIA proposes a short to medium term, targeted employee related incentivisation programme for the sector based on an evaluation of the current skills requirements for technology and science businesses. This programme would include a blend of tax credit, PRSI waiver and/or repatriation grant to stem future emigration and repatriate and attract skilled workers back to Ireland. The IIA believes that this proposal can, in parallel with the education strategy, fulfil the current and future needs of the economy.



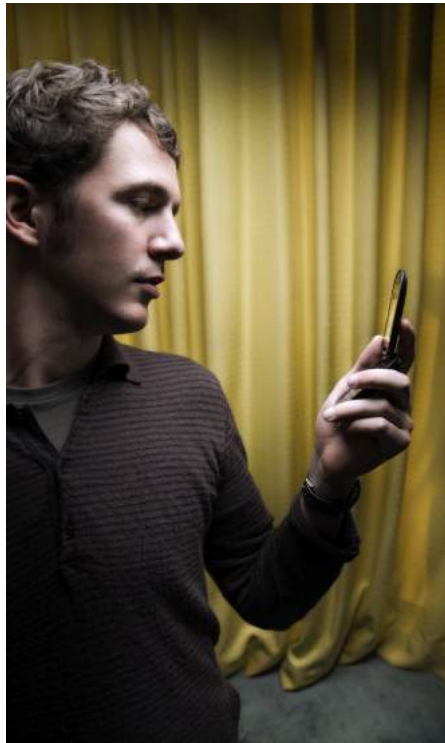
The Facts:

Currently in Ireland, there are in excess of 2,500 unfilled jobs in the ICT and gaming industries. There has been growing concern at the rising skills shortage in the ICT sector, a situation exacerbated by the low number of students opting for technology courses at third-level. The number of students attending these courses has not recovered since 2000.

At a recent Intel Forum on Education, the CEO of Fujitsu Ireland, Regina Moran, said 75pc of ICT employers in Ireland have job vacancies.

“The ICT industry in Ireland has 74,000 people employed with a further 200,000 supporting the sector, representing huge value to the country. But 75pc have vacancies and more than 50pc have at least 20 vacancies.”

Moran says that this represents a major problem for the ICT industry, in that the skills shortage means firms are competing against one another for suitably-qualified graduates. As in any marketplace, where demand for a product or service exceeds supply, the price



will increase. This is driving up salary costs for employers of these key skills and will impact upon our international competitiveness rating as a place to do business.

In a recent salary survey carried out by Prosperity Recruitment, the following skill categories in the ICT sector were identified as being those where demand currently exceeds supply:

- Web and Mobile Developers
- SEO (Search Engine Optimization) Experts
- Social Media and Community Managers
- e-Commerce Managers
- Digital Designers
- Digital Agency Account Managers (Media Planning and Buying)

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A distinguishing feature of the internet, animation and gaming sectors is the demographic of those employed therein. They represent the highest 'flight-risk' category; young, talented and with skills in demand by other countries actively courting them to support their own smart economy agenda.



Likewise, the animation and gaming sectors are facing similar challenges and are competing across the sector for the same small pool of expertise, driving up salary costs and putting immense pressure on the indigenous businesses who struggle to compete with their international counterparts located here.

In previous recessionary times, with an abundance of graduates, it was all about job creation. In this recession, however, we are faced with the added challenge of job fulfilment. Ireland has long been credited with the excellence of its education system and quality of its graduates, but that advantage has been eroded over time and we are now faced with a skills shortage and the need to attract talent from abroad as we progress a two-pronged approach to addressing the skills issue.

While strategically, we need to address the 'maths problem' in terms of number of graduates and perceived standards within the system, it will take time. Any fundamental changes to the education system will take at a minimum, five years to yield significant results. This proposal is based on the fundamental fact that we need also to act tactically and take daring steps to resolve this skills shortage immediately.

Emigration is a feature of the Irish economy once again. Since 2007, over 100,000 people have emigrated, taking with them their education, skills and experience. A distinguishing feature of the internet, animation and gaming sectors is the demographic of those employed therein. They represent the highest 'flight-risk' category; young, talented and with skills in demand by other countries actively courting them to support their own smart economy agenda. As a matter of urgency, we need to stem the flow of emigration, repatriate those who have gone, and incentivise others to come here.

THE PROPOSAL

The destination of choice for many Irish people has been Australia and, increasingly, in more recent years, Canada. The Australian DIAC (Department of Immigration and Citizenship) operates a critical skills-based points system for visa applications. It has identified the skills needed to grow their economy and awards visas and citizenship (in part) on this basis. Their points system is based on the core skills category weighted by experience, qualifications/education, marital status, age etc. to assess the desirability of the candidate for residency.

In Ireland, already, we have for many years applied sector specific tax arrangements to support certain growth industries.

Combining the precedence and practicality of these approaches, the IIA proposes that the Irish Government applies a combination of these evaluation methods and reliefs to the technology and sciences sector to reflect their criticality to Irish economic recovery.



The Critical Skills Retention Tax Credits Programme is a progressive, targeted means of maintaining critical skills within Ireland.

The programme will, in consultation with key employers in the sector, identify the following:

- critical skills required
- areas of greatest skills shortage
- number currently available in the marketplace

This data will be used to devise a weighted application form of skills assessment. The individual employee will apply to revenue online for “Critical Skills Retention and Development Scheme” credits / PRSI waiver and/or repatriation grant where, upon successful application (having attained ‘skill criticality’ status), they will be awarded such personal tax incentives.

This will act as an effective means of encouraging those who might otherwise emigrate to stay working in Ireland. It will act as an incentive to repatriate those who have left and facilitate the immigration of others from abroad, solidifying Ireland’s position as a leading digital economy.

The scale of these additional tax incentives will extend only to those attaining ‘skill criticality’ status who will be, in net income terms, unaffected by the austerity tax measures applied since 2008.

Advantages to such a scheme

1. Immediately benefits the skilled person and incentivises them in a meaningful way to work in Ireland. This will minimise ‘brain drain’ from this sector and stimulate others to consider working here.
2. Increases the reservoir of available talent for employers, matched purposefully to their needs.
3. By ‘equalising’ demand and supply, we will curtail salary inflation and protect our international competitiveness as a location for doing business.
4. The development of the skills database in the first place will deliver a measurable database of key skills that will allow us to identify more precisely address the education requirements for these sectors.
5. Provides, above all, an incentive for those who might otherwise emigrate to stay which, in turn, also ensures a return on investment on their education in Ireland to date.
6. Is as good if not better an incentive for third-level students to study technology and sciences (than bonus points in maths)
7. While the individual would be paying less tax, this is still better than the alternative where they will be paying no tax at all if they leave. Furthermore, if skills are not easily replaced, their emigration could lead to a reduction in employment numbers in the longer-term, through the loss of FDI and the emigration of Irish entrepreneurs to more favourable locations (particularly if Silicon Valley are successful in their lobby for Green Cards for tech start-ups).



Challenges

1. The critical skills list should be reviewed periodically (every one/two years to ensure its currency with market needs and relative criticality of skills).
2. Individuals who are successful in their initial application would need to reapply annually or, as a minimum, have written confirmation from their employer supporting their 'critical skills' case.
3. Implementation methodology will be guided by the Department of Finance subject to agreement to carry out the initial vacancies audit. Depending on the outcome, the Department may need to consider a quota on the number of 'spaces'/total value of credits/ waivers, or a tiered system depending on shortage of skills (ie criticality).
4. The Programme should be in operation for a minimum period of the coming five years and reviewed thereafter with a roll-back exit plan in place for when there is greater equilibrium of supply and demand. The IIA too, are acutely aware of any irreversible solution that would narrow the tax base indefinitely.
5. The scheme would apply to PAYE employees initially but some corresponding measure may be applied in time to self-employed specialists (given the contract nature of the sector).
6. The repatriation grant may initially only be applied to those working abroad who take up a position (with critical skills status) in an Irish business.

This proposal has been conceived in response to the most pressing issue of skills shortage as faced by members of the Irish Internet Association in their efforts to sustain and grow their businesses.

This proposal has been conceived by the IIA who have sought to represent not only its own members' needs but also those from the broadest definition of the sector; to include Interactive Gaming Businesses, Irish Animators and Digital Media Agencies, among others.

It is the IIA's view that such an investment in increasing the 'bandwidth' of skilled people for this sector is the optimum strategy for securing its continued growth.

Failure to address this skills issue in the coming 12-18 months will have irreparable consequences for the future of the sector. We will cede our best people to other countries that are already pursuing strategies to lure the best talent to their own 'smart' economies and with that our entrepreneurs and further FDI.

"Emigration is now draining our country and our economy of some of our best and brightest people and we must do everything we can to create opportunities for them to stay here and contribute to our recovery."

Minister Bruton, June 16th 2011

