

# Chapter 7

## The Digital Economy – An Opportunity if Fully Grasped



The World Economic Forum (WEF) says that the world is at “the dawn of the Fourth Industrial Revolution.” This revolution is better known as the “digital economy,” and it means the digitisation of the entire economy, not just the ICT sector.

The WEF Networked Readiness Index<sup>1</sup> lists the ten countries in 2016 that are best placed to make the most of this new world as Singapore, Finland, Sweden, Norway, the USA, the Netherlands, Switzerland, the UK, Luxembourg and Japan. Ireland ranks 25th out of 139 countries. The index measures how well countries are using information and communications technologies to boost competitiveness and well-being.

A new global report, *Digitizing Europe*,<sup>2</sup> has named Ireland as one of nine European frontrunner countries that could see the largest benefits from a more digitised European economy. The report, by Boston Consulting Group (BCG), examined Europe-wide data on GDP, exports and workforce from a range of trusted sources such as the World Bank, the OECD and Eurostat.

Nine countries were selected in the report because they are:

1. Geographically small, with a limited domestic market (export dependent). Therefore, they have a greater need for easy access to the vast European digital market.
2. But, importantly, the frontrunners are also well digitised and innovative and so are well placed to benefit considerably if they get access to this digital market.

Although Ireland is included as a frontrunner country – together with Denmark, Belgium, the Netherlands, Sweden, Estonia, Finland, Norway and Luxembourg – it is less digitally competitive than the others.<sup>3</sup> However, the report recognises that Ireland is showing signs of positive development.

In parallel with the European Commission’s Skills Agenda for Europe,<sup>4</sup> of which a key pillar is the Digital Skills and Jobs Coalition,<sup>5</sup> Ireland’s strategy for improving digital skills is contained in the National Digital Skills and Jobs Coalition,<sup>6</sup> which was launched by the Department of Jobs, Enterprise and Innovation.<sup>7</sup>

The potential export market that the digitised economy provides is huge, but if we fail to grasp it fully, the opportunity lost would be equally great. The report says that: “Europe is at a digital crossroads, with a unique chance to either capture an immense opportunity, or see the region fall behind other nations. And the frontrunner countries are even more sensitive than the EU as a whole to a lost digital opportunity, since a larger share of their economies is digitized, and the majority of their future growth is digitally enabled.”

1 World Economic Forum 2016 Networked Readiness Index, <http://reports.weforum.org/global-information-technology-report-2016/>

2 See [http://image-src.bcg.com/BCG\\_COM/BCG-Digitizing-Europe-May-2016\\_tcm22-36552.pdf](http://image-src.bcg.com/BCG_COM/BCG-Digitizing-Europe-May-2016_tcm22-36552.pdf) (May 2017).

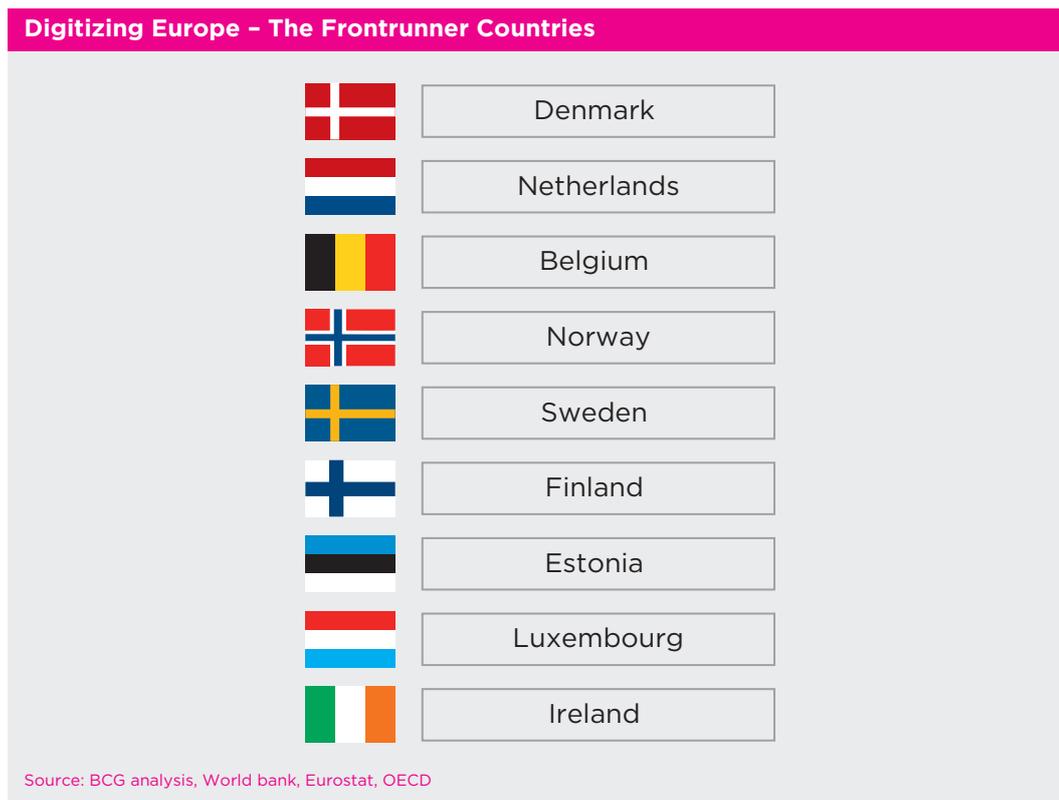
3 European Commission 2016 DESI index.

4 See <http://ec.europa.eu/social/main.jsp?catId=1223>.

5 See <https://ec.europa.eu/digital-single-market/en/digital-skills-jobs-coalition>.

6 See <https://www.digitalcoalition.ie/>.

7 The then Minister for Jobs, Enterprise and Innovation, Mary Mitchell O’Connor TD, speaking at the launch on 27 April 2017: <https://www.djei.ie/en/News-And-Events/Department-News/2017/April/2704201.html#>.



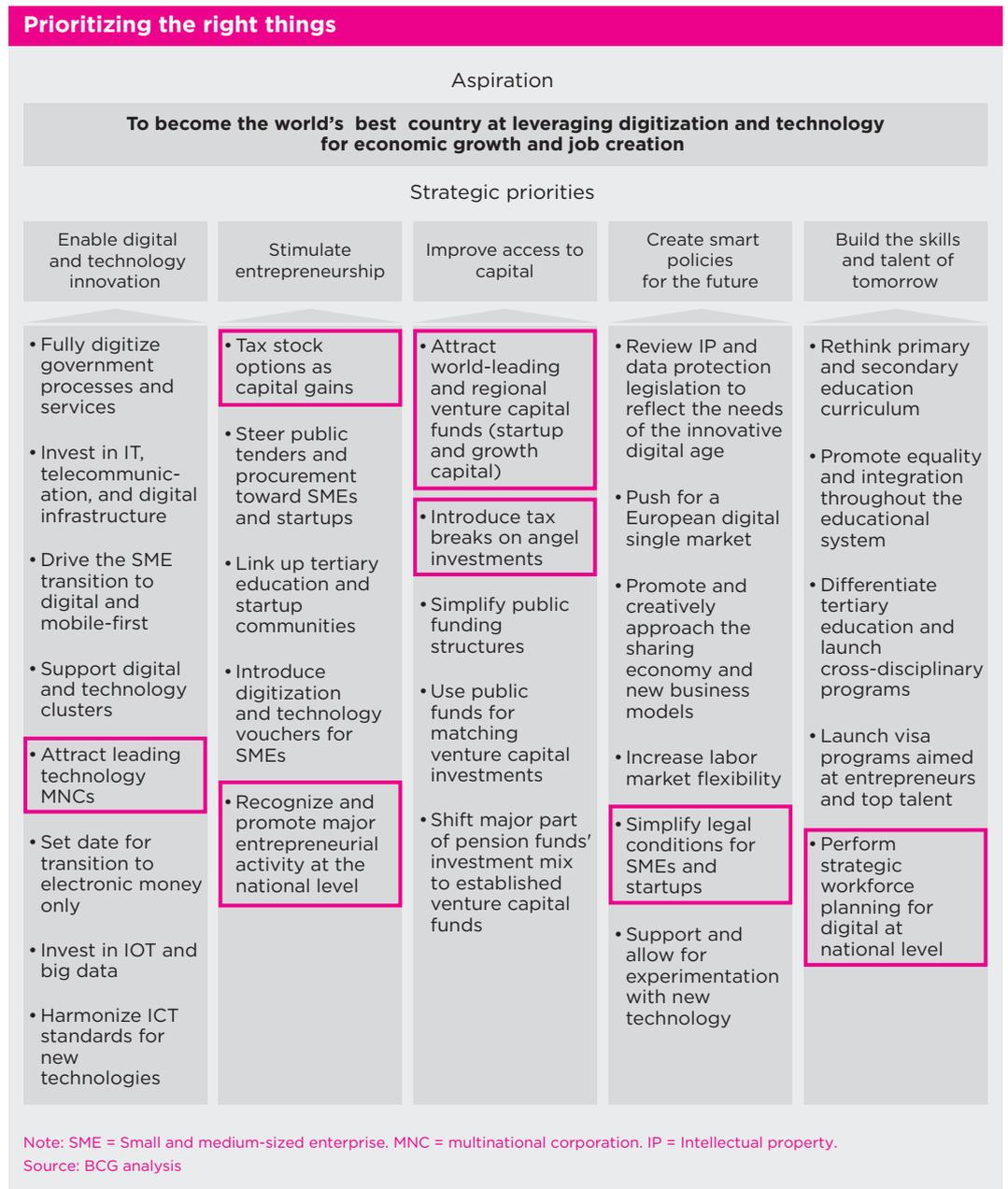
The report also highlights the critical importance of being able to “match the skills of our workforce to the skills required by the jobs that will emerge from new technologies. If this is not done properly, or if it is overlooked, a country’s workforce may be left behind and become unable to provide the labour and competence that a digitized economy demands.”

In Chapter 9 on human capital and talent, we observe the skills challenges that Ireland is experiencing at the moment, demonstrated by our low rankings in the PIAAC (Programme for the International Assessment of Adult Competencies) survey. If we do not take urgent action to address these gaps, then we could be squandering the opportunity presented by the dawn of the digitised world.

The BCG report also provides guidance on how to develop a national digital agenda framework, which should cover five key areas.



Tax policy is identified as being important across all of these areas, and the tax priorities highlighted in the report correspond with the recommendations that the Irish Tax Institute is making in this document.



Taking full advantage of the opportunities from a digital economy will create jobs for both traditional Irish companies and small and innovative companies that are normally associated with digital technology. But we must urgently deal with the skills deficit if we want to capitalise on this opportunity. The consequences of not dealing with our skills deficit are demonstrated in research from the IEDR (the dot-ie domain registry), which paints a concerning picture of Irish SMEs' online readiness:

“ Less than one-third of SMEs are capable of processing e-commerce, and almost 25% have no website at all.<sup>8</sup> ”

<sup>8</sup> See: <https://www.siliconrepublic.com/companies/iedr-e-commerce-ireland-sme-firms>