

2025



AIIA Survey

DIGITAL STATE OF THE NATION

Overview

The AIIA's strength lies in its diverse membership, spanning start-ups to multinational corporations. Our members represent the full range of technology solutions, including telecommunications, cloud, data centres, systems integration, cyber security, hardware, software, and consultancy.

The AIIA surveys the technology sector annually to understand industry issues, aiding policy development and communication with the government. We are proud of our 400+ active individual members in State & Territory Councils, Policy Advisory Networks, and Working Groups, leveraging their expertise to strengthen the industry.

Our national Policy Advisory Networks (PANs) and Working Groups include:

- Workforce strategy
- Cyber security
- Financial services
- Domestic capabilities
- Environment, Sustainability and Governance
- Product stewardship
- Product standards
- Health
- Legal

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

Report methodology

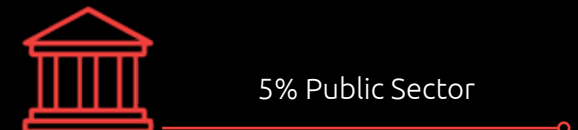
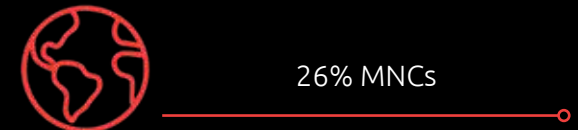
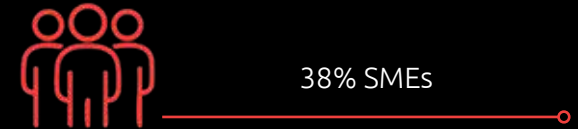
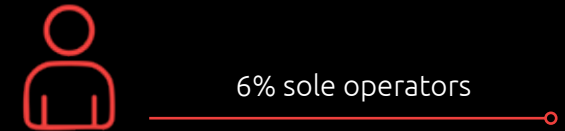
The 2025 survey included questions from the previous years, enabling the AIIA to monitor changes in responses over time to gain a comprehensive understanding of trends in:

- Digital economy competitiveness and growth expectations
- Government leadership and policies
- Workforce strategy and skills availability
- Technology procurement and adoption
- Industry approach to net-zero carbon goals

This year's survey was conducted over February and March 2025. With over 80 respondents across different technology sector company types as well as company sizes, the report gives insight into how the technology sector is performing in the current uncertain economic environment.

Respondent segmentation

Most respondents were from professional services companies (46%), software companies (16%) and education and skills businesses (7%) with an even split among the categories of telecommunications, data centres, and security solutions (5%) and cloud and web hosting (4%).



Introduction

The 2025 AIIA Digital State of the Nation survey presents a constructive yet sobering view of Australia's digital economy trajectory. Industry sentiment has sharply declined in recent years, with members reporting concerns around government digital policy leadership to leverage technology across the economy, productivity declines, and global competitiveness challenges.

The survey shows concerns from members in underinvestment in digital government and economy initiatives such as Research and Development, which will have adverse consequences for the Australian economy. According to the Productivity Commission, "over the decade to 2020, average annual labour productivity growth in Australia was the slowest in 60 years, falling to just 1.1% compared with 1.8% over the 60 years to 2019-20.... It means that the economic pie, and accordingly the welfare of Australians, will be smaller than it might otherwise be."¹ In the latest Annual Productivity Bulletin 2025, "market sector Multifactor productivity (MFP) rose by a sluggish 0.1% between 2022-23 and 2023-24, below the 20-year average of 0.3% per year and well below the 1.6% per year between 1994-95 to 2003-04 (the MFP boom decade)."² Correspondingly, the Australian GDP per capita fell 0.7% through the year from December 2023 to December 2024.³

While governments have made promising announcements such as the Cyber Security Act or Voluntary Artificial Intelligence (AI) Safety Standards, they remain focused on short-term or isolated initiatives or too slow and funding years away rather than delivering a bold, coordinated digital strategy. This has left the ICT sector underpowered at a time when its strategic importance is rising globally. This is best highlighted by the lack of national policy to drive AI innovation and adoption, promises of mandatory guardrails for high-risk AI uses for the past two years, and sporadic and minimal investment at a time when we have negative per capita GDP growth in 2024. This is evident according to this survey in which the government reduced spending is listed by the respondents as the top barrier to business and full-time equivalent (FTE) growth.

As in previous AIIA Member Survey reports, 2025 again shows that the education system is not delivering job-ready graduates due to the lack of important soft skills and applied experience. The result is a growing reliance on industry-led training and a widening gap between curriculum and market realities. Despite this, it is important to note that while skills shortages is a top IT policy issue the government should focus on, they are not listed as a key barrier for business expansion. There is a sharp reduction in respondents listing skills shortages as a concern around barriers for business growth.

Australia risks slipping further behind its global peers and missing out on creating meaningful and lucrative jobs for the future workforce.

The AIIA urges the incoming government post 2025 Australian federal election to prioritise the ICT sector as a core pillar of national economic strategy. Amid declining productivity and global competition, strong, sustained, and stable political leadership is needed to leverage technology for prosperity.

Key recommendations:

- **National digital strategy** led by the Prime Minister, Treasurer and dedicated Minister of Digital Economy, backed by a fully funded National AI Capability Plan.
- **Skills and workforce investment:** Fund 100,000 digital cadetships by 2030, support SMEs with wage subsidies, and prioritise training in AI, cyber security and ethical technology use.
- **AI Centre of Excellence:** Fast-track commercialisation of research outside the Australian Research Council process to ensure Australia remains competitive.
- **Unlock public data sets** in areas like health, disability, and clean energy to accelerate innovation.
- **Modernise government ICT and procurement:** Streamline procurement for SMEs and upgrade legacy systems using secure, AI-enabled solutions.

¹ Productivity Commission, [5-year Productivity Inquiry: Advancing Prosperity, 7 February 2023 \(Page 1\)](#)

² Productivity Commission, [Annual Productivity Bulletin 2025 \(page 2\)](#).

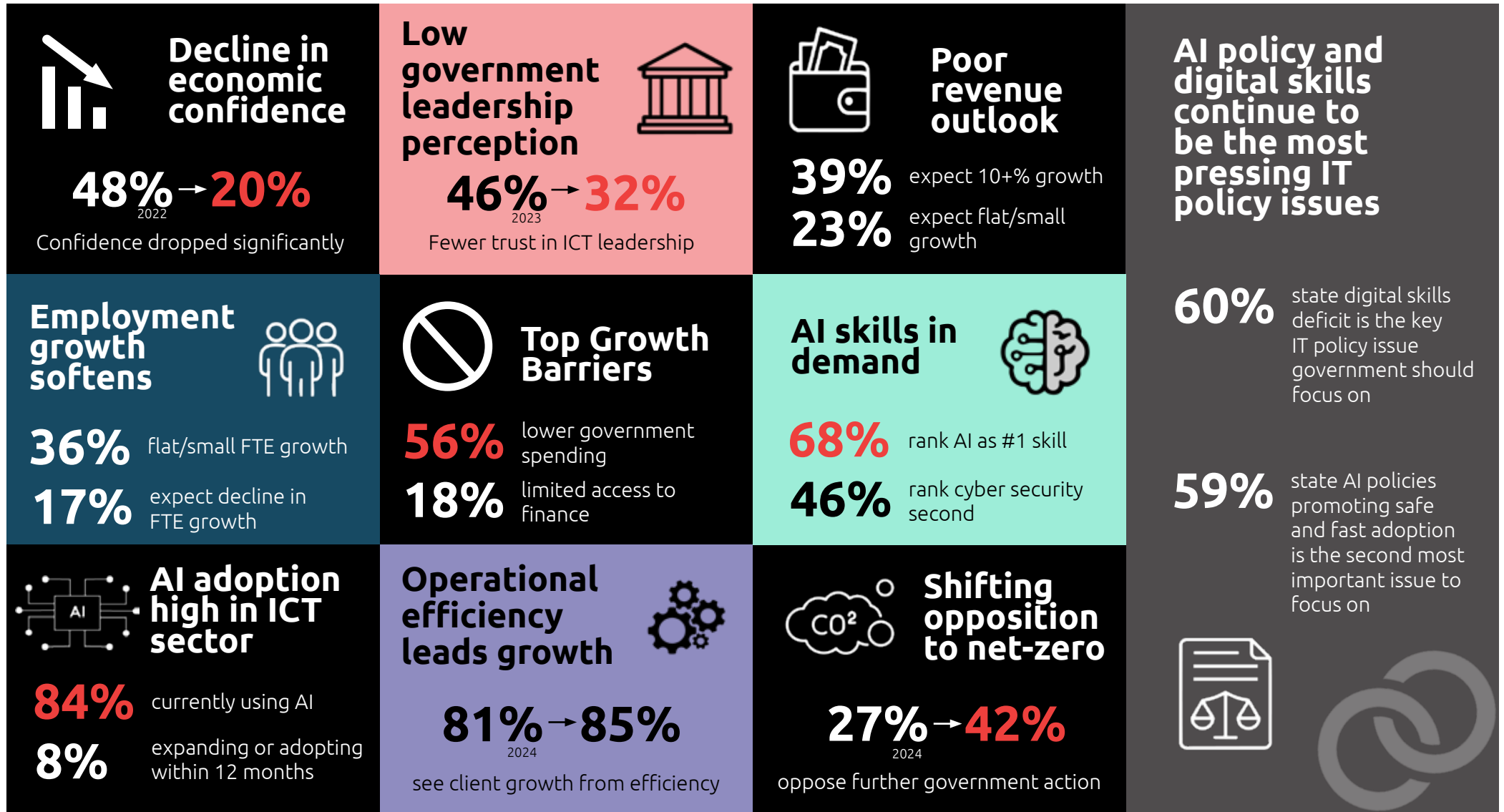
³ Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#), Reference period of December 2024 (5 March 2025)

What respondents told us

“ ICT underpins everything we do. Until that’s truly understood by government — and acted on — we’ll continue to underperform as a nation. ”



Key findings and supporting insights



Note: The % shown represents the proportion of respondents who selected each option.

Digital Economy Competitiveness and Growth Expectations

Confidence in Australia's digital economy has significantly deteriorated. Only 20% of respondents are optimistic about future competitiveness, down from 48% in 2022. This question, along with a subsequent question highlighting concerns on government understanding of technology policy, underscores the industries desire for greater government digital leadership and vision. Businesses cite government spending reductions, outdated procurement systems, and underinvestment in modern infrastructure as critical constraints. Although some firms are betting on operational efficiency gains and AI adoption, transformative growth appears unlikely without a substantial policy shift. Notably, more companies are looking offshore for growth—underscoring the urgent need for Australia to foster a more conducive domestic environment for innovation.



In terms of the future of the Australian economy are you:

The ICT sector in Australia has stayed at record levels of concern regarding the future of the national economy, with 54% of survey respondents still expressing apprehension. Respondents noted that the ICT sector has been consistently overlooked, despite it being a promising engine of economic growth.

According to written responses, concerns stem from:

1. Lack of Strategic Vision and Stability from government

Many feel there's no long-term plan to harness ICT and innovation for productivity or economic resilience — especially when compared to other global economies investing heavily in digital transformation.

2. Structural Dependence on Traditional Industries

Respondents are worried that Australia's economic model remains overly reliant on resource extraction, with little effort to elevate digital industries as a key economic pillar.

3. Government Risk Aversion and Procurement Barriers

Many believe the public service's fear of ineffective outcomes, legacy culture, and difficult procurement processes are stifling innovation and delaying the economy's

transformation. The tendency of government to focus on risk rather than innovation was heavily criticised, particularly regarding AI and data strategies.

4. Chronic Underinvestment in Technology and Infrastructure

There's concern that chronic underinvestment, particularly in modernising legacy systems and scaling local innovation, is hindering Australia's competitiveness and delivery of modern digital citizen services.

5. Disconnect from Industry and Citizens

There are calls for better engagement with both industry and the public, with many respondents suggesting the public sector lacks the technical and business experience needed to drive ICT reforms.

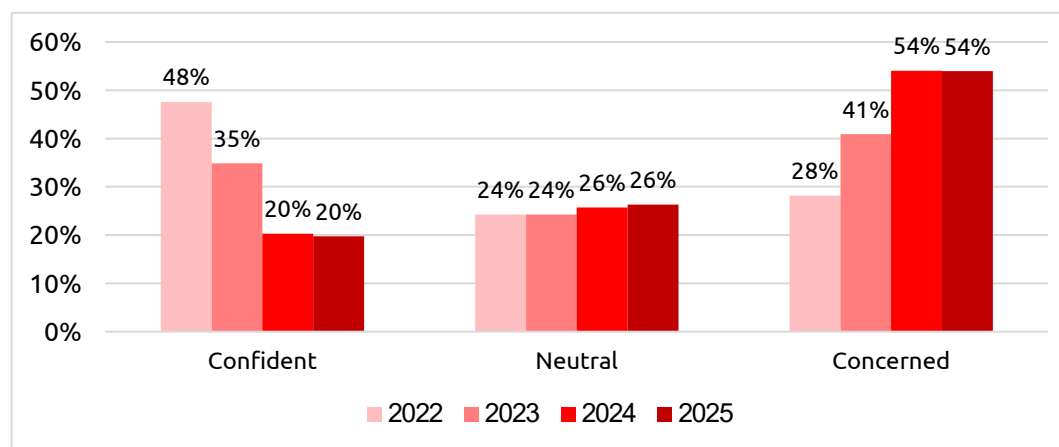
6. Skills Gaps and Immigration Constraints

The technology skills shortage, combined with restrictive immigration and limited national talent pipelines, is seen as a brake on innovation and economic growth.

7. Macroeconomic Uncertainty and Global Volatility

Some link their concern to wider geopolitical and economic instability, compounded by the government's perceived inability to respond with bold, tech-forward policies.

Notwithstanding, some respondents acknowledged improvement in some politicians or senior executives, especially at the State-level.



“ There is no ambition or foresight in embracing the opportunities for greater economic prosperity for our country. ”

“ Lack of invest in the industry - it feels like they [the government] regard ICT as a cost not an enabler. ”

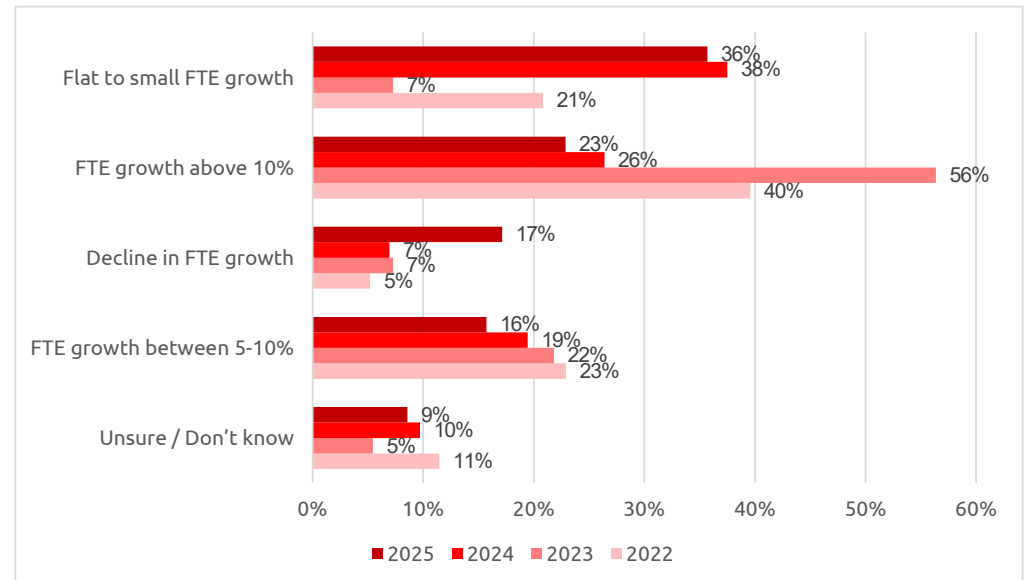
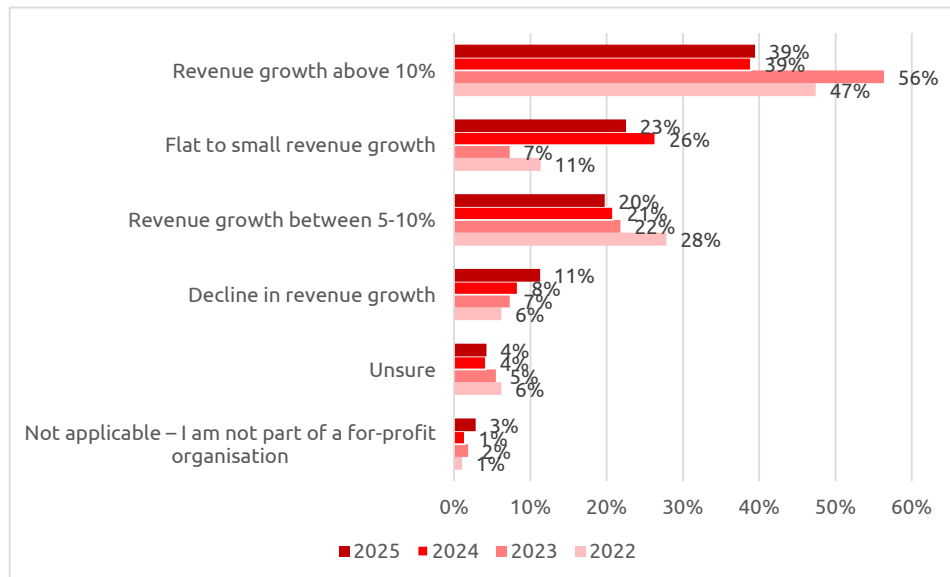
What respondents told us

In terms of your own business, looking at 2025, do you see:

Many respondents signalled economic uncertainty, driven by external geopolitical risks and domestic political cycles. While not uniformly pessimistic, this unpredictability is leading some businesses to temper expectations. Technology businesses continue to expect a slowdown in expansion, with just 39% of the respondents anticipating a revenue growth above 10%. There is a fall of 4 percentage points in those expecting a flat to 10% growth and a corresponding rise of 3 percentage points in those expecting a decline instead since 2024.

To compound matters, government spending retraction at federal and state levels, increasingly complex procurement processes and limited industry policy are adversely affecting ICT companies. There is widespread concern that delays and reductions in government ICT procurement are directly stalling growth, especially for SMEs and businesses heavily reliant on public sector contracts. Respondents highlighted delayed, confusing, or exclusionary procurement as a blocker to revenue. Some feel that without reforms, government spending won't effectively flow to innovative or competitive companies.

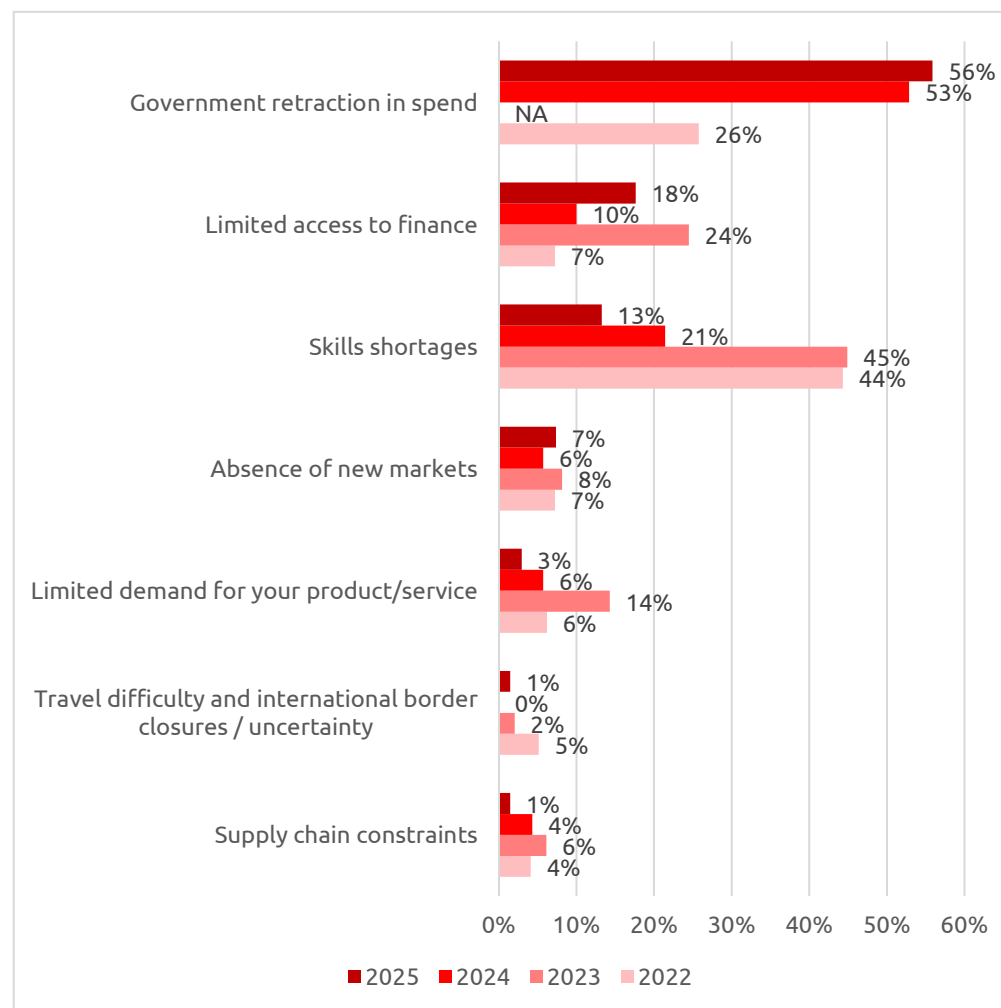
There's a view that ICT is not being recognised as a growth engine, meaning few policies or funding programmes are in place to support companies scaling domestically or into export markets — limiting other revenue opportunity. Some businesses are expecting moderate revenue growth from AI and operational efficiency gains, but not transformative growth unless government steps up its role as an enabler and customer.



What do you see as the main barrier to expanding your business?

Government reductions in spending remained the primary barrier to anticipated reductions in business and full-time equivalent (FTE) growth, according to slightly more respondents at 56% in 2025 compared to last year. Access to financing is now the second significant barrier (18%), supplanting skills shortages (13%). It is important to note that while skills shortages is a top IT policy issue the government should focus on, it is not listed as a key barrier for business expansion. There is a sharp reduction in skills shortages as a concern (from 45% in 2023 to 13% in 2025) around barrier for business growth.

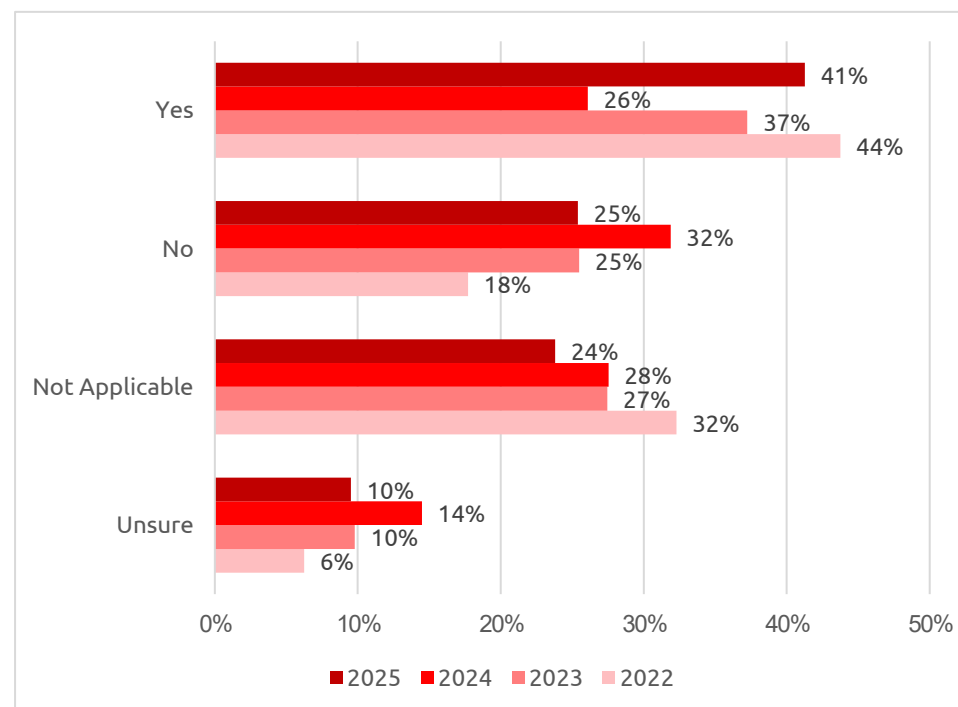
Of concern, the industry appears to be squeezed both domestically from the lower government spending and globally from the absence of new markets, which has edged up by one percent point to 7% of the respondents. Notwithstanding and despite recent concerns over trading relations, only 1% cited supply chain constraints as a barrier.



If you are a domestic ICT company, are you actively looking to grow your business by expanding offshore or increasing exports?

ICT businesses in Australia are again looking to seek revenues overseas despite many clearly indicating that their focus is domestic. This is likely a result of lower government spending domestically along with poor performance of the broader economy (negative per capita GDP growth in 2024). From 2024 to 2025, the percentage of respondents looking to expand overseas jumped from 26% to 41%. This bucks the trend of a decline in offshore expansion interest in the three prior years.

However, apart from the apparent absence of new markets, there's a strong sentiment that export readiness is low, especially among smaller players. They point to a limited strategic support to help them grow and compete internationally — in contrast to the assistance available for sectors like mining or agriculture.



Results from key questions

Government Leadership and Policies

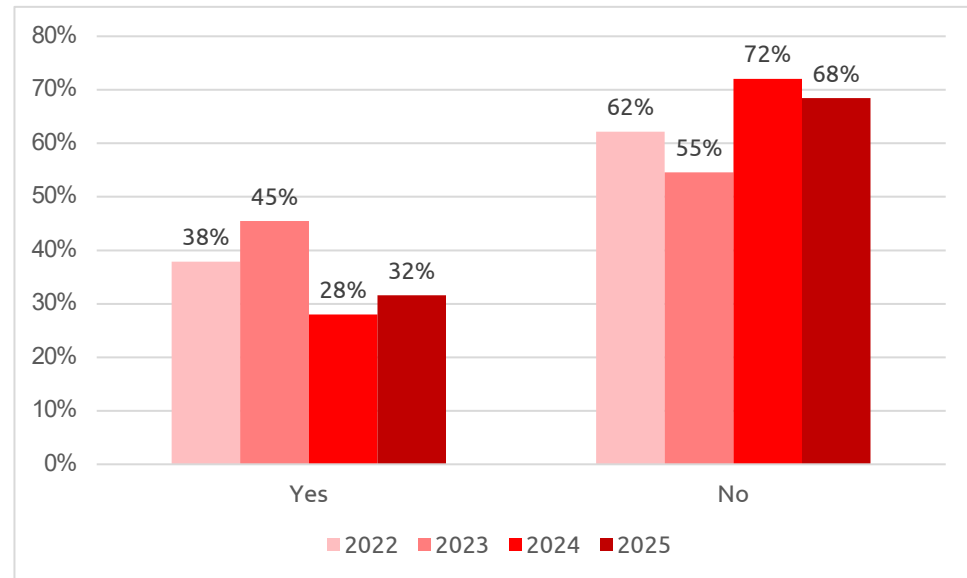
Between 2022 and 2025, survey responses show a consistently low level of confidence in Federal and State governments' understanding of the importance of ICT to the Australian economy. While there was a modest increase in positive sentiment in 2023 (45%), this trend was not sustained. In 2024 and 2025, the belief that governments understand the significance of ICT dropped, with only 28% in 2024 and 32% in 2025 responding "Yes". Conversely, most respondents in 2025 (68%) answered "No", highlighting persistent concerns.



Do you think Federal and State governments understand the importance of ICT to the Australian economy?

The ICT sector in Australia has again expressed serious concerns over what it perceives as governmental neglect. Most respondents felt that neither federal nor state governments grasp the importance of ICT to the Australian economy. This sentiment reached a peak last year, with 72% of respondents sharing this view. It remained high at 68% this year.

The AIIA notes that both the 2024-2025 and 2025-2026 Federal Budgets continued to show a limited investments in growing the ICT sector, missing a golden opportunity amidst the AI boom. Numerous commentators noted the inherent inhibitive fear, apparent limited understanding and/or urgency to use ICT as an enabler to drive productivity within the government and the broader Australian economy.



“ They talk about its importance but few governments act with the sense of urgency required to take advantage of it. There is fear of change in the public service and without changing itself it will not understand the right policies for industry. ”

What respondents told us

“ Appoint a senior minister specifically for ICT and AI, empowered with resources commensurate with the opportunity. ”

What do you think governments could do to improve their understanding of and approach to ICT related opportunities and challenges?

When asked what governments could do to better understand and respond to ICT-related opportunities and challenges, respondents prioritised the following actions:

1. Improving Procurement Processes for Transparency and Effectiveness

This remained the top response across all four years, with 64% of 2025 respondents selecting this option. Feedback consistently called for simplified, agile, and effective procurement. There is a keen interest to see the national budget spending on ICT more strategically.

2. Removing Red Tape and Administrative Barriers

Selected by 59% in 2025, this option reflects industry frustration with complex and outdated bureaucratic processes and in some jurisdiction continued additional compliance costs built into higher value procurements. One commentator noted that risk aversion seems to be the cause of decision paralysis.

3. Attracting and Upskilling Government Workforce, Enabling Stability and Continuity

There was strong demand (57%) for dedicated

government ICT capability investment, particularly in upskilling the public service and modernising internal systems. Respondents are looking for leadership commitment, stability for policy certainty and up-to-date ICT understanding.

4. Increasing Industry Engagement

Engagement remained a priority, with over half of respondents (55%) in 2025 identifying it as a key improvement area. Respondents urged genuine public-private collaboration, rather than symbolic engagement.

5. Increasing Cross-Government Collaboration

46% of respondents noted the need for improved cross-government collaboration. Fragmentation across jurisdictions (and elections) is also seen as a barrier to unified digital transformation.

6. Agile Funding Models

Respondents advocated for reforms in how ICT initiatives are funded across government—particularly around the capital expenditure vis-a-vis operating expenditure debate.

7. Reform and Recognition

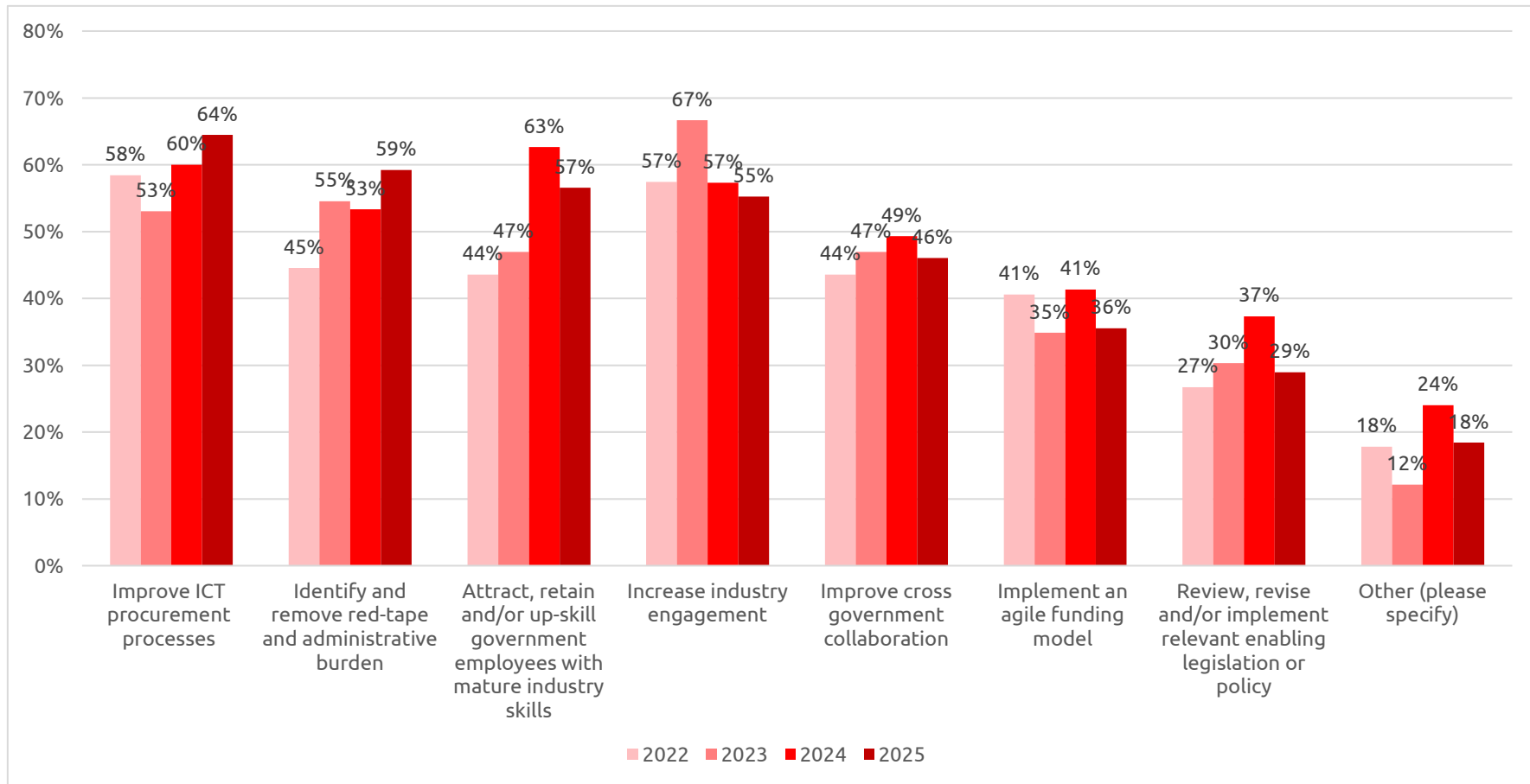
Structural issues like the outdated Australian and New Zealand Standard Industrial Classification (ANZSIC) of the ICT sector were also mentioned as barriers to more accurate investment and policy. There are calls for restructuring ANZSIC to recognise the ICT industry in its own category.

What respondents told us

“ A better understanding of their current expenditure across departments and states and areas for improvement. ”

“ Government needs to reduce their employees turn over and restructuring. It is extremely difficult to be working on projects and the team into which you report changes every few meetings. ”

“ We need a clear policy that does not change every time an election is held. ”



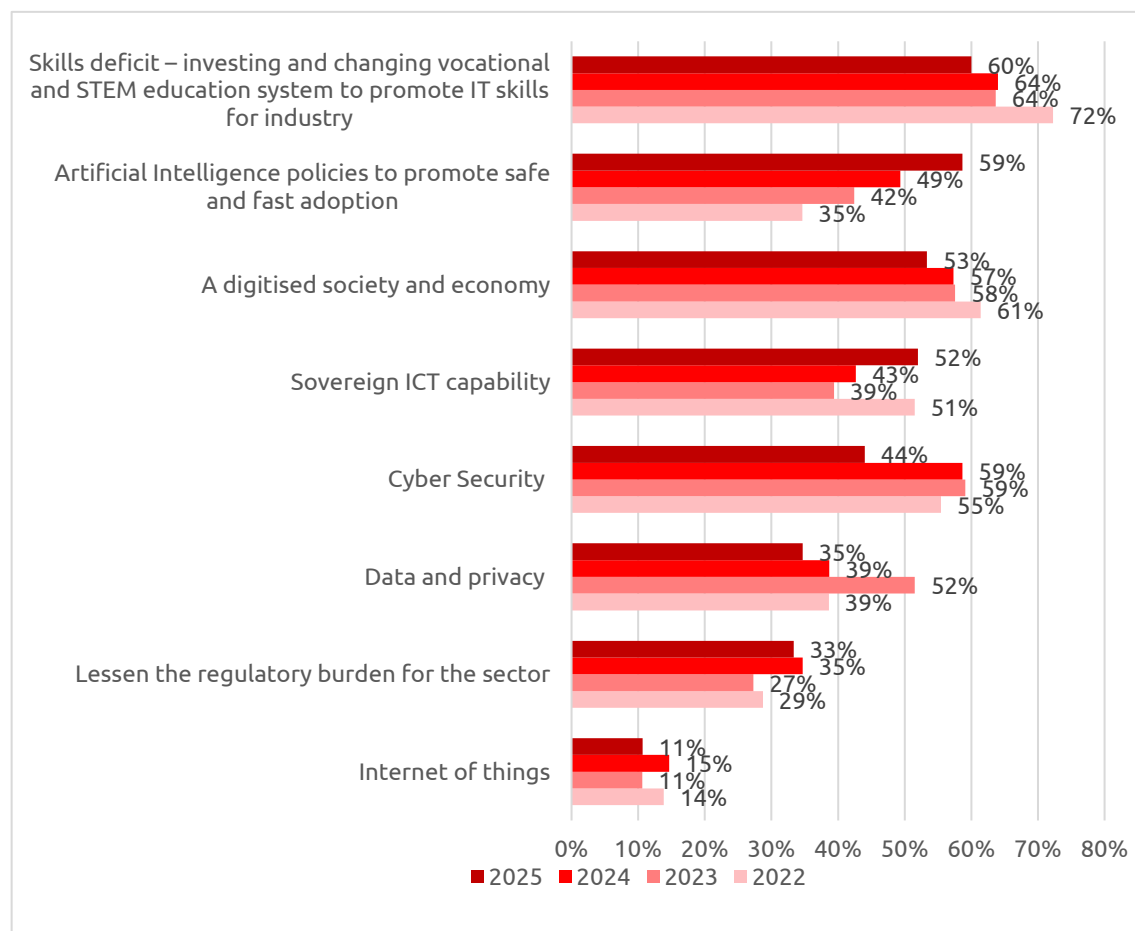
With respect to IT policy, where do you think the government (State or Federal) should focus?

The ICT sector has been consistently calling for the federal and state governments to develop a strategic industry policy focused on enhancing Australia's digital economy. There is a strong desire for a comprehensive plan that not only supplies the necessary technology skills and talents but to better leverage AI to drive productivity and competition.

What respondents told us

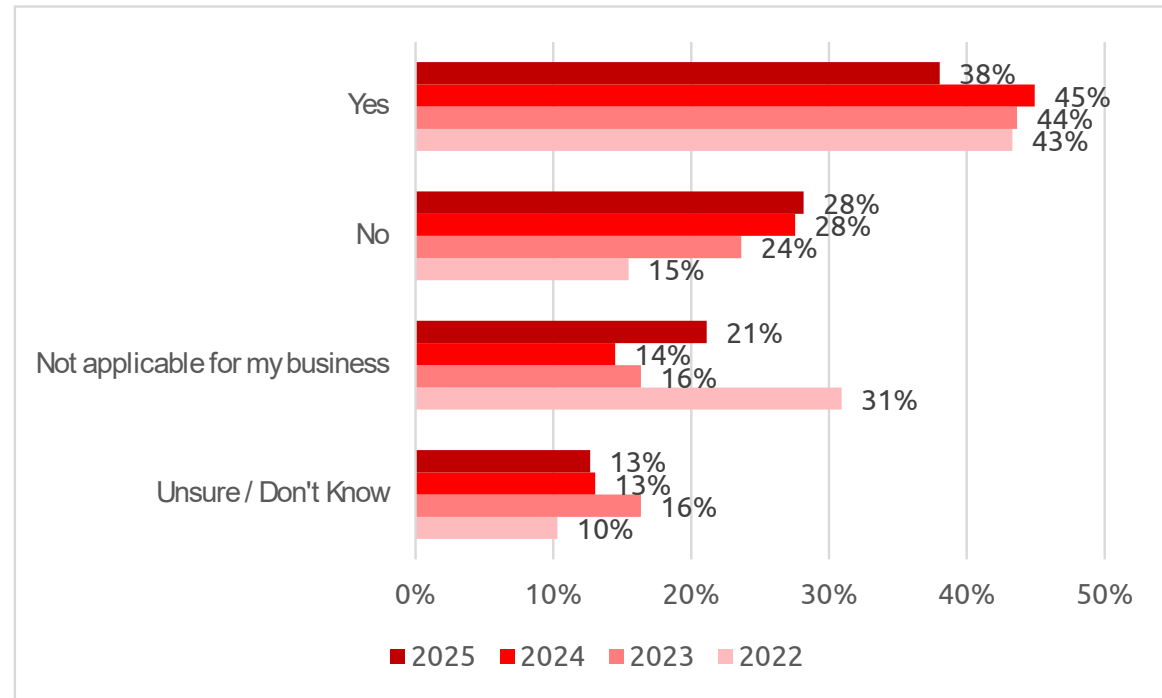
“If government was more progressive... we'd drive improved productivity.”

“ [Government is] slow to support and invest in AI and focus on guardrails, not potential for productivity.”



Are R&D tax incentives important to your business?

The ICT sector has long sounded concerns over the complexity of the R&D tax incentives programme. 'This year, only 38% of the respondents indicated that the R&D tax incentives are important to their business, down from 45% last year.



Workforce Strategy and Skills Availability

Hiring intentions remain cautious amid economic headwinds, with only 30% of firms actively recruiting. The skills gap persists, particularly in AI, cyber security, and cloud, while soft skills, leadership, and practical experience are increasingly flagged as missing in graduates.

An overwhelming 95% of respondents said VET and higher education systems are not producing job-ready candidates, forcing companies to invest in re-skilling and upskilling workers themselves. Although firms remain committed to hiring locally, citizenship barriers and immigration settings continue to constrain talent access. The mismatch between education outputs and industry needs—especially in non-technical capabilities—presents a major long-term risk to Australia's digital ambitions.

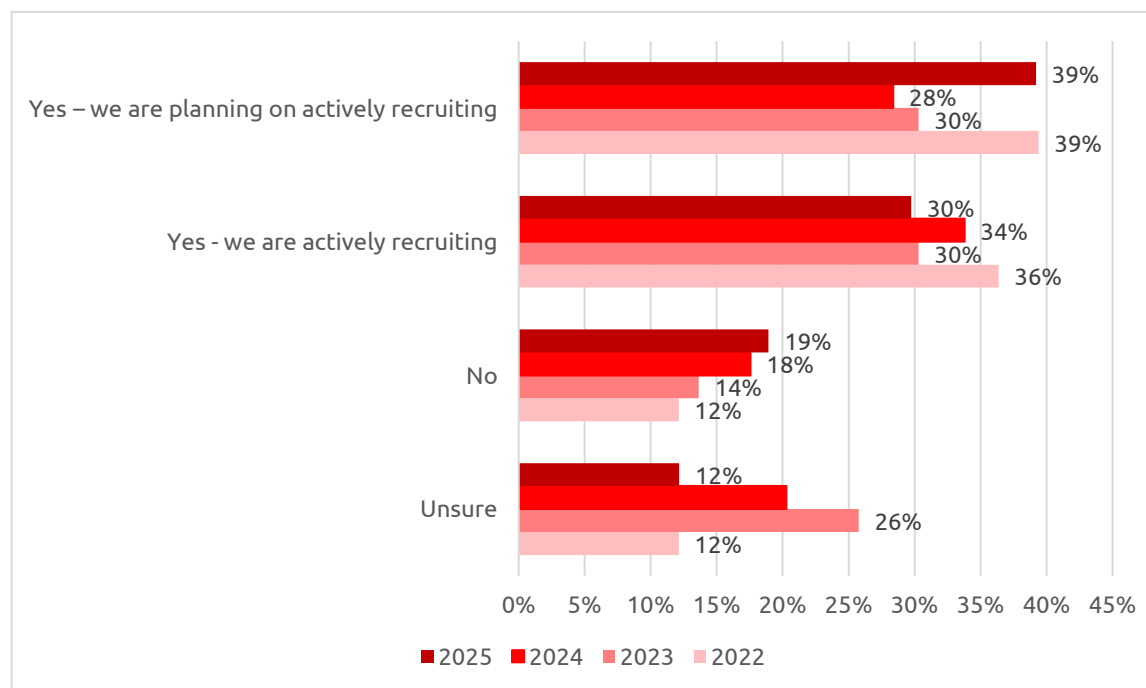


Are you looking to hire and grow full-time equivalent (FTE)s in 2025-26?

Survey data from 2022 to 2025 indicates a cautious approach in workforce growth. The proportion of respondents “actively recruiting” fell from 36% in 2022 to 30% in 2025, suggesting uncertainty in the current economic climate.

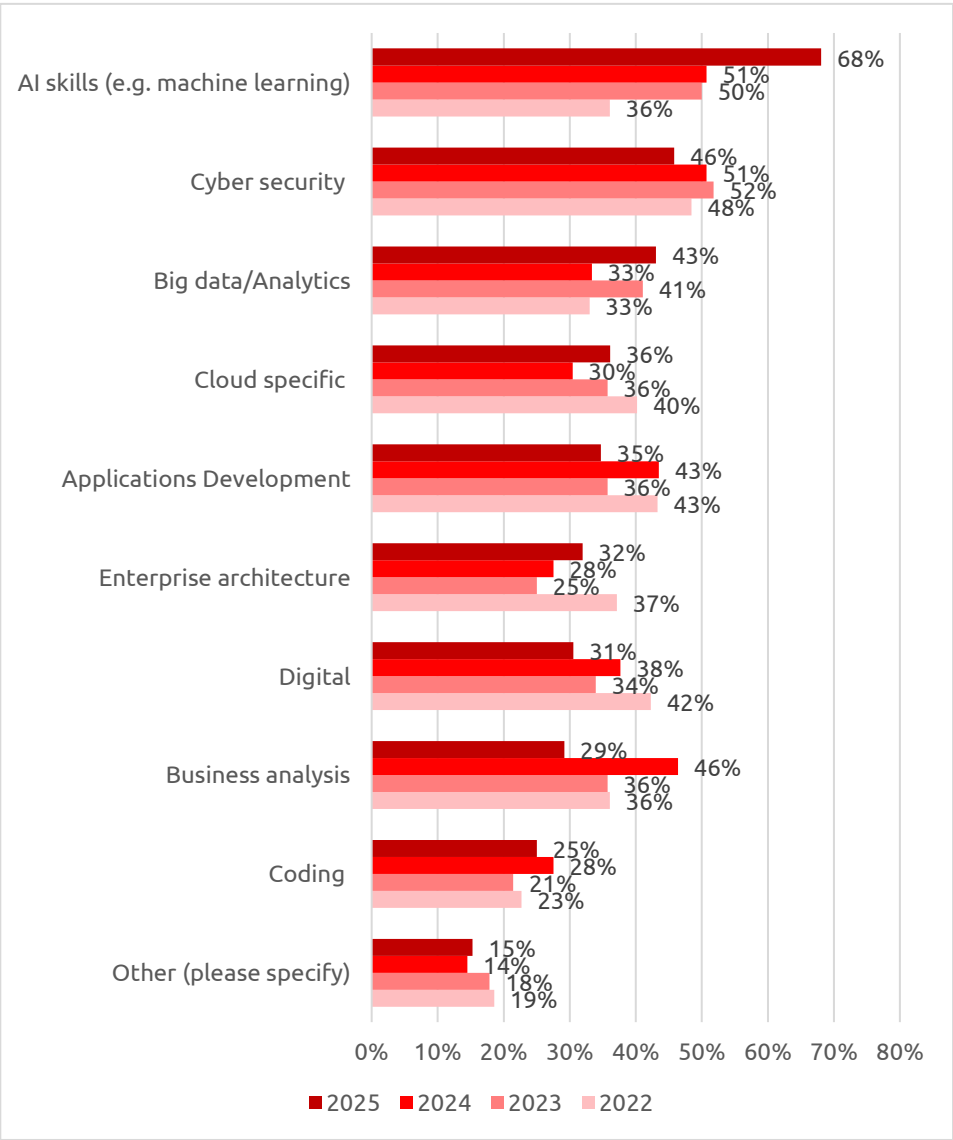
Although some organisations plan to future hiring, others remain hesitant. The number of respondents saying “No” to hiring has grown from 12% in 2022 to 19% in 2025, reflecting cost constraints and skills challenges.

For those hiring, AI is now the number one skill in demand going from 36% in 2022 to 68% in 2025.



In terms of specific skills of the future, which skills will you look to be hiring in 2025?

AI, cyber security and big data/analytics remain the top three skills in demand, reflecting their commercial value in increasing competitiveness and protecting critical digital assets. This rise coincides with businesses' increased focus on enhancing operational efficiency, enhancing customer experience and managing risk and compliance. The growing emphasis on big data/ Analytics underscores the sector's commitment to leveraging analytical insights for strategic decision-making, optimising operations, and ensuring robust security measures in an ever-evolving technological landscape.



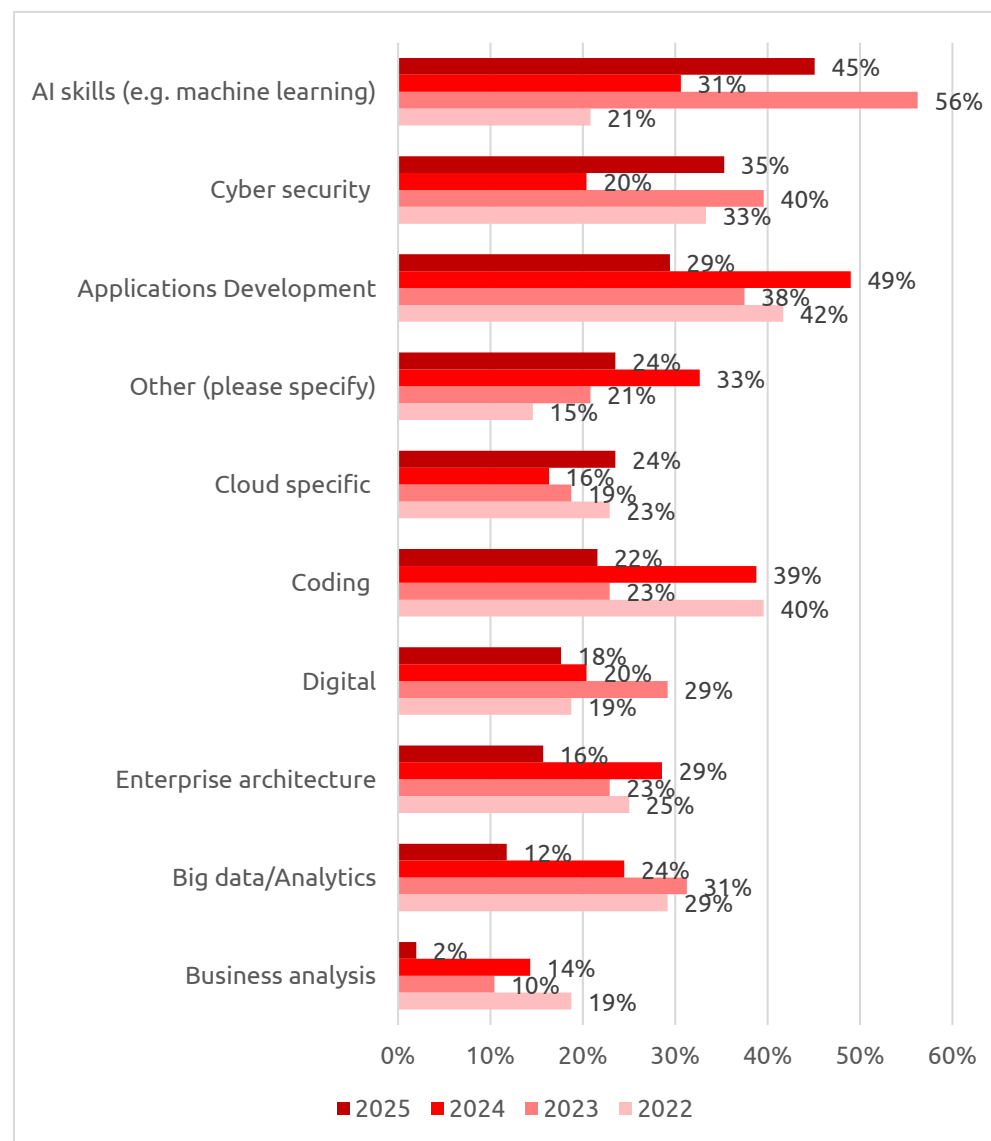
What were the skills unavailable in Australia?

Over the past four years, respondents have reported fluctuating shortages across technical domains. In 2025, the most frequently reported skills gaps were:

- AI & machine learning
- Cyber security
- Big data/Analytics
- Applications development
- Cloud-Specific Skills

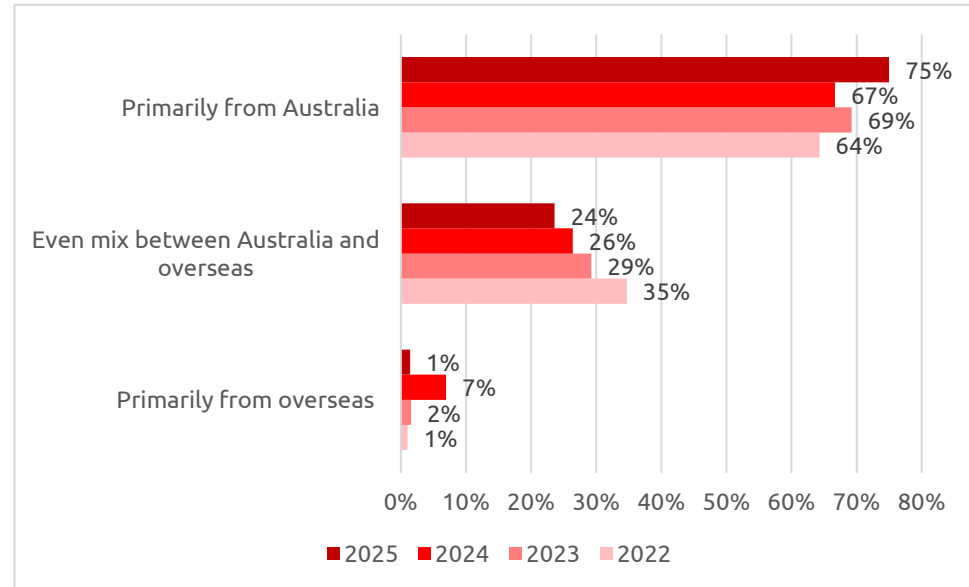
Of note, AI and cyber security has returned as the skills most unavailable in Australia, when they are only the fourth and eighth most unavailable skills respectively last year.

Some respondents commented that the issue is not just the lack of skills in emerging technology needs but also the challenges in flexibly sourcing specific and project-relevant expertise.

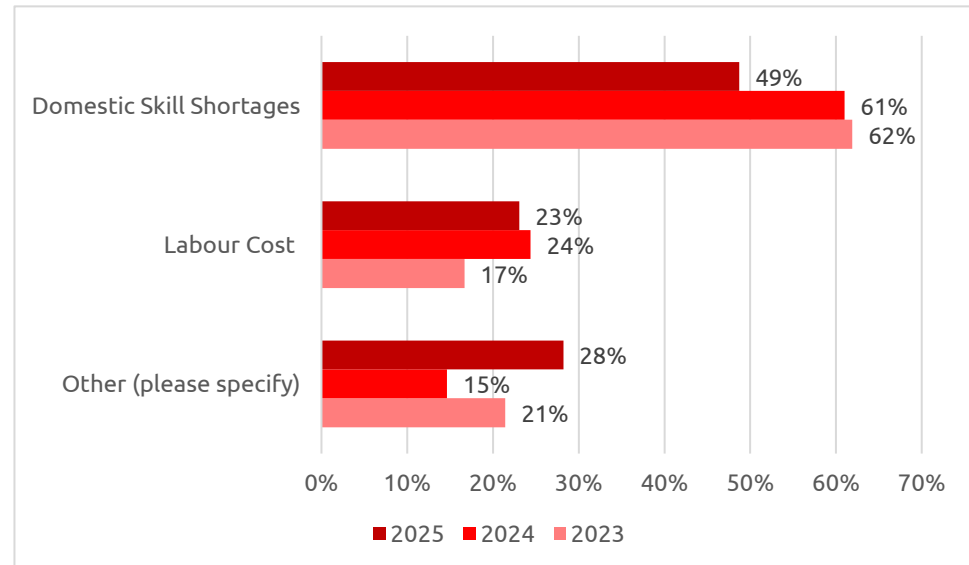


Do you expect to be hiring staff from Australia or from overseas?

The ICT sector in Australia remains committed to hiring primarily domestically, with its interest to hire primarily from overseas falling back to just 1% of the respondents. A recurring theme in comments was the need to hire staff from overseas for both experience and cost-efficiency. While some respondents cited labour arbitrage and international presence, others stressed local barriers like citizenship requirements and visa bottlenecks.



If you expect to be hiring staff from overseas, what is the main reason?

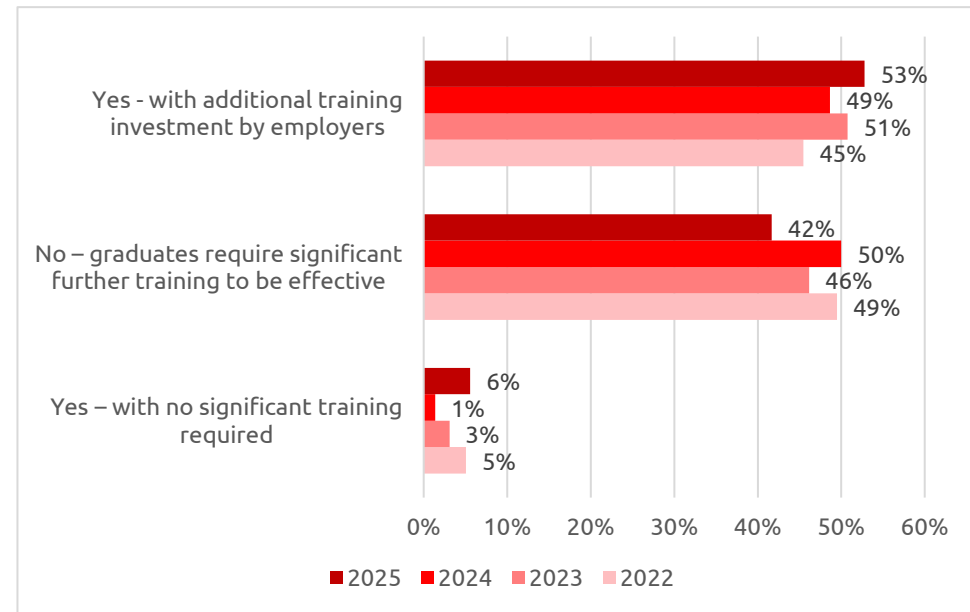


In relation to our VET and Higher Education system, do you feel that they are producing job-ready candidates for the ICT sector?

Respondents widely express concern that graduates from VET and higher education systems are not job ready. This sentiment is consistent with prior years and echoed through both quantitative results and open-text feedback. 95% of the respondents to the survey continue to say that VET and Higher Education graduates are not job-ready, requiring further training to be effective in 2025. Many respondents report that their businesses are actively reskilling workers, especially in response to skills gaps that education institutions aren't meeting. 42% of respondents note significant investment is needed, with 59% stepping up to train these workers.

There is a strong emphasis on the importance of broad capabilities, soft skills, leadership capabilities, and hands-on experience.

There is also emerging niche areas mentioned through comments, such as geospatial, electricians and ethics, reflecting the evolving scope of ICT across sectors and society.



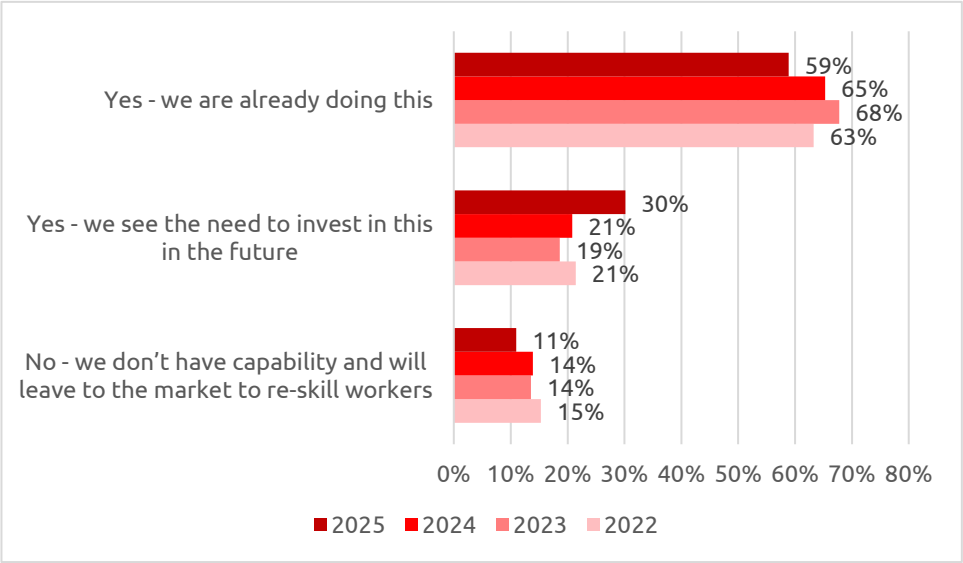
What respondents told us

“Transformation and leadership development skills are critical.”

“Very project specific and often requires a mix of tech and sector/subject matter expertise rather than just the tech skills.”

“Mixture of soft and technical skills is the best combination.”

Do you believe your business has a role in re-skilling workers for jobs of the future?



What respondents told us

“

A review of our School and University curricula and accelerated genuine Public-Private collaboration is needed. We are probably too late on the global economic complexity score however we may not be too late to be successful if we focus on the right jobs of the future.

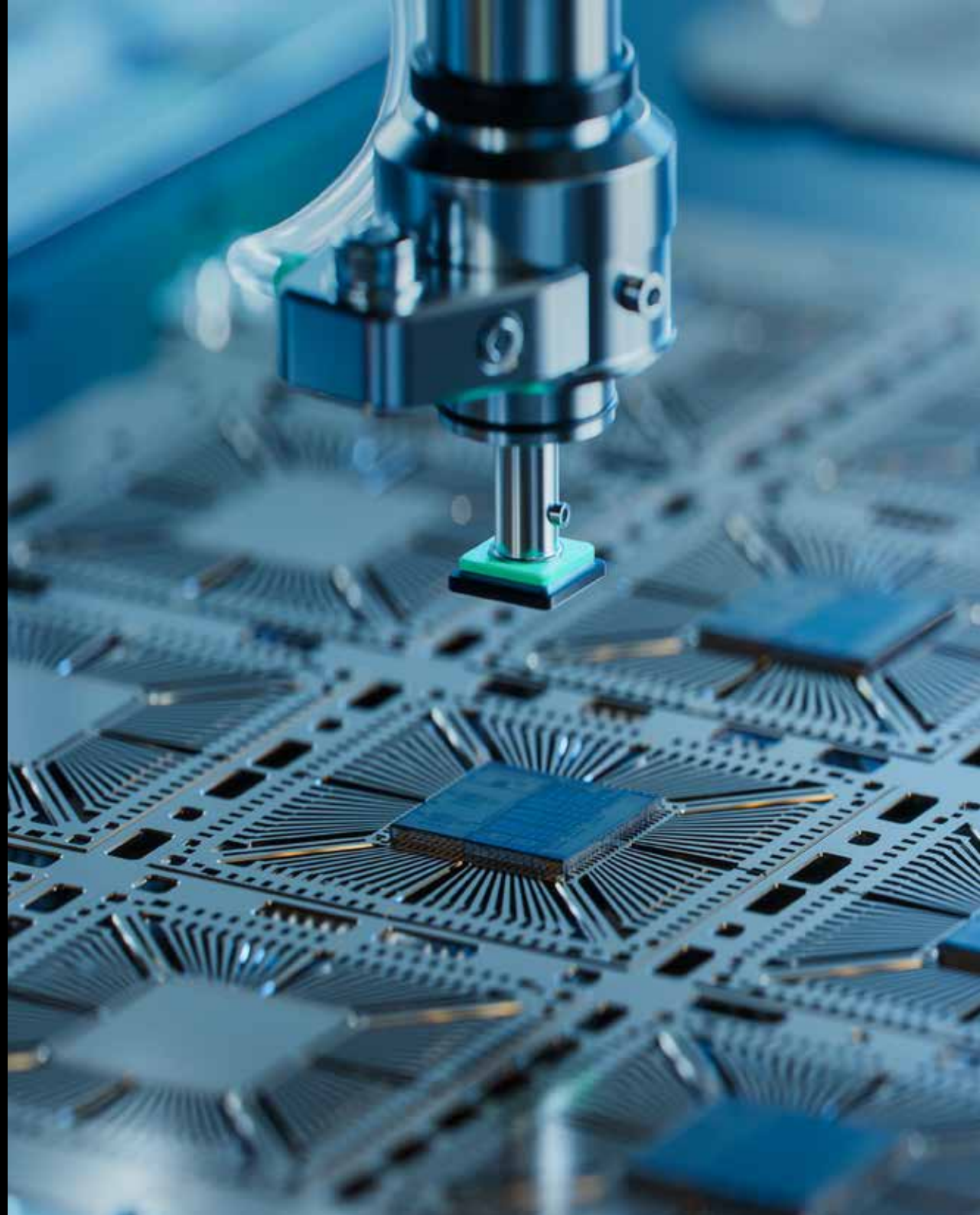
”



Technology Procurement and Adoption

Government and infrastructure, health, and financial services are expected to lead ICT adoption in 2025, driven by compliance demands, cyber risk mitigation, and productivity goals. AI is now widely adopted across the technology sector, primarily to enhance efficiency and extract value from data. However, there is limited evidence that AI is being used for true innovation or transformation.

Companies continue to express frustration with government procurement practices, describing them as complex, risk-averse, and exclusionary. There is strong consensus that reform is essential to unlock growth and ensure public sector ICT spending drives its own productivity and capability uplift rather than entrenching legacy approaches.

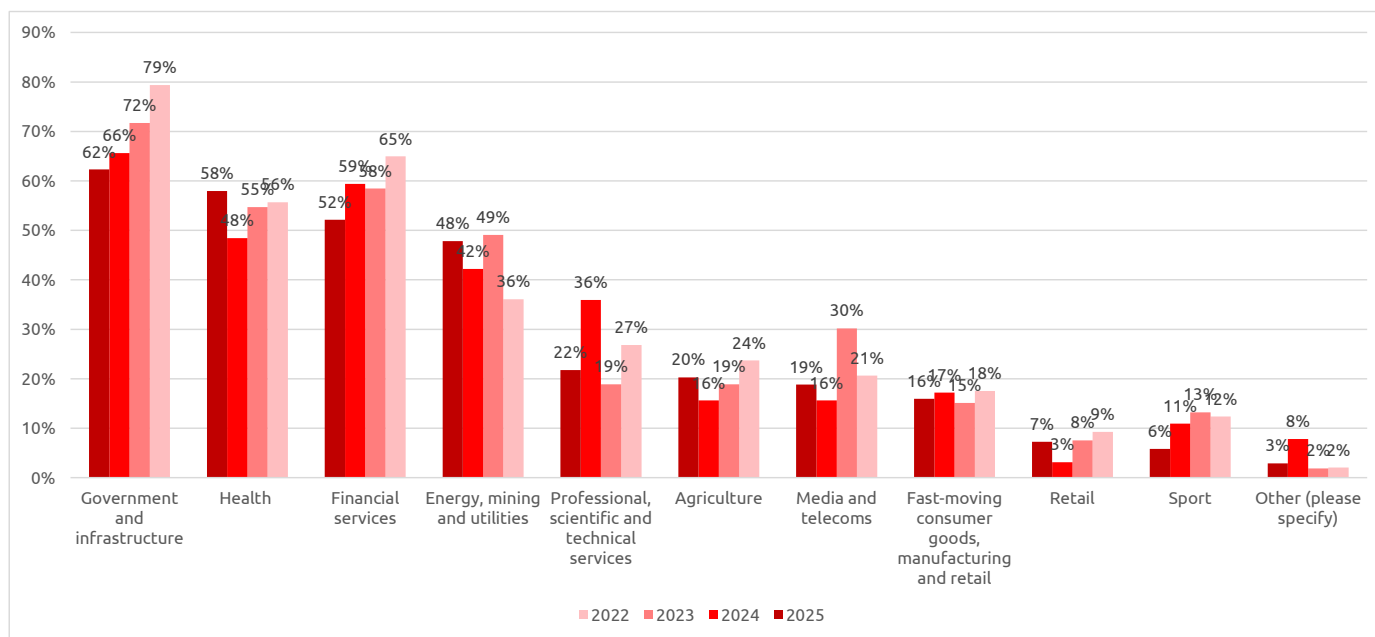


Which industry sectors do you expect will have the greatest adoption and growth (buyers) of ICT in 2025?

From 2022 to 2025, respondents have consistently identified key industry sectors poised for the greatest ICT adoption and growth. These sectors reflect both economic imperatives and national priorities: government and Infrastructure (62%), Health (58%), Financial Services (52%), Energy, Mining and Utilities (48%) and Professional, Scientific and Technical Services (22%).

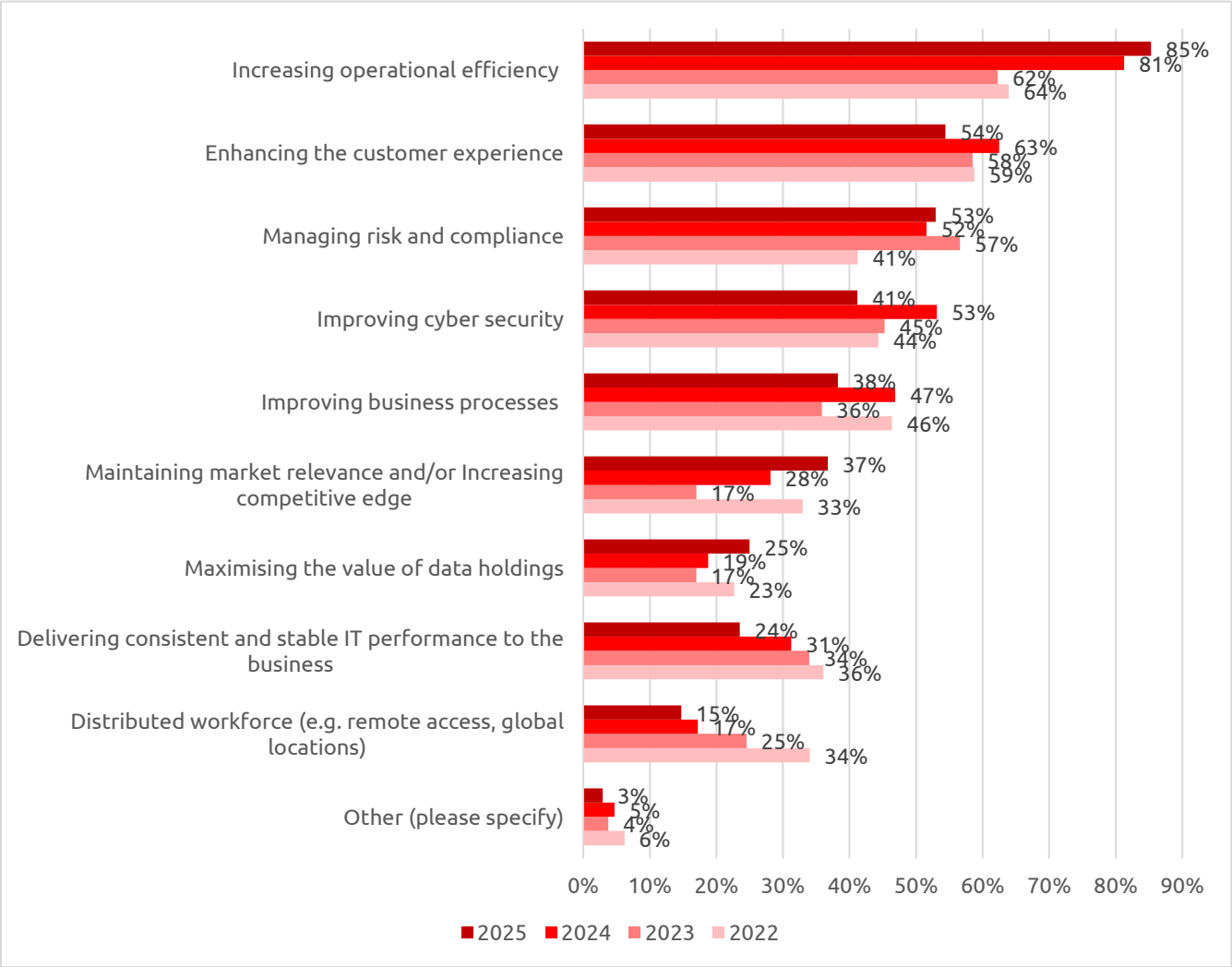
Sectors like Defence and Intelligence and Critical Infrastructure were also named in free-text responses as strategic growth areas, especially in light of geopolitical considerations.

When asked what factors drive ICT growth in these sectors, respondents highlighted compliance alignment, productivity demands and risk and cyber preparedness.

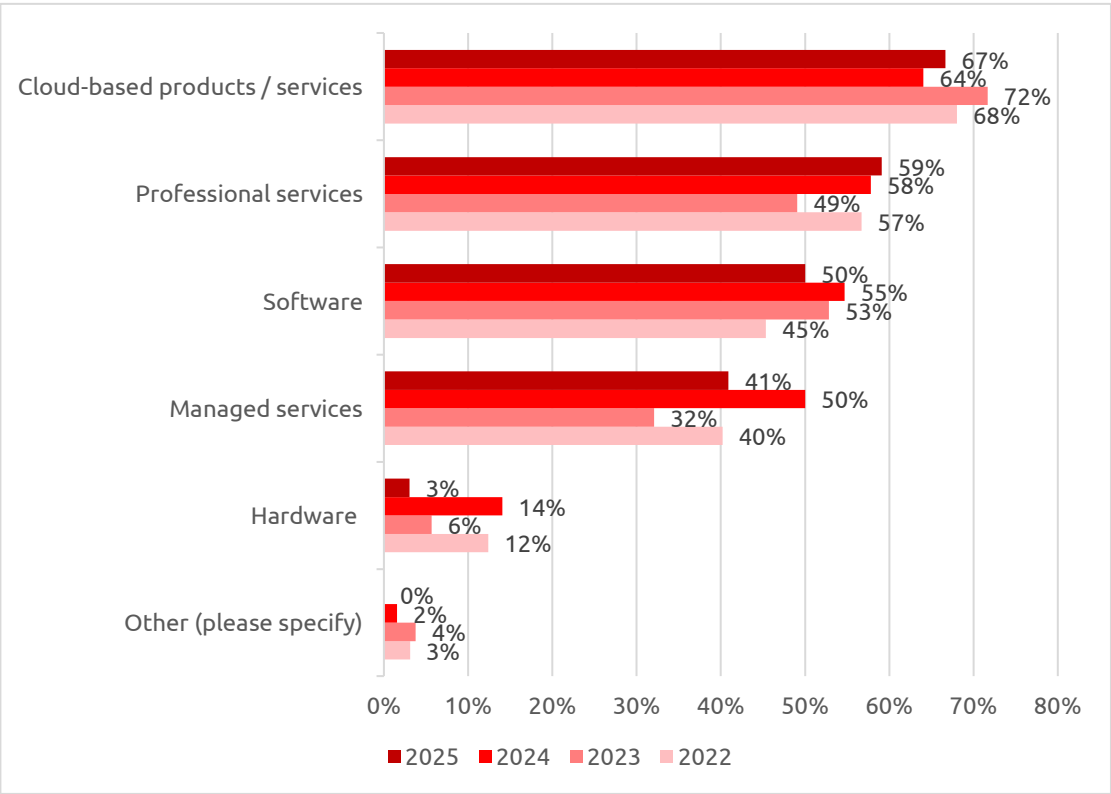


What factors do you see driving this adoption in those selected industry sectors?

The selected industry sectors are adopting or purchasing ICT to primarily enhance operational efficiency, with a continuing rise in the percentage of respondents indicating this from 81% to 85% over the past year. Other noticeable rise in motivating factors is to maintain market relevance and/or increasing competitive edge (from 28% to 37% on-year) and maximising the value of data holdings (from 19% to 25% on-year).

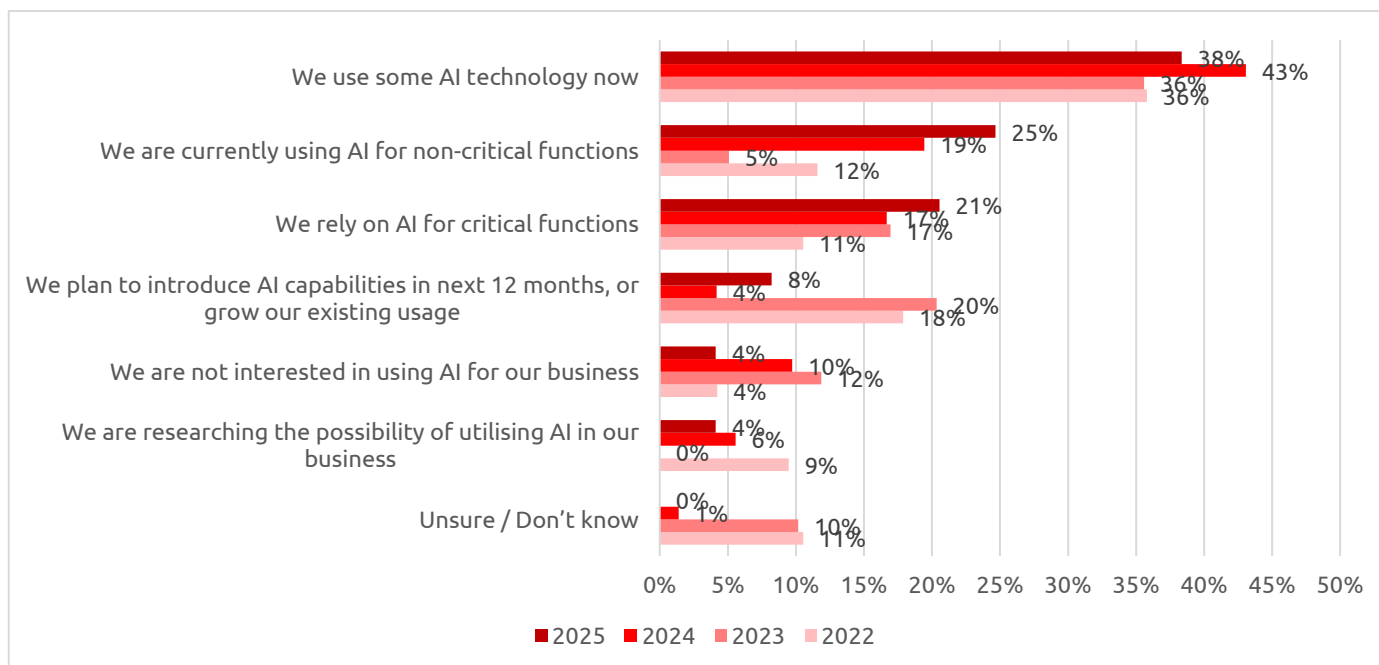


What products and/or services will these industry sectors be primarily acquiring from the market?



With respect to AI technologies in your business, how do you use/plan to use AI capability?

It appears that the ICT sector itself is leading the way by finding areas to optimise and leveraging its data for greater efficiency and competitiveness. This is in line with the respondents' feedback on their investment on AI. 84% of respondents in technology businesses have adopted AI in 2025 compared to 79% in 2024. Another 8% are preparing to introduce AI over the next 12 months or grow existing usage compared to 4% last year.

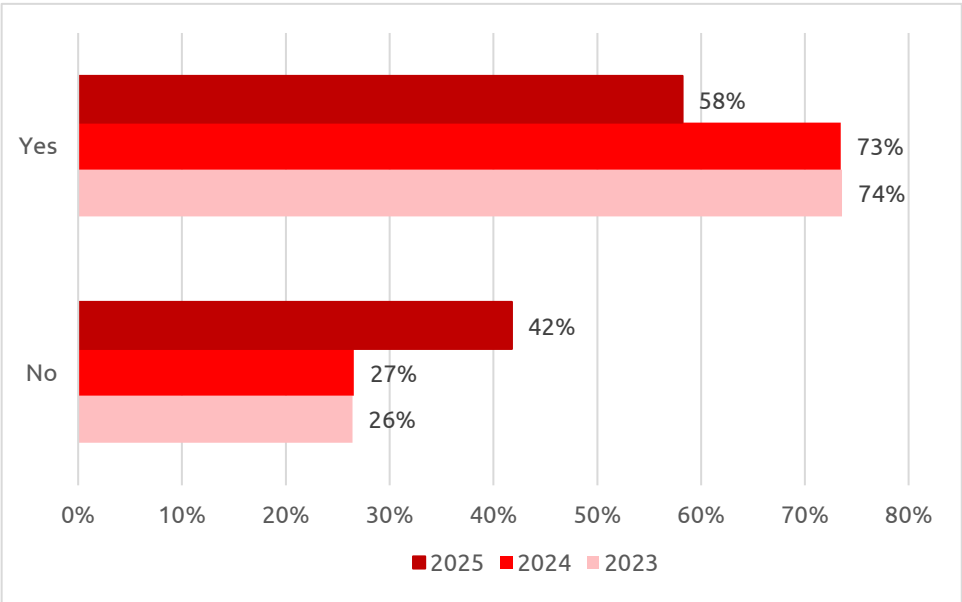


Industry Approach to Net-Zero Carbon Goals

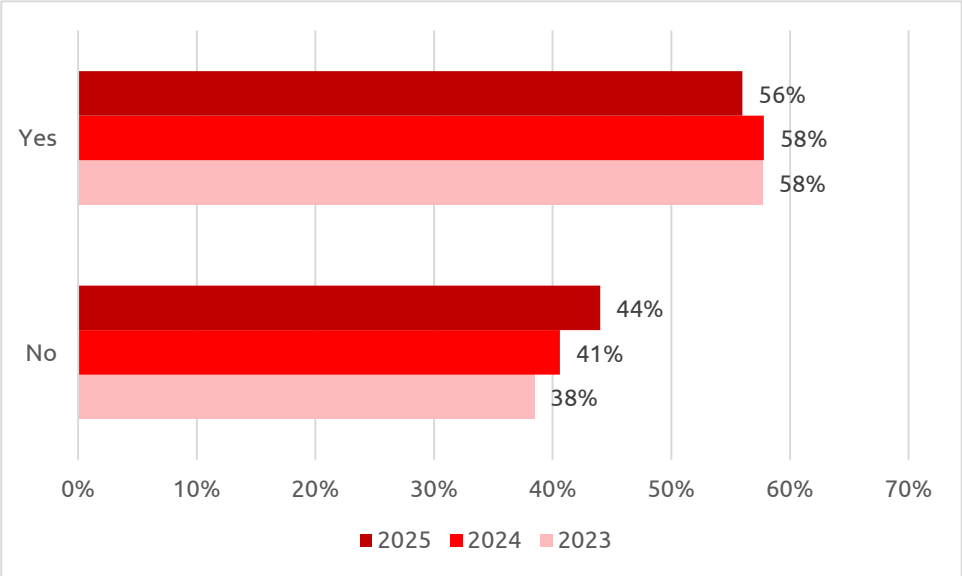
The ICT sector's stance on net-zero has shifted notably in 2025, with growing apprehension around additional climate-related obligations. The proportion of respondents who do not believe governments should do more to measure carbon impacts from their own procurements rose from 27% in 2024 to 42% in 2025. This change likely reflects the industry's current focus on implementing newly introduced regulatory requirements rather than expanding obligations. Additionally, it could be in response to global structural shifts most notably in the US.



Do you believe that governments should do more to measure the carbon impacts on their own procurements?



Does your company measure and collect data on its carbon emissions?



Conclusion

This year's survey reveals an industry at a crossroads. The digital economy's potential as a strategic asset for Australia is clear. Without clear eyed leadership and bold digital economy policy reform, improved education-to-employment pipelines, and reformed procurement and investment settings, Australia risks falling further behind. It is not merely a question of technology, but of national priorities.

The past three years should have been a time of acceleration. Instead, they've been marked by hesitation. Australian governments must now move beyond incrementalism and demonstrate a credible, long-term vision that recognises ICT as a pillar of national resilience and prosperity. Australia has the talent, the appetite, and the need. What's required is coordinated leadership.



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 technology 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 SaaS providers.



**Australian Information
Industry Association**

May 2025

Australian Information Industry Association

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