

# strategy statement 03 - 05

## **Department of Enterprise, Trade and Employment**

“We will work for Government and the people to equitably grow Ireland’s competitiveness and quality employment”

## Statement of Strategy 2003 – 2005



Mary Harney TD  
Tánaiste

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## Foreword by An Tánaiste and Minister for Enterprise, Trade and Employment

This Strategy Statement is set against a much changed economic background from those against which the previous two were set, a background in which Ireland's global competitiveness is more important than ever. Our competitiveness to date has been the platform for a period of unparalleled growth which has facilitated the economic and social transformation we have seen over the last decade.

But that transformation was in the context of a favourable external environment and favourable exchange rates, and a surplus labour market, and where we were not yet being overtaken by other less developed economies, notably in Eastern Europe and the Far East. In the radically changed circumstances we face over the coming strategy period, 2003 to 2005, our only real option (and indeed the most desirable one) is to adapt to a world where the key competitive advantage is the ability to rapidly translate ideas into goods and services.

As highlighted in the Programme for Government, in order to maintain our competitiveness we need to:

- > Ensure that pay increases are linked to increased productivity and performance.
- > Drive productivity in the sheltered sectors of the economy through increased competition and regulatory reform - special priority is being accorded to the cost and availability of insurance under this heading.
- > Continue to invest in key infrastructure, particularly in the areas of transport, broadband telecommunications and energy.
- > Strongly focus on increasing the quality of our education and boosting investment in Research, Technology and Innovation.

I am happy that the structure and content of this Strategy Statement is so closely attuned to the foregoing priorities. The first three pillars of strategic actions and performance indicators indicate clearly how the Department proposes to take action in these areas up to the end of 2005, while the fourth pillar, on Quality, Value and Continuous Improvement describes the vital engine room of departmental actions behind these policy priorities. Finally, pillar five on the European Union indicates how the Department of Enterprise, Trade and Employment will undertake the major challenge of the EU Presidency and Enlargement in the context of our own strategic goals and of helping to make Europe the most competitive economy in the world.

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Paul Haran  
Secretary General

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## Introduction by the Secretary General

The purpose of this Statement of Strategy is to provide clarity and focus for the Department's activities in the three years up to end 2005. Our statement begins with an analysis of the environmental factors facing us. It reflects the tremendous progress made in recent years in growing employment and output, and raising living standards in the process. However, it also recognises the challenges we face as we seek to mark out a path towards sustainable growth in a difficult and uncertain global environment.

Based on this analysis, we then set out the mission and high level goals that will give us direction in the coming period. Our mission focuses on the key outcomes we aim to achieve - namely, growth in competitiveness and quality employment. It also contains a strong service ethos reflecting the fact that the fundamental mission of the Department is to serve Government, the Oireachtas and the citizen.

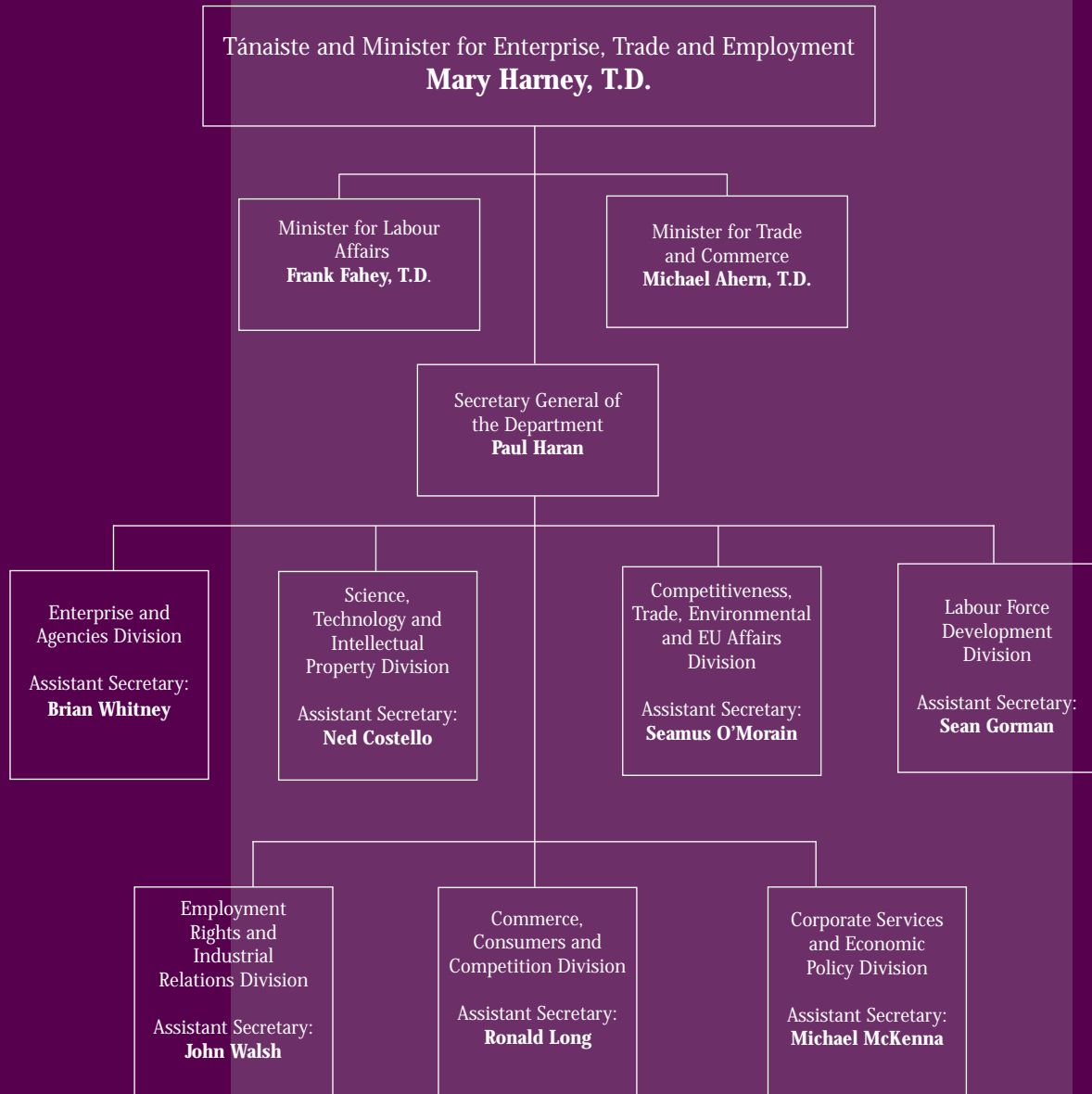
Our goals, strategic actions and associated performance indicators are grouped around five pillars which reflect the key strategic business functions of the Department: enterprise and innovation, quality work and learning, better regulation, customer service, and the European Union. As a direct outcome of the strategy process, we have restructured our operations to better align with our strategic goals and enhance our ability to deliver them.

Our strategy reflects the fact that the Department does not stand alone. Fulfilment of our mission is critically dependent on our relationships with a wide range of stakeholders, and on our ability to work collaboratively to achieve broader political and societal aims. Deepening our relationships with stakeholders and colleagues is both a challenge and an opportunity for every member of staff in the Department.

As our environmental analysis indicates, the past decade has seen a transformation in Ireland's enterprise and employment. And while there are challenges ahead, there are also hugely exciting opportunities, building on what has been achieved to date: opportunities to turn investments in technology and innovation into new business sectors, to grow the skills those businesses will depend on, to enhance working conditions, to make Ireland a leader in quality of regulation, and to grow our influence within an expanding European Union.

We hope that this statement of strategy will help us to seize those opportunities, especially in terms of high quality employment.

## Organisation Chart



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# The Environmental Analysis

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Ireland is at a critical juncture in its development. We have come through a period of unprecedented growth in output and employment. That growth took place against a backdrop of favourable global trading conditions and, nationally, positive political developments culminating in the Good Friday Agreement. Domestically, it also reflected a process of accelerated catch up after a long period in which the economy failed to fulfil its potential.

Although the economy is still performing relatively well, it has suffered a significant downturn. This has both domestic and international dimensions. These are explored in the analysis which follows.

Ireland's economic progress during the 1990s consolidated our position as one of the most open economies in the world. Goods exports rose from 52.7% of GDP in 1990 to 80.1% in 2000. According to the National Competitiveness Councils' Annual Competitiveness Report 2001, Ireland's competitiveness score for internationalisation ranks second out of twenty eight countries, displaying a high degree of trade openness and very strong export growth performance, both for goods and services. The Annual Competitiveness Report 2002 notes that in 2001, in a study of 16 countries, Ireland showed the third highest percentage increase in terms of real exports of goods and services, and the second highest percentage increase in real imports of goods and services.

The report further points out that, from 1989 to 1990, Ireland's growth rate stood at almost 15%, ranking fifteenth out of twenty-nine countries. From 1997 to 1998 the growth rate was 20%, elevating Ireland to a ranking of second in the comparison group. Although export of goods and services continues to increase, the rate of export growth has since fallen in response to the downturn in global demand. According to the Spring 2003 Quarterly Economic Commentary from the ESRI, real annual export growth in 2001 and 2002 amounted to 6.7% and 4.5% respectively; the commentary further estimates export growth in 2003 and 2004 at 4.2% and 4.4% respectively.



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The World Competitiveness Yearbook (WCY) termed 2001 “a year to forget” for the global economy. In its 2002 edition it noted that “countries with rapid growth suffer from volatility in this year’s overall ranking. High fliers such as Singapore (5th) Hong Kong (9th) and Ireland (10th) lose three ranks each and pay the price of a huge turnaround in economic performance”. The WCY notes also that the current global downturn is different in character from those which have preceded it in that consumption has remained relatively strong, while over-investment by businesses and the rapid fall in stock market values have been the significant causal factors. These have been compounded by the effects of unpredictable shocks such as the Enron affair and the terrorist attacks of September 11. The WCY notes that while the further decline in stock values arising from these events was quickly corrected, damage to the insurance, transport and tourism industries has been more lasting. The World Competitiveness Yearbook 2003 indicates a further drop in Ireland’s relative position. Among countries with a population of less than 20 million, Ireland has dropped from ninth to eleventh position on the World Competitiveness Scoreboard 2003.

From Ireland’s perspective, the current wave of consolidations in the electronics and telecommunications sectors is of particular concern. It is difficult to know the full ramifications of this trend as these industries move to correct the imbalance between capacity and demand.

However, even in the face of these negative factors, the global economy is set to continue to expand. Significant global population increases, particularly in developing countries, are set to generate increased worldwide demand, while the accelerating process of European integration constitutes an additional potential source of new demand.

That said, the current performance of the Euro area economies does not give great cause for optimism. The Central Bank quarterly bulletin for Winter 2002 notes that recent forecasts are for growth of 0.8 percent in 2002 and 1.8 percent in 2003. While these growth levels are only marginal, the review also notes that the outlook is particularly vulnerable to developments in the global economy, where downside risks predominate.



From 1993 to 2000, the average growth in GDP was 9.3 per cent per year and the average growth in GNP was 8.3 per cent per year. In a comparison with a sample of 29 other countries, figure 1 shows Ireland's excellent comparative GDP performance, moving from fifth in 1990 to first in 1998 and 2001. However, the year 2001 was characterised by a sharp slowdown in economic growth. GNP growth for 2001 was 4.6 per cent, less than half the remarkably high growth of over 10 per cent in the previous year. Although growth over the year 2001 as a whole was substantial at 5.7%, it was largely due to strong growth in the early part of the year. According to ESRI, while GDP growth for 2002 was 5.7%, GNP growth was a sluggish 1.1%.

The ESRI Quarterly Economic Commentary indicates GDP growth for Ireland in the order of 3.0% in 2003 and 3.7% in 2004. This compares with 1%, 1.8% and 2.2% across the Euro area, and with 1.5%, 2.3% and 2.6% in the OECD for 2002, 2003 and 2004, respectively. These projections indicate a good performance for Ireland in a comparative international context. However, relative to the previous strategy period, they reflect a significant slowdown in the pace of growth.

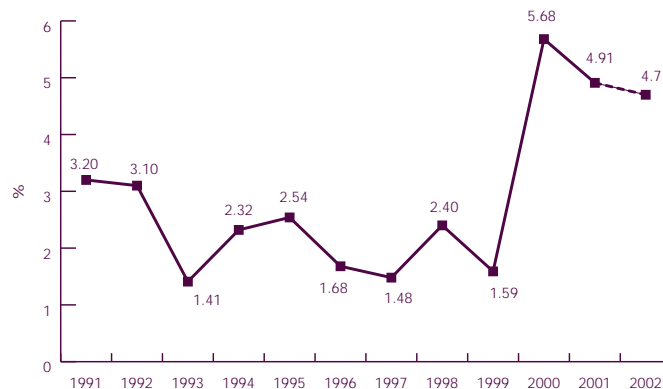
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1.4

Inflation

After several years of low inflation during the mid-nineties, inflation has re-emerged as a concern in recent years. There was a particularly large increase in the Consumer Price Index (CPI) of 5.6 per cent in the year 2000. In 2001, inflation increased by a still substantial 4.9 per cent. Estimates for inflation for the year 2002 are in the region of 4.7 per cent, compared with 2.2% in the Euro area. Since 2001, inflationary pressures have been particularly strong in services. Central Bank data show that for 2001, the services component of inflation was responsible for Ireland having faster inflation than the euro area.

**Figure 2**  
Consumer Price Index: Annual Rates



A range of factors has contributed to the re-emergence of inflation in Ireland. The weakness of the euro contributed directly to higher inflation by increasing import prices and also by contributing to stronger demand in the economy. At the time of writing, the Euro was undergoing a significant appreciation, however there was no substantial evidence that consumer prices were falling. Reductions in personal taxation and increasing net incomes also contributed to the strength of demand in the economy, this a key influence on inflation. In addition, employers are facing higher non-wage costs, particularly higher insurance costs. The weakness of competitive forces in some parts of the economy in the context of strong demand growth is also likely to have contributed to inflation.

Over this strategy period inflation will continue to be a major competitiveness concern, requiring concerted action to bring Irish rates into line with those of our trading partners. On a positive note, the ESRI's Quarterly Economic Commentary estimates inflation in 2003 will average 4.3% over the year, falling to 3.2% in 2004.

A Forfás study published in June 2002 found that consumer price levels in Ireland were the second highest in the Eurozone. An examination of non-labour costs across the business environment in the National Competitiveness Council's Annual Competitiveness Report 2002 confirms that there has been a sustained and strong rise in firm-level costs over recent years. For example, Ireland ranks:

- > 4th highest out of 16 countries in terms of office occupation total costs;
- > 2nd highest out of 8 major economies for industrial electricity prices for mid/large capacity users, with further increases planned for 2003, as well as price increases for gas transmission tariffs, which will translate into gas price increases;
- > 10th most expensive of 16 countries surveyed for Telecommunication costs.

Against the background of the Forfás study's finding, there is evidence to suggest that consumers in Ireland are not as organised as in other Member States and therefore do not have the same opportunity as other stakeholders to participate in the policy making process. While the development of a strong consumer lobby is primarily the responsibility of organisations that represent the interests of consumers, there is a growing concern to ensure that such development is to be encouraged by whatever means possible, including ensuring that there are adequate opportunities and mechanisms for the interests of consumers to be reflected in the policy making process.

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During the previous strategy period, a new Consumer Advisory Council was established, while the new Irish Financial Services Regulatory Authority (IFSRA) will also have a strong consumer focus. These developments are an important step towards fulfilling the OECD recommendations and giving life to the general principle of competition and regulation, namely, that improving and protecting the welfare of the consumer should be the ultimate goal of policy. Nevertheless, addressing consumer issues continues to be an important strategic challenge.

1.6

Wage and  
productivity trends

The trend in unit labour costs is a measure of wage competitiveness that incorporates the effects of differential productivity growth rates. This measure, as published in the OECD Economic Outlook, shows that since 1998, unit labour costs in the Irish economy have increased by more than the euro area average. In 2001, unit labour costs increased by 3.9 per cent in Ireland compared to an increase of 1.6 per cent for the euro area, while for 2002 there was an increase projected for Ireland of 3.8 per cent, compared to the euro area of 1.8 per cent. This measure includes the full benefits of the very high productivity growth of particular MNC-dominated sectors. Unit labour costs in sectors with lower productivity growth would have increased by more than these average figures. Sectors particularly affected in this way would include tourism and indigenous manufacturing. Until recently, the effects of relatively higher growth of unit wage costs in Ireland has been partly offset by the weakening of the euro, but this effect is now being reversed with serious potential consequences for enterprise cost competitiveness.

Table I shows the broad sectoral composition of employment in Ireland and the key changes over time.

**Table 1**  
**Employment Growth by Sector**  
**Annual Percentage Change**

	1961 -73	1973 -79	1979 -87	1987 -93	1993 -00	2000 % by Sector
<b>Agriculture</b>	-3.3	-2.4	-3.7	-2.1	-2.3	7.7
<b>Industry</b>	2.3	1.4	-2.4	0.6	6.0	(29.5)
Manufacturing	2.0	1.2	-1.7	1.3	3.6	18.1
Building	3.4	2.3	-4.3	0.0	12.7	10.3
Utilities & Mining	1.6	0.7	-2.2	-4.4	1.4	1.1
<b>Market Services</b>	0.6	1.7	1.1	2.3	5.7	(41.8)
Wholesale and Retail	0.5	1.2	0.7	2.0	3.4	14.6
Insurance, Finance and Business	3.8	6.5	2.9	2.7	6.5	4.6
Transport & Communications	1.4	1.1	-0.5	0.7	5.4	6.3
Other Services	-0.4	1.8	2.1	3.5	8.0	16.3
<b>Non-Market Services</b>	2.8	4.5	2.0	0.9	4.4	(20.9)
Public Administration	2.6	4.1	0.0	-0.7	2.7	5.1
Health and Education	3.0	4.8	3.0	1.5	5.0	15.8
<b>Total Employment</b>	0.2	1.2	-0.6	0.9	4.7	100

Source: Calculated from ESRI Databank (1999 Edition).

In terms of broad sectoral change, the following trends are in evidence: a very strong growth in services, this applying both to market and non-market services; a lower, though still healthy growth in manufacturing employment; and a long run trend of declining employment in agriculture.

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Looking in more detail at recent employment trends, it is clear that Ireland experienced phenomenal overall employment growth during the 1990s. In the period 1993 to 2000, employment grew by an average of 4.7 per cent per year. The number of persons in employment increased from 1.15 million in 1993 to 1.65 million in the first quarter of 2000, an increase of half a million (43 per cent). This was completely unprecedented in Irish economic history and was outstanding within the EU. Unemployment (on an ILO basis) fell from 15.9 per cent in 1993 to less than 4 per cent in 2001. Employment levels continued to grow to a total of 1.75 million people in the first quarter of 2002, and reached 1.77 million people by end-year.

Full-time employment increased by almost 50,000 per annum between 1994 and 2001, while part-time employment grew by 21,000. However, over the period 1994 to 2001, part-time employment grew at a rate of close to 11 per cent a year, compared to a rate of just over 4 per cent for full-time employment.

The rate of female labour force net participation has grown more rapidly than the male participation rate. From 1994 to 2001, the number of females in the labour force increased by over 55%, rising from 453,200 to 702,500. The number of males in the labour force increased by a similar overall amount, rising by about one third to slightly over one million<sup>1</sup>. Female employment grew by an annual average rate of over 6.4 per cent between 1994 and 2001, compared to growth of almost 4.2 per cent for male employment.

Recent less favourable economic conditions have led to an inevitable disimprovement in employment performance. Data for the fourth quarter of 2002 show a year on year increase in numbers employed of just over one per cent. However, this signifies a slowdown in the employment growth rate, down nearly two points from the growth rate of 2.9 percent recorded a year earlier.

<sup>1</sup> Comparing data from Labour Force Survey (April 1994) and Quarterly National Household Survey, Quarter 2, 2001.

The unemployment rate increased from 3.7 per cent in the first quarter of 2001 to 4.4 per cent in the first quarter 2002, since rising slightly to 4.6% in the first quarter of 2003. There was also a corresponding rise in the number of long-term unemployed, the first such increase since 1998. The number of people unemployed for a year or more was up by 3,300 to 26,400 in the year to Q1 2003. Despite this increase, the long-term unemployment rate of 1.4 per cent is still extremely low both by historical and international standards.

The downturn in the labour market can also be seen in trend data for notified redundancies. After almost two decades of relative stability the trend has turned markedly upwards for the past two years with the number of notified redundancies in 2001 up 49 per cent on 2000. There were over 25,300 notified redundancies in 2002, an increase of almost 28 per cent on 2001. 2002 had the highest number of notified redundancies since 1984.

Results from the FÁS/Forfás/ESRI survey of employers' vacancies<sup>2</sup> carried out in the first quarter of 2002 highlight how the recent slowdown has affected employer's demand. The survey shows a drop in the percentage of firms reporting vacancies. Only 21 per cent of firms had vacancies in the 2001/02 survey compared to 31 per cent in the previous survey in 1999/2000. The majority of the vacancies were in intermediate and lower skilled grades in the economy – e.g. Skilled Maintenance & Skilled Production and Clerical & Secretarial. Professional occupations, on the other hand, represent only a small share of the total number of vacancies. However, the vacancy rate for Science Professionals, along with Science Technicians and Other Associate Professionals (e.g. industrial designers and technical inspectors) actually increased in the last two years.

Figures from the May 2002 IBEC/ESRI Monthly Industrial Survey would seem to confirm that employers' recruitment demand has been weakening. According to the survey, there has been a dramatic reduction in the prevalence of labour shortages over the last two years, with only one per cent of manufacturing firms surveyed saying that production was being constrained by labour shortages.

<sup>2</sup> Williams J. and Hughes G., National Survey of Vacancies in the Private Non-Agricultural Sector 2001/2002, FÁS/Forfás/ESRI.



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Employment grew by 16,300 (3.7%) in the Border, Midland and Western Region, and by 10,200 (0.8%) in the Southern and Eastern Region in the year to the end of the first quarter of 2003. The number of people unemployed in the BMW region over the same period remained static at 25,800. Unemployment in the Southern and Eastern Region increased by 5,000 (9.2%) over the period, rising to 59,200. The lowest unemployment rate at the time of writing is in the Mid-East region at 3.1%, while the Border region has the highest unemployment rate at 6.3%.

## 1.7.1 Immigration & work permits

One significant feature of the Irish labour market in recent years is the turnaround from emigration to significant levels of immigration. Immigration, especially from countries outside the EU, has contributed to labour force growth, with the proportion of immigrants from outside the US and the EU rising from only 21 per cent in 1999 to 38 per cent of total immigration in 2001. The number of emigrants on the other hand was 11% (2,400) lower than in the year to April 2000, the lowest level of emigration recorded since detailed figures began in 1987.

The rise in non-EU/EEA immigration has also seen increased demand for work permits. Work permits allocated in respect of non-EEA citizens rose from about 6,000 in 1999, to 18,000 in the year 2000 and to 36,500 in 2001. More than 40,300 work permits were issued for 2002. It should be noted, however, that out of this figure, approximately 16,500 were renewed permits.

The vacancy survey referred to earlier asked firms with vacancies if they had recruited workers from abroad. The results reveal that over half of such recruitment in the Hi-Tech Manufacturing, Finance & Business Services, and Transport/Personal/Other Services sectors involved workers from other EU countries, while workers from countries outside the EU accounted for over half of the recruitment by the remaining sectors. For example, 83 per cent of the foreign workers recruited by the Traditional Manufacturing sector came from outside the EU<sup>3</sup>. These

3 Williams J, Blackwell S. and Hughes G., National Survey of Vacancies in the Private Non-Agricultural Sector 2001/2002, FÁS/Forfás/ESRI.

differences would seem to indicate that in respect of non-Irish recruitment, higher-skill sectors tend to find the workers they require in other EU countries, whereas lower-skill sectors are more likely to fill their vacancies by seeking recruits from the rest of the world via the work permit system.

There was a considerable improvement in the industrial relations climate during the previous strategy period, with marked reductions in the number of strikes and days lost through industrial disputes. This represents a continuation of the downward trend in the number of days lost through industrial disputes since the beginning of the 1990s, with the exception of 1999, 2000 and 2001 when wide-scale strikes by nurses and teachers had a disproportionate impact on the figures.

CSO data for the first 3 quarters of 2002 indicate that the number of days lost through industrial disputes was 17,092 compared to 113,943 for the same period in 2001. The number of strikes remained the same for the first 3 quarters in 2001 and 2002 at 24. Preliminary indications are that the number of days lost in 2002 will be significantly lower than 2001 and the lowest since 1994 when a total of 25,550 days were lost.

Negotiations were concluded on the new partnership agreement, Sustaining Progress, which was ratified in March 2003. The agreement covers the period 2003-2005, and has an overall goal of realising the NESC vision for Irish society in a period of considerable uncertainty. However, even in the context of the new agreement, it is likely that there will be significant extra demands on the Department's dispute resolution agencies i.e. the Labour Relations Commission and the Labour Court. There will be a role for both the Court and the Commission in dealing with disputes on compliance and right to bargain issues. Both agencies have a consistently good track record, with over 80% of cases settled at conciliation by the Labour Relations Commission and the vast majority of recommendations of the Labour Court being accepted by the parties.

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Reflection on the figures on disputes quoted above demonstrates the success of social partnership in improving the industrial relations climate in Ireland. The series of agreements negotiated since 1987 provided stability and certainty for employers in relation to pay costs while allowing all of the social partners the opportunity to contribute to an agreed strategy for dealing with the issues facing Ireland.

1.9

Employment Rights

Along with, and complementary to, social partnership, employment rights legislation has an important role to play in promoting labour market stability and minimising conflict. The economic benefits of employment security and agreed employment relationships in terms of co-operative workplace relations, greater internal flexibility, acceptance of technological change, cumulative skills acquisition and greater incentive for investment in human resources are widely recognised and accepted. The employment rights legislative framework has an input in respect of each of these factors, since good working conditions are supportive of productivity and a willingness to embrace change.

The primary objectives of employment rights legislation are to protect employees against arbitrary or capricious behaviour by employers, to protect the safety and health of workers, and to foster labour market harmony by promoting personnel policies that minimise conflict and maximise fairness. The legislation also aims to protect particular groups such as young workers and to facilitate necessary workforce adjustment by providing established criteria and procedures for conflict resolution via, for example, the Labour Court and the Employment Appeals Tribunal. It also provides for compensation for job losses via the redundancy and insolvency payments schemes.

In recent years, the consensus and partnership approach of consultation and dialogue with the Social Partners and other interested parties has facilitated the Department in providing a modern and relevant body of employment rights, which sets a framework for employment relationships based on minimum standards and required terms.

The rapid pace of economic and social change is impacting strongly on the workplace and creating new challenges. In order to embrace these challenges there is a need for all workplace systems and organisations to become more flexible and innovative. In these changing circumstances, a coherent national strategy for economic and social development can help to ensure that the workplace of the future has the capacity to respond and adapt, in an inclusive manner, through information provision and meaningful consultation.

1.10

Social Inclusion

The Department is fully committed to the social inclusion agenda, in particular from the perspective of growth and development of the labour market. The Department contributed to the recent Review of the National Anti Poverty Strategy under the aegis of the PPF. This involved extensive consultations between the Government, agencies and social partners.

The Department is now participating in the formulation of the “National Action Plan Against Poverty and Social Inclusion” for the years 2003 – 2005.

The Department also inputs to a number of committees and working groups established to promote and progress social inclusion across Irish society. These include the Interdepartmental Group on Drugs, the Monitoring Committee on Travellers, and the Dublin Employment Pact.

1.11

Industrial  
Performance

#### 1.11.1 Trends in Manufacturing and Internationally Tradable Services

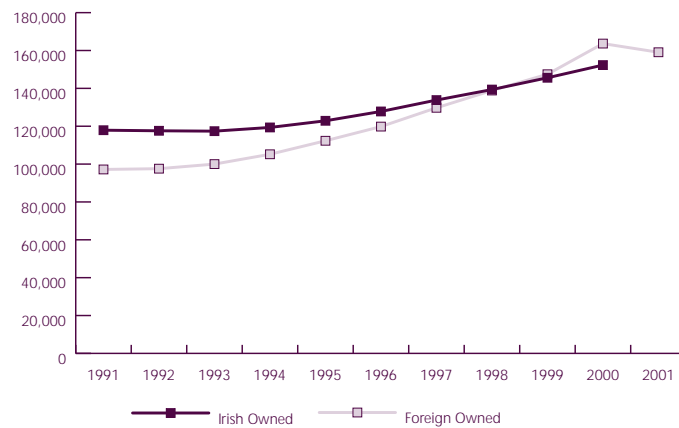
The macro employment data shown in table one demonstrates the growing importance of the services sector and construction in accounting for overall employment generation. However, given Ireland’s position as a small open economy (SOE) and its dependence on trade, the performance and prospects of the manufacturing and international services sectors continues to deserve particular attention. The traded sector is important as a

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driver of the overall value chain as well as a generator of employment in itself. This is true both for foreign and indigenous firms.

In recent years, indigenous and FDI firms have performed well. However, in the aggregate, a substantial performance differential between the two segments remains in evidence. Relevant trends are now explored.

**Figure 3**  
Permanent full-time employment in Irish-owned and in Foreign-owned enterprise



## 1.11.2 Foreign-owned enterprise

Over the period 1990 to 2000, employment in foreign-owned enterprises grew by over 70 per cent, but experienced a fall of 2.8 per cent in 2001. While job losses from the existing stock of FDI is not a new phenomenon, 2001 was the first time in 15 years that such losses exceeded job gains among IDA Ireland companies. Over the past two decades, the composition of the foreign-owned sector has changed markedly as the chemicals/pharmaceuticals, ICT, and international services sectors have grown in prominence. The contribution of chemicals/pharmaceuticals to trade is especially noteworthy.

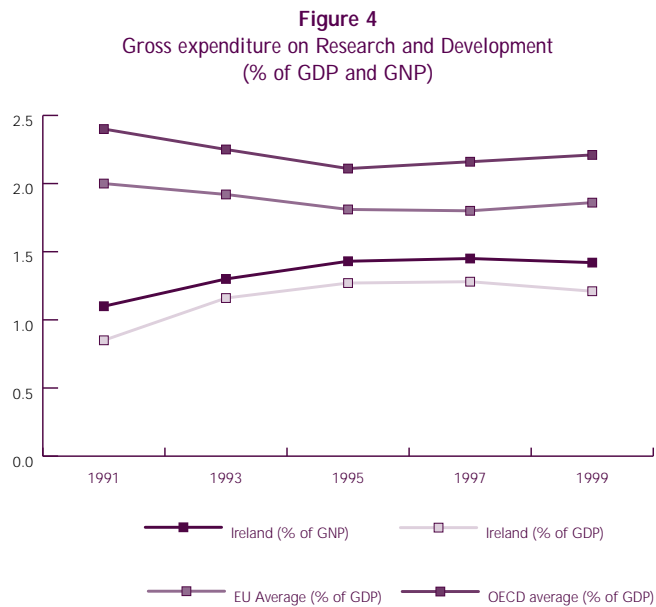
### 1.11.3 Irish-owned enterprise

Between 1993 and 2000, employment in indigenous enterprise grew by almost 30 per cent and accounted for around 35 per cent of the net expansion in employment of the manufacturing and internationally trading sector. Employment growth in internationally traded services was faster, increasing more than fourfold between 1990 and 2000. The outstanding success of indigenous international services is the software sector.

While indigenous employment recovered in the 1990s, export performance was less impressive. Growth in manufacturing exports by indigenous firms between 1991 and 1999 was below the rate of output growth, and the share of output exported fell from 34.8 per cent to 31.3 per cent, perhaps reflecting the strength of domestic demand in the period.

1.12 Research and Development

Ireland's gross expenditure on research and development has increased significantly in the period 1991 to 1999. However, the base from which it has grown is low by international standards. During this period Ireland's ranking amongst 26 OECD countries,



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as measured by the proportion of GDP devoted to R&D, improved but, at 18th position, remains low (see table 2).

With 1.2% of GDP invested in R&D, Ireland is significantly behind the EU average and well short of the EU's target of achieving three per cent by 2010. Ireland's spend is below the OECD average (2.21%) and significantly below best performing countries such as Sweden (3.8%), Finland (3.2%), US (2.65%) and Japan (2.9%). It should be noted, however, that the unusually large divergence between GNP and GDP in Ireland exaggerates the apparent R&D gap for Ireland.

**Table 2: R&D Expenditure**

**Gross expenditure on Research and Development (GERD) as a % of GDP and GNP 1991 to 1999<sup>4</sup>**

	1991	1993	1995	1997	1999
GERD €m	345.4	501.8	667.4	856.2	1,075.6
GERD as a % GNP	1.07	1.30	1.43	1.45	1.42
GERD as a % GDP	0.92	1.16	1.27	1.28	1.21
Ireland's Rank (out of 26 countries) for GERD/GNP ratio	19	17	17	17	17
Ireland's Rank (out of 26 countries) for GERD/GDP ratio	21	18	17	17	18
EU Average (GERD as % GDP)	1.98	1.92	1.81	1.80	1.86
OECD Average (GERD as % GDP)	2.32	2.25	2.11	2.16	2.21

<sup>4</sup> Source: Forfás; OECD - Main Science & Technology Indicators (Nearest year used where data is not available for a particular year)

The research environment in Ireland has been significantly altered as a result of the planned allocation of €2.5bn to Research, Technological Development and Innovation across a range of Departments and agencies under the National Development Plan (NDP). Key investments aimed at building Ireland's research capability are now underway through Science Foundation Ireland (SFI), the Programme of Research in Third Level Institutions (PRTLTI), the EU's Sixth Framework Programme and through increased support aimed at building R&D capability and capacity in industry, and promoting collaboration between industry and the third level sector.

Ireland's Business Expenditure on R&D (BERD), at around 0.9 per cent of GDP, is well below the OECD average of 1.5 per cent and has remained static since the mid-nineties. The EU 2001 Enterprise Policy Scoreboard ranked Ireland below 75% of the EU average on BERD as a percentage of GDP and also on the number of high-tech patents.

Ireland's manufacturing output is now dominated by sectors which require high R&D intensity to remain competitive. Exports in sectors such as pharmaceuticals, electrical and electronic machinery, office and data processing equipment, and instruments accounted for over 50% of merchandise exports by 2001. The share of total manufacturing output accounted for by foreign-owned companies grew from 53 per cent in 1991 to 76 per cent in 1999. However, FDI operations in Ireland have low R&D intensities. The research activity which underpins the employment, output and exports of these foreign-owned sectors in Ireland is primarily conducted overseas and not in Ireland. This is a significant weakness that must be addressed.

Between 1995 and 1999 the share of indigenous manufacturing output devoted to R&D remained static at 0.9% compared to an OECD average of 2.4%. However, it should be acknowledged that within that overall number, eight indigenous sub-sectors have R&D intensities that exceed the OECD average.



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## 1.12.1 Cross-cutting issues in Science, Technology and Innovation

The Tánaiste chairs a high level interdepartmental committee, representative of all Departments having a role in science and technology matters. This Committee acts as a forum where cross-cutting issues are presented and discussed with a view to enhancing cohesion and synergy across the National System of Innovation.

The NDP spend on Research, Technological Development and Innovation under the Productive Sector OP is monitored by a committee chaired by the Managing Authority based within the Department. It is representative of Government Departments, EU Commission, regional assemblies and wider interests.

The Tánaiste represents Ireland's position on research matters at the newly formed EU Competitiveness Council, and in negotiating and managing Ireland's participation in EU research programmes. The Department has put in place a network of National Contact Points and National Delegates across Departments and agencies to give advice, practical information and assistance to potential participants wishing to secure funding from the Sixth Framework Programme.

During 2002 the Tánaiste sought approval of Government for the establishment by the Irish Council for Science and Technology (ICSTI) of a Commission to bring forward proposals on developing an appropriate framework for an overarching national policy for research and technological development. The Report of the Commission will be a catalyst to enhance systems and structures for cohesive development and progressing of cross-cutting issues.

1.13

The Information  
Society

The Knowledge Economy dimension of the Information Society is of particular strategic significance for the Department. Continuing economic development requires the capacity to analyse future developments, to innovate, to identify and utilise cutting-edge technologies, and to develop as a learning community. Our concern is to ensure that Irish enterprise can meet the

technological, competitiveness and strategic challenges offered by the Knowledge Economy and exploit the opportunities offered by information and communications technologies (ICTs) as they evolve and become more pervasive.

Despite the current downturn in the global economy, it is generally accepted that these technologies will continue to be a major driver of productivity and growth in industry, services, and the wider economy. Enterprise, whether traditional or new, can create competitive advantage through strategic use of ICTs. A case in point is eProcurement which offers opportunities to develop new markets.

The Department is working to encourage and promote eBusiness awareness and ICT adoption, especially amongst SMEs and micro-enterprises in line with the current Information Society Action Plan, "New Connections".

In that regard, the Department has strong linkages with the Department of Communications, Marine and Natural Resources, and is particularly concerned to ensure vigorous competition among telecommunications service providers aimed at supplying low cost broadband connectivity throughout the State.

1.14 The Environment and Sustainable Development

Industrial development has been a driving force in modernising the economy and increasing standards of living. However, there have been environmental and social costs associated with this progress, for example, congestion and pollution. There is growing consensus that future industrial, commercial and trade policies must seek to reconcile economic, social and environmental goals so that the adverse impacts of industrial development are minimised. These concerns have led to a focus on sustainable development.

Achieving sustainable development poses a major challenge for governments, industry and society in general, as it requires taking a long-term perspective on the consequences of our activities today. For governments in particular, it means that the three

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dimensions of sustainable development - economy, environment and society - must be integrated in a balanced way into all areas and at all levels of policy-making and action.

To date, the main impact of sustainable development on the enterprise sector has been in terms of the environmental dimension. For example, over the past few years there has been an increasing level of new environmental legislation affecting business, mainly emanating from the EU. This trend is set to continue. Climate change will be particularly important for the enterprise sector in the coming strategy period. Meeting Ireland's target for emissions reductions – set in 1990 – is now posing a serious challenge.

However, there are other “drivers” of the sustainable development agenda, including pressure from consumers and other stakeholders and increasing awareness among enterprises of the competitiveness and cost advantages of improving their resource use and reducing their environmental impact.

The Department has published a detailed strategy that sets out our plans to promote and achieve sustainable development. The strategy is available on our website ([www.entemp.ie](http://www.entemp.ie)). Implementation of the strategy will involve working closely with the Departments of Environment and Local Government, Finance, and Communications, Marine and Natural Resources and bodies such as the Environmental Protection Agency and Sustainable Energy Ireland.

## 1.15 Regulation & Markets

Effective regulation has a vital role to play in safeguarding businesses and consumers in their transactions with one another. To be successful, regulation must be balanced so that it does not create disproportionate burdens on those affected. Appropriate regulation can contribute to national competitiveness by ensuring that Ireland has an attractive, safe and well-regulated environment which is conducive to trade and the attraction of internationally mobile investment.

Data from the Annual Competitiveness Report 2002 show that, internationally, Ireland performs slightly above average both on competition and regulation. However, there are clearly some key areas of the Irish economy which would benefit from further reforms of regulation and increased competition. As indicated earlier, this has become more evident over recent years, with the rapid increase in prices and costs to consumers and firms.

Following the publication of the OECD review, Regulatory Reform in Ireland, the Government published a consultation document entitled Towards Better Regulation and a national policy statement is now being drafted. Work is also being undertaken on Regulatory Impact Analysis with the ultimate aim of ensuring that new primary and secondary legislation undergoes formal assessment.

#### 1.15.1 Competition

The Competition Act 2002 made improvements in a number of areas, including the Competition Authority's powers, the treatment of various offences, the Competition Authority's advocacy function, and its relations with regulators. In addition, the Authority's resources have been increased to complement its new powers.

#### 1.15.2 Corporate Governance

There has been a major change in the external environment deriving from the emergence of a number of international corporate scandals, notably in the US. These corporate collapses and oversight failures have had a negative impact on global capital markets, and have led to a loss of investor confidence in the transparency and reliability of audited financial statements. This, in turn, has led to moves both at EU and international level to review systems of corporate governance within industry, by the accounting and auditing professions, and by public

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administration. These moves reinforce the trend in Ireland towards more effective regulation in the corporate arena.

More effective enforcement of company law is being achieved through improvements in the operation of the Companies Registration Office and the introduction of new structures to enforce company law, in particular the establishment of the Office of the Director of Corporate Enforcement (ODCE).

Improvements are also being sought through the enactment of clearer, simpler and more up to date legislation to regulate the activities of companies and their officers, notably through the work of the statutorily established Company Law Review Group and the forthcoming Company Law Consolidation Bill which is planned for publication in 2003. The establishment of Irish Auditing and Accounting Supervisory Authority (IAASA) during the course of 2003 will ensure a more pro-active and better resourced oversight of the accounting and auditing profession.

In recent years there has been an evident convergence of financial services provision, whether in the form of common ownership of providers or in the form of production of almost identical products by various providers. The danger of unintended regulatory gaps or of regulatory arbitrage has grown. In addition, the provision of financial services has become very much more sophisticated, thanks to the developing role of information technology in designing products, managing providers' risks and even in selling to the consumer. For all of these reasons, the Government has decided to establish the Irish Financial Services Regulatory Authority (IFSRA) which has brought together regulators based in the Central Bank, the Department's Insurance Division, the Office of the Director of Consumer Affairs and the Registrar of Friendly Societies. IFSRA commenced operations in May 2003.

### 1.15.3 Insurance

Substantial and escalating increases in insurance premia and refusals to quote by insurers have serious repercussions for many businesses, community organisations and individuals, and for the economy in general. Smaller companies are being particularly badly hit by premium increases, and business representative organisations have pointed to jobs being put at risk.

Against this backdrop, the insurance industry has highlighted international and domestic difficulties. In the domestic context, specific causes put forward include the high level of claims and awards, legal costs and the method for determining them, along with failure to prosecute fraudulent claims.

The Single Market is not yet delivering financial services (including insurance) to consumers across borders in the EU. With the combination of escalating insurance costs and contraction in the number of competitors offering insurance in Ireland, there is a burgeoning interest in securing insurance from companies authorised in other EU Member States. However, attempts to place insurance with other EU providers have not in the main been successful. EU law prevents governments from intervening in relation to premium levels or the risks that insurers are prepared to underwrite.

Tackling the issues underlying the cost and availability of insurance, insofar as action can be taken at national level, is a political priority and a comprehensive set of measures is contained in the Agreed Programme for Government. These measures aim to improve the functioning of the insurance market and the system itself. They constitute an operational reform programme, impacting on a number of Government Departments and other bodies including IFSRA and relevant representative organisations.

The measures range from improvements in road safety, the legal process and consumer information, to providing a balance between prudential supervision and consumer protection. They are interrelated and, when taken together, they have the potential to impact favourably on cost.

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In addition, a study of the insurance sector is being undertaken with the Competition Authority, in furtherance of the commitment in the Agreed Programme for Government to remove unwarranted constraints on competition in all sectors of the economy. The study will include the EU dimension.

1.16

The European Union

The coming strategy period is likely to be one of the most significant in the history of the EU, given the radical nature of the developments which are planned.

2004 will be a year of particular significance for Ireland as it involves our presidency of the Council. This is likely to be our most challenging presidency to date. It will also be the year of the biggest and most far-reaching enlargement since the process of European integration began. The Convention on the Future of Europe and the consequent Inter-Governmental Conference will also be significant. The latter has the potential to considerably alter the structures, institutional arrangements and operation of the EU. These issues are adverted to in the Agreed Programme for Government, including the commitment to run a proactive and efficient Presidency in 2004.

Ireland is in a transitional phase in its relationships with the EU, reflecting our very significantly changed economic and social position. The developments arising from both enlargement and the work of the Convention are likely to propel us into a new set of relationships with the institutions and the other Member States. In short, both the geography and geometry of the political and economic landscape will be significantly altered. Ireland's ability to embrace these new developments and build new relationships and alliances will have a major effect on our future.

The debate at national level on the Nice Treaty has raised EU issues in the public consciousness. As a consequence there will be greater monitoring of our EU activities in the future than has been the case up to now. The new Oireachtas Scrutiny arrangements (now on a statutory footing) are likely to contribute significantly to the debate on, and analysis of, EU issues.

The final period of the Strategy Statement will also mark the half way point set by the Lisbon European Council in 2000 for the achievement of the goals set out in the Lisbon Agenda i.e. “to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” by 2010. The Department is a key player in many of the main policy issues under this heading. The immediate challenge is to help devise ways for the new Competitiveness Council<sup>5</sup> to make a real and focused contribution to the achievement of the Lisbon Goal, particularly on issues affecting the competitiveness of enterprise.

The 2003 Mid-Term Review of the Social Policy Agenda will evaluate progress in developing social dialogue, modernising contractual relationships, adapting work organisation and developing an appropriate balance between flexibility and security.

As outlined in the previous Strategy Statement, Ireland’s membership of the European Union has a pervasive influence on Irish policy making. The Union’s role in economic and employment policies in particular imply an inextricable link between the European Union and the ability of this Department to deliver on its business goals. Over the period of the next Strategy Statement the Department will be centrally involved in inputting to Ireland’s stance on most of the developments outlined above and will have a key role to play in relation to many of the policy issues concerned. New and revised strategies will be required to deal with the new EU environment that will evolve during the period.

There is a significant EU dimension to the Knowledge Economy, in particular as provided for in the eEurope Action Plan 2005, which took effect on 1 January 2003, and which is designed to encourage Member States to take measures in certain areas such as eBusiness, network security, etc., and on which they are required to report regularly at EU level.

The coming strategy period will also be significant from a labour market perspective in terms of the finalisation of negotiations on

<sup>5</sup> The concept of an overarching Competitiveness Council was promoted and strongly supported by the Department. This new Council formation was set up following decisions taken at the Seville European Council in June 2002.



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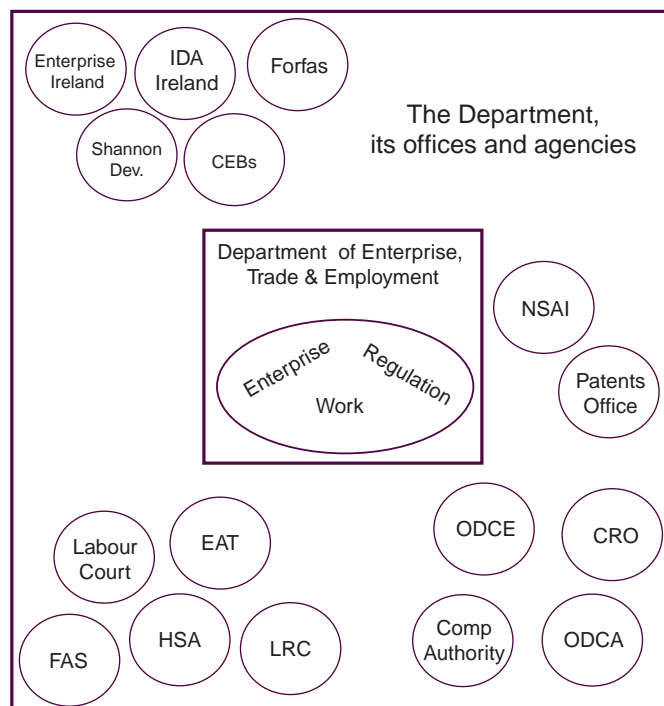
the preparation of a new European Employment Strategy for the period up to 2010. Indications are that the new Strategy will be simplified by reducing the number of guidelines, with a greater focus on outcomes. In addition the process will be streamlined to ensure consistency and complimentarity with EU economic and social policies.

1.17

The institutional environment

The Department is a complex, multi-functional organisation. Its institutional environment involves the central Department itself and a range of statutory offices and agencies linked to it as shown in the diagram below.

In addition to these agencies and offices, an important development in the last strategy period was the establishment of the new cross border trade and business development body InterTradeIreland.



Over the previous strategy period, the structure of the Department has continued to evolve in the direction of greater separation between policy and executive functions. Significant developments in this respect include the establishment of the Office of the Director of Corporate Enforcement (ODCE), the formation of the Irish Financial Services Regulatory Authority (IFSRA) and the Irish Auditing and Accounting Supervisory Authority (IAASA). The Department also funds Skillnets, the organisation which runs the Training Networks Programme.

The establishment of IFSRA has significant structural implications for the Department, as a range of financial supervisory functions currently exercised by the central Department, the Registrar of Friendly Societies and the Director of Consumer Affairs have transferred to the new Authority.

A further important development planned for the coming strategy period and reflected in the Agreed Programme for Government is the full establishment of Science Foundation Ireland as a statutory agency of Forfás. It is expected that the legislation will be enacted during 2003.

In light of these developments, the management relationship between the Department and its agencies, and the creation of effective links and feedback mechanisms between policy and execution pose important challenges in the coming strategy period.

Over previous strategy periods, there has been significant reform of the Department's industrial development agencies. Industrial performance during the 1990's suggests that the creation of separate agencies with their own individual focus on the distinct tasks of indigenous development and the attraction of FDI has proved to be an effective strategy. The Department's readiness to modify structures to meet evolving strategic needs has been positively commented on in the recent NESC strategy report.

The continuing evolution of the competitiveness challenge suggests that such flexibility and willingness to match structures to changing strategic needs should be maintained.

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1.18

The resourcing environment

The Department's net provisional outturn for 2002 was €1,107,161,000, which represents an increase of about 10% over the period from 2000. Adjusting for the effects of increases in inflation, in real spending terms, the total Vote of the Department has in fact shown a marginal decrease.

In the context of programme spend, the trends in gross expenditure under the Department's Vote shows a marginal decrease of 3.7% over time in labour force development spending, and increases in nearly all other areas of the Department's activities. The largest single increase in spending has been on Enterprise Promotion and Science and Technology, increasing by nearly €40million from 2000 to 2002, which reflects the priority being accorded to this area generally. The decrease in labour force development spend has taken place in a time of unprecedented levels of labour force participation and a remarkable unemployment rate of about 4%, and also coincided with a reduction in the scale of Community Employment, reflecting the strength of the labour market generally. Notwithstanding such reductions, labour market programmes continue to account for by far the greatest proportion of Departmental spending, representing more than half of the Department's gross provisional 2002 outturn.

The tightening of the public finances is likely to remain a significant environmental factor during the coming strategy period, the implications of which are discussed in section two.

1.19

The National Spatial Strategy

The recently published National Spatial Strategy (NSS) makes it clear that the continued agglomeration of economic activity and population in the east in general, and Dublin in particular, is unsustainable. The strategy provides a framework within which development can be more evenly spread throughout the country. The identification of hubs and gateways, which can act as magnets for development, and which have the potential to develop a social and economic critical mass, is central to the strategy.

There is a high degree of congruence between the Department's goals and the strategic approach set out in the NSS. The Department's agencies have a strong regional focus and have been working to ensure that investment in enterprise is more regionally balanced. The degree to which these efforts are successful will be largely influenced by the ability of other actors to deliver key elements of the NSS in respect of, for example, roads, telecommunications and other infrastructure.

The Department's institutional environment also extends beyond the ambit of its agencies and statutory bodies to include a range of stakeholder bodies involving the social partners and other government departments and agencies. To date, the framework of social partnership has provided an important mechanism through which many of these relationships are managed and developed.

As far as overall competitiveness is concerned, a wide range of government policy is relevant – for example, fiscal and macroeconomic policy, regional and spatial policy, and physical infrastructure. Some of the critical cross-cutting relationships in areas such as Science, Technology and Innovation, and the knowledge economy, have already been referred to in detail.

In summary, the Department interacts and collaborates with the following Departments:

- > With the Department of the Taoiseach on social partnership issues and on the development of the overall modernisation programme for the public service.
- > With the Department of Education and Science on science, technology and innovation, lifelong learning, and skills supply.
- > With the Departments of Social and Family Affairs, Justice, Equality and Law Reform and Health and Children in regard to labour market issues such as the National Anti Poverty Strategy, disability issues, activation of the unemployed and immigration.

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- > With the Departments of the Taoiseach and Communications, Marine and Natural Resources in regard to the knowledge society and eBusiness;
- > With the Department of the Taoiseach and the Department of Finance in regard to the promotion and regulation of financial services undertakings.
- > With the Department of the Environment and Local Government in respect of sustainable development and the National Spatial Strategy;
- > With the Departments of the Taoiseach and Foreign Affairs in particular as well as with other Departments in respect of EU developments and North South issues.

The continuing development of these relationships will be vital to the successful implementation of the strategic actions set out in Section Four. Where responsibility for goals and objectives overlap with other Departments, we will endeavour to continue to assist, and to lead where appropriate, other Departments in achieving those goals. With regard to certain specific cross-departmental issues, a number of strategic actions are outlined in Chapter 4 by which the Department will meet its goals.



## Conclusions of the Environmental Analysis

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Physicist Niels Bohr said: “prediction is extremely difficult, especially about the future”. The environmental analysis shows that this statement rings very true for the coming strategy period. Ireland’s extensive growth during the nineties was unprecedented, making it difficult therefore to plot its future trajectory. The fact that the current domestic downturn has taken place against a background of exogenous shocks in the global economy makes it even more difficult to make firm predictions. However, strategy is frequently characterised by a need to make significant decisions on the basis of limited information. And uncertainty notwithstanding, the foregoing analysis provides a number of key insights which can serve to drive the Department’s strategy over the next three years. The conclusions arising from this are now set out.

## 2.1 Economic openness is growing

The growth of trade and investment globally has reinforced Ireland’s position as a small open economy (SOE). On the upside, even in the face of shocks, global economic growth has continued and diversified. The corresponding downside is that Ireland faces stiffer competition. Foreign direct investment capital has a growing choice of productive locations, while Irish firms, regardless of ownership, face tough and more diverse competition in retaining and growing their share of export markets.

NESC has stated that Ireland must make the transition from being investment driven to being innovation driven. Ireland is no longer a low wage economy and cannot base future success on simply replicating past advantages. As NESC has pointed out, successful economic growth tends to follow a well-established path beginning with competition on simple factors and moving on to the growth of a more sophisticated economic base often via FDI. However as NESC goes on to say, the key growth challenge involves moving from investment to innovation, where the emphasis is on knowledge and skills and the ability to compete using a much wider range of advantages. Meeting this challenge poses a whole range of implications for strategy.



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2.2

Labour market policies and programmes need fundamental reappraisal to achieve quality employment

One of the greatest successes of the past decade has been the dramatic turnaround in unemployment and, indeed, the evolution of a labour market which created job opportunities both for the unemployed and new entrants. The mix of labour market programmes has been added to by measures to meet the extensive labour market demand of recent years, for example, working visas and an expanded work permits system.

As the economy has grown in complexity and diversity, the third level sector has become a much more important player in meeting skills requirements, while simultaneously, the many vocational training programmes (apprenticeship in particular) have also grown in sophistication. This has led to a blurring of the line between education and training and a growing focus on lifelong learning. Turning the latter from concept to reality poses a number of cross-cutting strategic challenges which are comprehensively explored in the report of the Taskforce on Lifelong Learning<sup>6</sup>.

Given the positive changes in the labour market, it is clear that the portfolio of active labour market programmes needs revision, with the emphasis on giving participants genuinely marketable skills and quality job opportunities. Employment policy must now focus on quality, skills and employability. It must continue to ensure that work is the most attractive option, since the best way to tackle social exclusion is through a job. Therefore, the priority areas for labour market policy in the coming strategy period are:

- > Lifelong learning: making education and training available outside of the formal systems and encouraging people to continuously add to their skills;
- > Firms taking greater responsibility for upskilling their employees to give them a competitive edge and assist in the retention of the best staff;
- > Greater regional spread of investment in education and skills;
- > A shift in industrial investment placing emphasis on R&D investment to provide secure jobs and to provide the skills for the future;

<sup>6</sup> The Taskforce was jointly established by the Department and the Department of Education and Science and issued its report in August 2002. The report is available on the web at [www.entemp.ie](http://www.entemp.ie)

- > The adoption of family friendly practices such as teleworking, work sharing, annualised hours etc, to attract and retain employees, including females and older people;
- > Investment in literacy programmes and the provision of dedicated support to help disadvantaged people to take up employment e.g. people with disabilities.

The changed labour market environment has also given rise to new concerns about workplace relationships, including issues such as family friendly policies, bullying and racism. The scope of employment rights legislation has been extended, or is under active consideration, to cover part-time, fixed-term and agency workers. Measures are being taken to improve the active enforcement of the body of employment law on matters such as working hours and the minimum wage. One particularly notable change in the labour market environment has been the demand by employers for third country labour and the consequent dramatic increase in the numbers of work permits and working visas issued. NESC has questioned the sustainability of this trend and called for a more structured approach to third party labour in the context of the need for an overall policy on immigration. These developments pose policy and organisational challenges for the Department in the new strategy period which will be addressed in consultation with the social partners.

The new Social Partnership Agreement “Sustaining Progress” places a particular emphasis not only on pay terms and social inclusion issues but also on a range of workplace relationship issues such as:

- > Improved Statutory Redundancy Terms;
- > Structured Employee Representation by means of legislation and associated Codes of Practice;
- > Improved and structured measures to achieve compliance with the terms of the agreement;
- > Improved dialogue in the workplace through building on international developments;

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- > Increased levels for the National Minimum Wage;
- > A range of commitments in relation to the development of the Employment Rights legislative framework and associated Codes of Practice.

2.3

Enterprise policy, programmes and structures must continue to change

Ireland has benefited from a willingness to continually reappraise and reshape its industrial policies, programmes and institutions. Over the past decade, key changes have involved the creation of distinct and separate focuses on indigenous development and securing and growing FDI, the increased breadth and sophistication of science, technology and innovation policy, and concerted and more wide-ranging efforts to develop a pro-business environment. All of these strategic directions remain valid. However, Ireland's successful development has had the effect of redrawing the industrial policy map, firstly, in terms of EU state aids regulations which limit the amount and type of direct state aid which may be given to firms, and secondly in the degree to which the investment decisions both of foreign and indigenous firms are reliant on such aid has changed.

The growing significance of regional development issues also poses challenges for enterprise policies and raises a number of cross-cutting issues where the Department's goals will be significantly impacted upon by issues such as the National Spatial Strategy and decisions on infrastructural provision.

Sustainable development presents opportunities and threats for the enterprise sector, especially in terms of the need to reconcile objectives for improving competitiveness, productivity and innovation with the need for environmental and social improvements. The challenge for the Department is to put policies and practices in place which facilitate enterprises in maximising the available opportunities and minimising the threats. Over the period of this Strategy Statement, it is expected that three areas of sustainable development will be particularly important for the enterprise sector: climate change, resource productivity and corporate social responsibility.

These issues are addressed in detail in the Department's Sustainable Development Strategy. The Strategy sets out objectives and actions for both the Department and enterprises over a period of time in the areas identified above. The strategy will influence the way many of the tasks in the new Departmental Strategy Statement are undertaken. Of these, climate change poses the greatest challenge to the enterprise sector. Due primarily to the strong economic growth of the past decade, the target for emissions reductions set for Ireland under the Kyoto Protocol represents a very substantial challenge.

The significant changes in the overall enterprise environment give rise to strategic questions about the scale of our direct industrial policies and associated institutions which must be addressed during the strategy period.

2.4

Science, Technology  
and Innovation: a key  
driver of  
competitiveness

Ireland's low gross expenditure on R&D across industry and third level education is a particular cause for concern. Ireland's current stage of development means that different sources of competitive advantage are needed. One key source of competitive advantage is the ability to develop, secure and apply knowledge and skills. If Ireland is to make a successful transition to innovation and knowledge-based competitiveness, the framework conditions which permit, encourage and sustain innovative creativity must be significantly strengthened over the period of this strategy statement.

This will require cohesive action from all elements of the national system of innovation including government, enterprises, education and the financial system. It will require continued rapid development of R&D capacity and capability in the higher education sector, achievement of world-class research excellence particularly in strategic areas allied to the needs of industry, and attraction to Ireland of significant R&D activity. Building the R&D capability of industry and its absorptive capacity to ensure industry can fully utilise the human and technological outputs of the investment underway will be key priorities. Research collaboration between industry and the third level sector must become fully embedded. A modern framework for

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commercialisation of the outputs of publicly funded research must also be developed.

2.5

Effective regulation and more effectively functioning markets are vital

The move to a lessening of direct state involvement and, indeed, participation in many areas of enterprise, driven in large part by the EU, has raised consciousness about the importance of effective regulation. In recent times Ireland has fallen in international competitiveness rankings on business transparency and corruption against a backdrop of revelations of domestic and international malpractice. During the previous strategy period the Department made substantial progress in driving forward the regulatory agenda to address these and other issues. Particular points of note are the strengthened role of the Competition Authority, the establishment of the Office of the Director of Corporate Enforcement, the completion of the first phase of work of the Motor Insurance Advisory Board (MIAB) and the advancement of the process to create the Irish Financial Services Regulatory Authority (IFSRA).

The period also saw a growing concern about the need to ensure that consumer issues are more fully addressed, not least because of the inflation issue, but also because of the potential that demand for high standards has in driving competitiveness. In response, additional resources have been committed and structures have been established to facilitate consumer representatives' input to policy formulation and development. Much needed regulatory infrastructure has also been put in place. The strategic challenge in the coming period is to demonstrate that these structures can achieve demonstrable results in lowering barriers to entry, promoting more vigorous competition and giving consumers increased choice and lower prices. In addition, we must also continue to simplify and improve our regulatory legal base and implementation arrangements.

Effective competition is the best way of ensuring value for money for consumers. However, the removal of unwarranted regulatory restrictions or other impediments to competition is not sufficient of itself to guarantee this. To generate effective competition,

consumers should also be well informed about the price and quality of goods and services, and be prepared to be assertive in seeking alternative sources of supply. They also need information on their rights in relation to suppliers, and how to go about seeking redress if those rights are infringed. In this context, the fragmented nature of the legislative framework for consumer protection, which has developed in an ad hoc fashion over a long period of time, needs to be reviewed and reformed.

2.6

Importance of the European Union

The environmental analysis has set out the critical events which will occur within the European Union during the coming strategy period. It highlighted the changing nature of Ireland's relationships within the Union, particularly in the context of enlargement. The Department has an exceptionally high degree of interaction with the EU, and thus the nature of these relationships has a significant effect on our ability to achieve our overall goals.

2.7

Need to achieve more with constrained resources

The need to rebalance public spending in line with the revenue base of a lower growth environment has been well established. This necessitates prioritisation of those policies and programmes that will yield the best results for the citizen and the achievement of maximum efficiency in the delivery of those programmes. It also demands that the programme of public service modernisation be advanced both within the Department and its offices and agencies, with a strengthened emphasis on enhancing staff competencies and achievement of outcomes as well as outputs, based on high quality data and analysis.

Modernisation of the Department's financial management systems as part of the overall Management Information Framework Project is a vital underpinning factor to allow more targeted and effective use of resources. However, this project is critically dependent on the development and utilisation of quality performance indicators. These indicators need to be deployed at the overall strategic level. However, it is also important that they be backed up with robust monitoring of the specific outputs delivered by the Department's offices and agencies.

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Given the particular constraints on resources over the coming strategy period, the Department will increasingly be faced with a need to identify priorities and to switch resources from lower priority areas to achieve its strategic aims.

2.8

Summing up

The EU Lisbon strategy is based around a goal of making Europe the most dynamic, competitive knowledge based economy in the world, with more and better jobs and greater social cohesion.

This environmental analysis and the conclusions drawn from it serve to highlight the fact that many of the issues highlighted in the Lisbon strategy – competitiveness, knowledge and enhanced job quality – are vital to the mission of the Department.

We take a broad and holistic view of competitiveness. We do not see it as a “race to the bottom” driven only by a desire to cut costs – although our international cost competitiveness is important. Our broad view of competitiveness hinges on factors such as innovation, competition, quality employment, lifelong learning, better regulation and effectively functioning markets. In line with the vision of where the EU wants to be, overall Government strategy is clearly oriented towards building the kind of economy and society that can sustain high living standards in an inclusive way. Achieving real competitiveness can play a vital role in achieving this aim.

There is a strong inter-relationship between competitiveness and quality employment. Competitiveness at national and firm level is the major determinant of sustainable employment, on the one hand, while factors such as the quality of the learning system are crucial to employability on the other. Similarly, where other policies underpinning growth are operating effectively, labour supply has a critical effect on determining the speed of growth and, through its effects on wage rates, also feeds back into competitiveness.

Our employment performance has been outstanding. But we now face a significant challenge in maintaining low levels of unemployment. Moreover, we also need to ensure that we grow

competitiveness in a way that generates quality employment, and take steps to ensure that people have the means and opportunity to grow their skills to achieve long term employability.

The Department will also continue to pursue broader social goals to ensure that all members of society benefit from the work of the Department in establishing and protecting rights through the development of policy, legislative and institutional frameworks. Consumer welfare issues, employment rights and a continuing drive to ensure that people who are disadvantaged gain access to rewarding and meaningful work are especially relevant here.



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3.1 Our Mission

Taking all of the foregoing into account, our mission for the coming strategy period is as follows:

**We will work for Government and the people to equitably grow Ireland’s competitiveness and quality employment.**

3.2 Pillars of our strategy

We aim to turn this strategy into reality by means of action under five pillars. These are:

Pillar One ~ Enterprise, Innovation, Growth

Pillar Two ~ Quality Work and Learning

Pillar Three ~ Making Markets and Regulation Work Better

Pillar Four ~ Quality, Value and Continuous Improvement

Pillar Five ~ The European Union

3.3 Departmental structure

The Department’s divisions have been restructured in order to improve on the effectiveness of our work, and to aid in the delivery of our mission and goals. The restructuring will align the divisions with the five pillars of our strategy, as follows:

The goals and actions within Pillar One will be implemented by the Enterprise and Agencies, and the Science, Technology and Intellectual Property Divisions.

The Labour Force Development and the Employment Rights and Industrial Relations Divisions have responsibility for implementing Pillar Two actions, and some of the Pillar Five actions.

Pillar Three goals and actions will be undertaken by the Commerce, Consumers and Competition Division.

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Pillar Four will be driven principally by Corporate Services and Economic Policy Division, although all Divisions will provide input into the implementation of many of the individual goals.

The Competitiveness, Trade, Environmental and EU Affairs Division will drive forward many of the goals within Pillar Five in collaboration with other Divisions. In the context of the creation of the new EU Competitiveness Council, the Division will also take the lead on the national competitiveness agenda.

3.4

Our Goals

Within this five pillar structure, the following goals will guide our priority actions in the coming strategy period.

## 3.4.1 Enterprise, Innovation, Growth

- > We will prioritise investment in science, technology and innovation and the development of the knowledge society.
- > We will review and update industrial policies and interventions in light of the evolving competitiveness environment, developments in respect of the all island economy and the need for regional balance. We will implement change where necessary.
- > We will develop and implement policies to enhance the competitiveness environment, leading to the start up and growth of competitive firms, continued foreign direct investment and sustainable development.

## 3.4.2 Quality Work and Learning

- > We will ensure that labour market policy responds to changing skills needs and we will prioritise investment that delivers better jobs, lifelong learning for all and enhanced social inclusion;

- > We will further enhance quality employment by improving and enforcing employment rights and entitlements and promoting industrial peace and effective dispute resolution.

#### 3.4.3 Making Markets and Regulation work better

- > We will take concerted action to ensure that regulation is fair, balanced and effectively implemented: to encourage commerce, ensure competitiveness, confidence in business and the welfare of citizens;
- > We will promote competition in all sectors of the economy and ensure that consumers derive the maximum benefit from the fair and efficient operation of the market.

#### 3.4.4 Quality, Value and Continuous Improvement

- > We will ensure that the resources entrusted to us deliver value for money. We will grow our skills and competencies to continuously improve our service to our customers and stakeholders at all levels.

#### 3.4.5 The European Union

- > We will work proactively within the European Union and domestic institutional structures:
  - to achieve our strategic goals and help make Europe the most competitive economy in the world with more and better jobs and greater social cohesion, and
  - to create a more liberal world trade and investment environment.

In the next section we detail the specific strategic actions we will pursue to advance these goals.

## Strategic Actions and Performance Indicators

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## Goals

We will prioritise investment in science, technology and innovation and the development of the knowledge society.

We will review and update industrial policies and interventions in light of the evolving competitiveness environment, developments in respect of the all island economy and the need for regional balance. We will implement change where necessary.

We will develop and implement policies to enhance the enterprise environment, leading to the start up and growth of competitive firms, continued foreign direct investment and sustainable development.

## High Level Performance Indicators for Goals

### Science, Technology and Innovation

- ▲ Business Expenditure on Research and Development (BERD);
- ▲ Gross Expenditure on Research and Development (GERD);
- ▲ Enhancement of research strength underpinning strategic technologies of ICT and Biotechnology - to be measured against a baseline assessment of these areas in the Public Research System carried out in 2002;
- ▲ Impact of the research, technological development and innovation measures aimed at industry as measured through the mid-term evaluation of the Productive Sector OP and through a series of evaluations of selected measures over the next three years;

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## Industrial Policies

- > Publication of triennial reviews of industrial policy and performance;
- > Percentage of overall state assistance to firms involving repayability;
- > Regional spread of agency-assisted projects;
- > Gross jobs performance in agency-assisted firms;
- > Net jobs performance in agency-assisted firms;
- > Sales performance in agency-assisted firms;
- > Export performance of agency-assisted firms;

## Enterprise Environment

- > Rate of total business startups;
- > Rate of business closures and notified redundancies;
- > Ireland's ranking on international competitiveness indices.

## Strategic Actions

### 4.1.1 Science, Technology and Innovation

- > Establish Science Foundation Ireland on a statutory basis and, by deploying significantly increased resources to SFI, build the research capability and excellence required to underpin competitiveness into the future;

**Performance Indicator:** SFI Established in law by mid-July 2003.

- > Improve the environment for business expenditure on science, technology and innovation by progressing proposals to enhance the fiscal environment for research and development in Ireland;

**Performance Indicator:** Proposals developed over this strategy period and progressed within the overall budgetary context.

- > Increase resources aimed at building research, development and innovation capability in industry and ensuring collaboration between business and third level education;

**Performance Indicator:** Growth in resources over the strategy period relative base year 2002.

- > Contribute to a range of initiatives designed to reverse declining interest in science amongst students and the population generally. In particular, establish an integrated National Science Promotion Programme and progress the establishment of an interactive science centre;

**Performance Indicator:** Integrated programme to be established by end 2003 and Science Centre proposal progressed over the strategy period.

- > Improve the structures and mechanisms for formulating and implementing national policy for Science, Technology and Innovation in Ireland having regard to the report of the Expert Commission established by ICSTI;

**Performance Indicator:** Proposals developed for consideration by Government by end 2003, and progressed over the strategy period.



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- > Seek to have enacted the Patents Bill (currently before the Dáil) to update patents law and ensure compliance with our international obligations;

**Performance Indicator:** Seek to have the Patents Bill enacted by the Oireachtas by conclusion of the Autumn 2004 legislative session.

- > Enhance support, co-ordination and information structures to ensure greater involvement of Irish researchers, industry and SMEs in the EU Sixth Research Framework Programme;

**Performance Indicator:** Level of involvement of Irish researchers, industry and SMEs in the EU Sixth Framework programme measured using the outcome for participation in FP5 as a benchmark to be surpassed.

- > Advance the contribution of research, technological development and innovation to the European Union goal of becoming the most competitive knowledge-based economy in the world, particularly throughout the period of the Irish Presidency in 2004.

**Performance Indicator:** Growth in the volume of research funded by business.

## 4.1.2 Enterprise Policy

- > Complete the review of enterprise policy and performance, taking account of the strategic direction in the National Spatial Strategy, agree on a new approach and take action on the findings;

**Performance Indicator:** Produce a strategy statement on enterprise development by end 2004.

- > Carry out expenditure reviews on specified elements of the activities of Enterprise Ireland and IDA Ireland;

**Performance Indicator:** Reviews to be completed by end December 2003.

- > Support Enterprise Ireland in its introduction of a scheme to increase productivity in smaller, slower-growth firms;

**Performance Indicator:** Scheme to be introduced by 30 June 2003.

- > We will actively promote the development of N/S co-operation in the areas of trade and business development that are mutually beneficial through the continued implementation of the InterTradeIreland work programme and appropriate expansion as and when directed by the North South Ministerial Council;

**Performance Indicators:** Regular liaison with the Department of Enterprise, Trade and Investment in Northern Ireland and InterTradeIreland to facilitate the continued development of the all-island economy. Policy advice to be provided to An Tánaiste in her role on the North South Ministerial Council, when restored. To work in partnership with business organisations to identify appropriate policies to enhance the development of the all-island economy.

- > Support specific initiatives to grow eBusiness activity and contribute as appropriate to the development of an e-friendly regulatory framework;

**Performance Indicators:** Business access to the Internet and its sophistication; Commercial use of Internet - percentage of total sales and purchases made through the Internet.

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- > Respond to significant company closures or downsizing through State Agencies and other relevant interests with a view to securing alternative employment for workers affected.

**Performance Indicator:** Summary of measures taken to secure alternative employment for workers affected.

## 4.1.3 Competitiveness Environment

- > Co-ordinate response to, and implement recommendations of, National Competitiveness Council reports including, in particular, the “Competitiveness Challenge” document;

**Performance Indicator:** Action Plan completed by 2004.

- > To complete a new statement of national trade policy and seek to identify and facilitate the exploitation by Irish companies of new opportunities for trade and investment through effective engagement in multilateral negotiations and bilateral contacts;

**Performance Indicator:** Strategy completed by end September 2003.

- > Review (including a customer survey) the Late Payment Regulations to ensure that they are effective in improving payment times, particularly to small business;

**Performance Indicator:** Survey findings regarding payment times and review paper on options for future possible legislation to be produced by September 2003.

- > Hold Round Table meetings to continue our dialogue with the small business sector;

**Performance Indicator:** Meetings to be held twice annually.

- > Operate a structured consultation mechanism with overseas industries, with particular reference to the ICT and pharmaceutical sectors;

**Performance Indicator:** Meetings held with each sector twice yearly.

- > Monitor and evaluate, on a coordinated basis, strategies and supports to grow and develop the biotechnology sector;

**Performance Indicator:** Biotechnology Coordinating Committee established.

- > Address the problem of the apparent under-utilisation of intellectual property protection by small business by identifying reasons and developing solutions;

**Performance Indicator:** Undertake an examination of this issue in consultation with relevant interests from industry and state agencies and develop, by December 2003, recommendations, where required, with related timeframes, as appropriate.

- > Review arrangements for the control of trade in military and dual-use goods;

**Performance Indicator:** Completion of review of arrangements for control of trade in military and dual use goods by end 2003.

- > Critically examine the recommendations in the Forfás Report “Legislating for Competitive Advantage in eBusiness and ICTs” in relation to intellectual property;

**Performance Indicator:** Examine Report’s recommendations on IP aspects and formulate positions thereon by December 2003 with related timeframes, as appropriate.

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- > Implement our sustainable development strategy aimed at addressing the challenges of doing business in a sustainable way, while also maximizing the business and competitiveness opportunities presented.

**Performance Indicators:** Progress to be reported on each year in the Department's Annual Report, to identify any obstacles and to facilitate any revision of priorities or timeframes which may be required. An overall evaluation of the success of the Strategy to be carried out in the second half of 2005, in order to inform priorities for subsequent strategies.

4.2

Pillar Two ~ Quality  
Work and Learning

## Goals

We will ensure that labour market policy responds to changing skills needs and we will prioritise investment that delivers better jobs, lifelong learning for all and enhanced social inclusion.

We will further enhance quality employment by improving and enforcing employment rights and entitlements and promoting industrial peace and effective dispute resolution.

## High Level Performance Indicators for Goals

- ▲ Workplace change issues identified and addressed through the Forum on the Workplace of the Future;
- ▲ Provision of a quality regulatory framework for Employment Rights through conformity with EU and core ILO and Council of Europe standards on Employment Rights and Health and Safety;
- ▲ Completion of the legislative programme on Employment Rights, including Health and Safety and Industrial Relations;

- ▲ Meet our quality customer service targets in the provision of statutory entitlements;
- ▲ Completion of a programme of reviews of active labour market measures;
- ▲ Extent of implementation of recommendations of Expert Group on Future Skills Needs (EGFSN);
- ▲ Development of an action plan for the implementation of the recommendations of the Task Force on Lifelong Learning;
- ▲ Rate of progression to employment from Department-funded Active Labour Market Programmes (ALMPs) by major programme type;
- ▲ Extent to which Social Partnership contributes to competitiveness, inclusion and employment;
- ▲ Appropriate and timely adjustments made to ESF co-funded Programmes and Measures under the National Development Plan to ensure that they continue to meet Ireland's Labour Market needs going forward.

#### 4.2.1 Training and Employment Supports

- > Review, on a programme basis, FÁS active labour market schemes and training supports, including delivery mechanisms, to ensure that they focus both on the needs of business and on the needs of the most marginalised and disadvantaged groups to help maximise their progression to the open labour market;

**Performance Indicator:** Complete reviews of supports to the long-term unemployed and of the national employment service.

- > Oversee the development of an Action Plan to implement policy for Lifelong Learning in response to the report of the PPF Task Force;

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**Performance Indicator:** Action Plan completed by end 2003 in agreement with the Department of Education and Science.

- > Drive the implementation of the recommendations of the Expert Group on Future Skills Needs;

**Performance Indicator:** Progress on implementation to be published in EGFSN Reports.

- > Consolidate our programmes to enhance employment opportunities for people with disabilities, focusing on efficiency and effectiveness;

**Performance Indicators:** Implementation, as appropriate, of recommendations contained in the review of the Supported Employment Programmes, and the review of Vocational Training for People with Disabilities. New initiatives developed or launched.

- > Community Employment: In conjunction with the Cabinet Sub-Committee, continue to manage the transition to a more focused active labour market dimension and to contribute to future policy and structures on the community services dimension;

**Performance Indicator:** New Community Employment model to be developed for consideration by the Government by mid-2003.

- > Begin roll-out of the preventative strategy to those unemployed for longer than six months;

**Performance Indicator:** Roll-out of earlier intervention initiative completed by end 2003.

- > Continue to work with the EU in the area of labour market policies and initiatives (see Pillar Five for specific actions and Performance Indicators), and ensure continuing linkages between the ESF and the European Employment Strategy.

#### 4.2.2 Work permits/migration

- > Facilitate the publication and support the consideration by the Oireachtas of the Employment Permits Bill 2003;

**Performance Indicators:** A new statutory basis for economic migration in the context of EU enlargement put in place by April 2003. Comprehensive Employment Permits Bill published by mid-2003.

- > Put in place administrative structures to prevent fraud and contrived arrangements across the full range of instruments facilitating economic migration;

**Performance Indicator:** New arrangements to be implemented as soon as possible, subject to the staffing resources being put in place.

- > Develop a medium-term economic migration policy, including consideration of a formal programme of permanent economic immigration.

**Performance Indicator:** Policy statement to be published in 2004.

#### 4.2.3 Employment Rights and Entitlements

- > Contribute to social partnership and meet commitments made and arising during the Programme for Sustaining Progress.



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**Performance Indicator:** Extent to which the process maintains high levels of employment and secures living standards.

- > Update the Safety, Health and Welfare at Work Act 1989;

**Performance Indicator:** New Health and Safety Bill to be published in the last quarter of 2003.

- > Improve working conditions through the implementation and enforcement of Health and Safety Directives;

**Performance Indicator:** To be up to date by year-end 2003 in the transposition of EU Directives so as to provide the Health and Safety Authority with the necessary powers to enforce its remit.

- > Implement the new Directive on insolvency payments and amend the 1984 Insolvency Act;

**Performance Indicator:** Legislation to transpose the Directive published by end 2004.

- > Review the interaction and functional relationships between the Employment Rights Bodies;

**Performance Indicator:** Publication of review by mid 2004.

- > Contribute to the Forum on the Workplace of the Future so as to establish a vision of workplace change based on shared understandings.

**Performance Indicator:** Ensure the Forum promotes a dialogue which will contribute to the EU Tripartite Social Summit and provides a shared analysis on issues of workplace change.

- > Introduce agreed adjustments to the National Minimum Wage;

**Performance Indicator:** Adjustments made in accordance with commitments by the Social Partners, or existing legislation, as appropriate.

- > Implement the recommendations of the Review Group on the statutory redundancy scheme and give effect to the increased benefits agreed with the social partners;

**Performance Indicator:** Recommendations of the Review Group and agreement of Social Partners to increased benefits put in place by means of the Redundancy Payments Act 2003, which came into force on 25 May 2003.

- > Implement the Directive on Fixed-Term Work Bill;

**Performance Indicator:** Directive transposed by means of the Protection of Employees (Fixed-Term Work) Bill 2003 by mid July 2003.

- > Introduce legislation and Codes of Practice on voluntary dispute resolution and victimisation;

**Performance Indicator:** Legislation published by mid 2003 with agreed Codes coming into effect on enactment in the last quarter of 2003.

- > Ensure compliance with Employments Rights legislation by providing quality information to all and enforcing compliance through the Labour Inspectorate;

**Performance Indicator:** Volume of requests for information responded to, volume of complaints to Labour Inspectorate dealt with, volume of non-compliance rectified, including prosecution, where necessary.

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- > Implement the Information & Consultation Directive and the employee involvement elements of the European Company Statute;

**Performance Indicator:** Bills to transpose the Directives to be published by mid 2004.

- > Contribute to industrial peace by ensuring the provision of quality and respected industrial relations dispute resolution institutions: the Labour Court, the Labour Relations Commission, Rights Commissioners and the Employment Appeals Tribunal;

**Performance Indicators:** Number and percentage of disputes resolved with assistance from the industrial relations institutions (Labour Court, Labour Relations Commission, Rights Commissioners). Number and percentage of Employment Appeals Tribunal Determinations upset in the Courts. The outcomes of the Review of the LRC staffing and business processes to be in place by end 2003. The impact of the Programme for Sustaining Progress on the Labour Court to be reviewed at year-end 2003. The EAT to be assisted to enable it to meet its customer service targets in 2004.

- > Strengthen competitive advantage through

- Improved dialogue in the workplace through Information & Consultation;
- Improved knowledge and awareness of Corporate Social Responsibility;
- Social Partnership at national and local level;
- The adaptive Workplace of the Future.

**Performance Indicator:** Ensure that the strengthening of competitiveness be central to the Social Partnership process as well as interactions with the EU and other international bodies.

## Goals

We will take concerted action to ensure that regulation is fair, balanced and effectively implemented: to encourage commerce, ensure competitiveness, confidence in business and the welfare of citizens.

We will promote competition in all sectors of the economy and ensure that consumers derive the maximum benefit from the fair and efficient operation of the market.

## High Level Performance Indicators for Goals

- ▲ Clarity of regulatory rights and obligations in consumer and competition law;
- ▲ Level of compliance with consumer, company and competition regulatory regimes;
- ▲ Number of instances of non-compliance with consumer and competition and company regulation effectively dealt with by litigation and other means;
- ▲ Demonstrable improvements in the functioning of the insurance market, notably by way of a progressive reduction by the industry in the cost of insurance.

### 4.3.1 Insurance

Deliver the reform programme viz.

- > The Ministerial Committee, chaired by the Tánaiste to report regularly to Government on the progress made under the Action Plan to give effect to the 67 Motor Industry Advisory Board (MIAB) recommendations within a target timeframe;

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**Performance Indicator:** Degree of implementation of MIAB recommendations.

- > Establish the Personal Injuries Assessment Board (PIAB) on an interim basis, in parallel with preparation of the necessary legislation to put the PIAB on a statutory footing;

**Performance Indicator:** PIAB established on statutory basis by end 2003.

- > In parallel with, and complementary to, the reform programme, undertake a study of the insurance sector in Ireland in conjunction with the Competition Authority.

**Performance Indicator:** Study published early 2004.

- > Proactively pursue cost efficient resolution of all remaining issues relating to the cessation of Departmental involvement in export credit insurance schemes.

**Performance Indicator:** Resolution of outstanding issues.

## 4.3.2 Competition and Consumers

- > Ensure that the Competition Authority can fulfil its mission to ensure increased competition throughout the economy;

**Performance Indicator:** Adequacy of Authority's human and legislative resources.

- > Critically analyse regulatory provisions that restrict competition, through the Pharmacy Review Group, the Liquor Licensing Commission, and other appropriate means, with a view to eliminating unwarranted constraints on competition;

**Performance Indicator:** Elimination of regulatory provisions identified as constituting unwarranted constraints on competition.

- > Undertake a comprehensive review of consumer legislation with a view to simplification and codification of consumer rights;

**Performance Indicators:** Discussion document to be drafted by end-2003. General Scheme of consolidating legislation to be prepared within the period to which this Statement relates.

- > Ensure that consumers are protected from malpractice and have the information necessary to exploit the opportunities available in competitive markets;

**Performance Indicator:** Level of compliance with consumer protection legislation.

- > Assist competition and consumer protection by eliminating technical barriers to trade through the EU standards programme;

**Performance Indicator:** Number of EU Directives implemented.

#### 4.3.3 Companies

- > Support the Office of the Director of Corporate Enforcement and the Companies Registration Office in ensuring honest and effective corporate governance;

**Performance Indicator:** Adequacy of human, legislative and other resources.

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- > Establish the Irish Auditing and Accounting Supervisory Authority (IAASA) on a statutory basis and work to ensure its effective operation;

**Performance Indicator:** Have legislation enacted during the Autumn 2003 session of the Oireachtas.

- > Develop a strategy for the supervision of those entities remaining within the Office of the Registrar of Friendly Societies (RFS) following the establishment of Irish Financial Services Regulatory Authority (IFSRA);

**Performance Indicator:** Consultation document prepared by July 2003 with detailed proposals prepared before end 2003.

- > Seek to have enacted comprehensive new Companies legislation which will provide for the consolidation of existing company law provisions into a single statute; reform company law consistent with the recommendations of the Company Law Review Group;

**Performance Indicators:** General Scheme of new Companies Bill to Government for decision by January 2004. Thereafter will work closely with Office of Parliamentary Counsel to produce the Bill as soon as possible for introduction in the Oireachtas.

## Goal

We will ensure that the resources entrusted to us deliver value for money. We will grow our skills and competencies to continuously improve our service to our customers and stakeholders at all levels.

### High Level Performance Indicators for Goals

- ▲ Departmental expenditure as a proportion of overall Government supply services expenditure;
- ▲ Publication of VFM expenditure reviews and follow up reporting on implementation;
- ▲ Service performance against published standards and in particular:
  - Volume of employment rights queries and cases handled through inspection to enforcement;
  - Reduced waiting periods for Redundancy and Insolvency payments;
  - Reduced waiting times for Employment Appeals Tribunal hearings.
- ▲ Customer attitudes to service delivery as measured by survey;
- ▲ Trend in volume of information made available to the public;
- ▲ Volume of services delivered electronically;
- ▲ Trend in Freedom of Information requests;
- ▲ Volume of public enquiries processed;
- ▲ Trend in ministerial representations: volume and timeliness.



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## 4.4.1 Strategy and Planning

- > Operate an effective business planning and reporting process which translates strategy into measurable outputs and outcomes;

**Performance Indicator:** Divisional business plans agreed end February annually, reviewed mid-year annually.

- > Review overall plans and strategy twice yearly;

**Performance Indicators:** Business Plans and Strategy reviewed twice yearly by Management Board. Overall report on Departmental performance via the Annual Report.

- > Ensure that the Department incorporates best environmental practice into its management and activities, thereby reducing our environmental impact.

**Performance Indicators:** Ongoing awareness and information programme on environmental issues developed. Environmental best practice report prepared. Sustainable development training programme developed. Completion of an environmental audit of the Department. Green products and materials in use across the Department. Reduction in paper use in the Department. Recycling programme implemented.

## 4.4.2 Managing change for improvement

- > Review internal structures and organisation to ensure best fit with our new strategy, and implement change as required;

**Performance Indicator:** New divisional structure put in place June 2003, reviewed end 2005.

- > Undertake business process reviews and expenditure reviews to improve service delivery and achieve value for money;

**Performance Indicators:** A programme of Business Process Reviews to be carried out each year by a dedicated Business Process Review (BPR) Services Unit. Line sections required to report biannually on the progress made in implementing recommendations made by the BPR Services Unit. Reviews completed on schedule and submitted to Central Steering Committee by the agreed date.

- > Deepen change and modernisation by mobilising four new cross functional teams to progress key issues of Openness and Quality Customer Service, Human Resources Management, Financial Management, and Information Systems;

**Performance Indicator:** Teams formed 2003, report on progress to Management Board annually.

- > Work through our Partnership Committee to promote internal dialogue and consultation with staff on key issues in the process of change and improvement;

**Performance Indicator:** Partnership Committee to meet five times per year, with regular meetings of the Committee's subgroups taking place between meetings to promote and progress the partnership agenda.

#### 4.4.3 Enhanced openness, transparency and accountability

- > Expand and improve our website [www.entemp.ie](http://www.entemp.ie) as a key communications portal and information resource for our customers;

**Performance Indicators:** Standardised layout of website across Divisions. Clear logical and user-friendly content. Positive Customer Feedback.

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- > Follow the principle of regulation by disclosure, thus encouraging best practice in decision taking and the facilitation of interested parties;

**Performance Indicator:** Application of principle of disclosure in the review of law codes under the Department's aegis.

- > Ensure early publication of the Department's Annual Report;

**Performance Indicator:** Report published by end April each year.

- > Place a strong emphasis on internal communications in all aspects of our business;

**Performance Indicator:** Efficient and effective dissemination of Departmental information through the introduction of the Intranet in the Department.

- > Effectively implement the terms and requirements of the Freedom of Information and Data Protection Acts;

**Performance indicator:** Effective response to FOI and Data Protection requests within the timeframes set down in the Acts.

- > Work with Department of Finance to extend the Freedom of Information Acts to additional bodies by end 2005;

**Performance indicator:** Extension of Acts to additional bodies by end 2005.

- > Implement the requirements of the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers (Mullarkey) as endorsed by Government in January 2003;

**Performance indicator:** Comply with the requirements of the Mullarkey report in respect of the financial control environment, administrative controls and internal audit within the deadlines set out in the report.

#### 4.4.4 Human Resources Management

- > Continue to develop and implement a comprehensive Human Resources Management Strategy;

**Performance indicator:** Draft HR Strategy completed by end 2003.

- > Continue to implement our Performance Management and Development System (PMDS) to enhance staff competencies and performance;

**Performance indicators:** All stages of PMDS to be implemented in accordance with deadlines agreed in the Department's annual business planning / PMDS cycle. Upward feedback to be formally integrated into PMDS by end 2005 in accordance with civil service wide agreement.

- > Provide targeted training and development addressing the development and business needs of individuals and groups of staff, utilising e-learning systems where possible;

**Performance indicator:** Continue to allocate resources to training and development with a view to providing training on a value for money basis within the existing overall target of 4% of payroll by end 2003.

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- > Further progress the equality agenda.

**Performance indicators:** Continue to promote existing Diversity and Gender Equality Policies. Develop policies to achieve greater participation by women in senior grades with particular emphasis on achieving the target of at least 33% of AP posts filled by women. Having currently exceeded the 3% quota for the employment of people with a disability, strive to increase the number of people with disabilities employed in the Department. Develop policies to improve participation in promotion competitions by people with disabilities.

## 4.4.5 Quality customer service

- > Implement our Customer Service Action Plan;

**Performance indicators:** Introduction of a formal complaints procedure. Completion of the Customer Care Research Programme. Completion of QCS Audits of Business Plans

- > Serve the Political System efficiently;

**Performance indicator:** Volume and timeliness of responses to representations and Parliamentary Questions (PQ's).

- > Continue to expand the range of services we deliver to the public and business electronically;

**Performance indicator:** Number of Departmental services online.

- > Ensure employment rights service provision against published standards.

**Performance indicators:** Reduce waiting periods for Redundancy and Insolvency payments. Reduce waiting times for Employment Appeals Tribunal hearings. Volume of employment rights queries and cases handled through inspection to enforcement. Identify trends in volume of information made available to the public. Volume of services delivered electronically Measure customer attitudes to service delivery by survey.

#### 4.4.6 Financial management and control

- > Introduce a new management information framework to deliver accruals accounting and improved planning, tracking and monitoring of expenditure;

**Performance indicator:** New Financial Management System (FMS) to be in place by November 2003. Roll-out of purchasing module to central Purchasing Units by end 2003 and throughout the Department by end 2004, to facilitate capture of accruals information.

- > Devolve responsibility for financial management within the Department;

**Performance indicator:** Provision of access to the new FMS to up to 250 users within the Department by end 2004, to facilitate financial management and reporting.

- > Provide an Internal Audit Service based on risk assessment which gives assurance on the effective operation of controls.

**Performance indicator:** Delivery of a programme of internal audits, in accordance with the D/ETE annual risk-based audit plan.

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- > Agree and publish performance indicators for the Department for inclusion in management information reports under MIF.

**Performance indicators:** Formatting of reports to be decided on by end of first quarter, 2004. Mechanism to identify and develop a sample number of performance indicators established by mid 2004. Framework and timeframe for reporting on these performance indicators decided on mid-2004. Existing indicators developed, and indicators concept extended to all sections over the strategy period.

## 4.4.7 Information Systems

- > Implement priority actions in our ICT strategy to deliver effective ICT tools which supports the Department's business needs;

**Performance indicators:** Clear policies and standards to be set for the Department's IT infrastructure and services, IT projects to be prioritised and managed effectively, and the reliability and security of the Department's systems to be improved over the period of the Strategy.

- > Put in place a Departmental intranet to improve internal information sharing/communications and increase efficiency;

**Performance indicators:** An Intranet site for the Department, operational from June 2003 to contain shared information most commonly used by the Department's staff. Further shared information to be added to the site on a phased basis in 2003 and 2004.

- > Introduce service level agreements (SLAs) for the Department's IT customer base.

**Performance indicator:** A services contract to provide IT support to the Department's staff was entered into with an external service provider early in 2003. SLAs for this support were agreed and issued to staff for information. SLAs to be monitored on an on-going basis.

- > Maintain and further enhance the BASIS website.

**Performance indicator:** The timeliness and quality of the public sector information provided to the business community.

- > Work with Reach and Government Agencies, through the BASIS project, in the development of online integrated services to make it easier for business to deal with Government.

**Performance indicator:** The number of integrated public services delivered online.

4.5

Pillar Five ~ The European Union

### Goal

We will work proactively within the European Union and within domestic institutional structures:

- > to achieve our strategic goals and help make Europe the most competitive economy in the world with more and better jobs and greater social cohesion, and
- > to create a more liberal world trade and investment environment.

### High Level Performance Indicators for Goals

- ▲ EU policies reflect Department's goals and strategic objectives to the greatest possible extent.
- ▲ Overall success of aspects of Ireland's Presidency coming within the ambit of the Department.



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## 4.5.1 Presidency 2004 and Enlargement

- > Ensure that Ireland's 2004 presidency is successful and well managed with particular focus on the integration of the accession States from 1 May 2004;
- > Strengthen links with accession countries through, in particular, a series of Ministerial meetings through 2003, linked with trade missions as appropriate.

**Performance indicators:** Ministerial or official level contacts with Accession Countries. Training programmes put in place for chairpersons of working groups. All chairs and delegates to participate in training programmes. Logistical preparations finalised and draft agendas for Councils prepared.

## 4.5.2 EU Constitutional and Institutional reform

- > Monitor and, as appropriate, contribute to, developments in relation to Treaty change in the framework of the Convention on Europe and the IGC.

**Performance indicator:** Coordinating mechanism in the Department to ensure timely, effective and comprehensive responses to emerging draft texts.

## 4.5.3 Horizontal

- > Work to ensure the timely transposition of EU Directives, where relevant in consultation with the Social Partners, and act as a driver in seeking to ensure that Ireland achieves the transposition targets for internal market measures set by the European Council;

**Performance indicator:** Ensure timely transposition of EU Directives falling within this Department's responsibility.

- > Fulfil our obligations under the European Union (Scrutiny) Act 2002.

**Performance indicator:** Timely transmission of information to the Oireachtas.

#### 4.5.4 Enterprise, Innovation, Growth

- > Maximise Ireland's return from the new EU R&D Framework Programme via new information and support structures;

**Performance indicator:** See Section 4.1.1

- > Maximise Irish involvement in the Multiannual Programme for Enterprise and Entrepreneurship 2001-2005, particularly in relation to BEST projects under the Programme.

**Performance Indicator:** Number of projects in which Ireland participates.

- > Develop an appropriate response to the 2004 revision of EU Regional State Aids Guidelines;

**Performance indicator:** Optimisation of the levels of regional aid payments to Irish industry.

- > Work constructively within the new EU Competitiveness Council to ensure that Ireland's concerns are reflected with particular reference to:
  - The identification and development of action points relating to key strategic competitiveness issues for European enterprise;
  - The Commission's Green Paper on Entrepreneurship;

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- The Commission Communication on Industrial Policy;
- The Strategy and Action Plan for Biotechnology;
- Implementation of the Internal Market Strategy for Services;
- Creation of the European Research Area and attainment of the 3% GDP target for Research and Development.

**Performance indicator:** Submit responses to Commission by end of consultation periods. Discuss / circulate position papers as appropriate with the relevant Committees and Working Groups.

- > Contribute effectively to the Spring European Council on the Lisbon agenda;

**Performance indicator:** Department's position reflected in Ireland's input.

- > Ensure the competitiveness dimension of enterprise policy is taken into account in the development of environmental policy at EU level;

**Performance indicator:** EU major environmental measures take competitive issues into account.

- > Actively participate in discussions on proposals to improve the framework for the protection of intellectual property rights and ensure that the concerns of Irish business are met.

**Performance indicator:** Outcome of discussions reflecting to the greatest extent possible the needs of Irish industry.

#### 4.5.5 Structural Funds Operational Programmes, existing and new

- > Maximise returns from European Social Fund and ERDF by monitoring the financial and physical implementation of all EU co-funded Operational Programmes and Community Initiatives 2002-2006 in accordance with national and EU requirements.

**Performance indicators:** All Implementing Bodies to continue to be circularized with all eligibility guidelines and circulars within a fortnight of their promulgation.

Ireland to submit valid certified interim payment claims to the Commission no later than mid-October each year such that the Commission can process those claim(s) and Ireland secures its CSF receipts that same calendar year, and that the N+ 2 rule for drawdown of funds is respected.

- > Oversee the Mid Term Evaluation of the EHRD and Productive Sector OPs and the EQUAL Community Initiative and input into the Mid Term Review of the NDP/CSF as a whole; and effect closure of the 1994-1999 programmes.

**Performance Indicators:** Ensure that the Mid Term Evaluation Reports are finalised and transmitted to the European Commission by 31st October 2003 along with the comments of each Monitoring Committee.

Proposals to be prepared, in response to the OP Evaluation reports, for input into the Mid Term Review and Performance Reserve allocation negotiations. Ensure that any agreed changes to the Programmes arising from the Mid Term Evaluations / Mid Term Review are implemented in the first half of 2004. Ensure that the regulatory requirements of submitting the Final Claims, Final Reports and "Article 8 Statements" on the 1994-1999 Programmes to the European Commission by 31st March 2003 is met and deal with any matters arising from these Reports. Arrange for the delivery of audits, in accordance with the annual National Audit Plans, in relevant organisations throughout the Structural Funds cascades.

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- > Participate fully in the debate on the future of the Structural Funds at national and EU levels and in the drafting of the post 2006 Regulatory Regime and Programmes.

**Performance indicator:** Future Structural Funds Regulations better meet the needs of the Member States' Fund Authorities (i.e. that they are both clearer and more focussed).

## 4.5.6 Quality work and learning

Work constructively, within the Employment, Social Affairs, Health and Consumer Council across the following headings:

### **More and Better Jobs**

- > Participate in negotiations for the preparation of the EU Employment Strategy 2003-2010 with particular emphasis on creating sustainable jobs, improving skills and improving the incentive to work and prepare annual National Employment Action Plans as required by the strategy;

**Performance indicators:** New EU Employment Strategy reflecting the Department's goals and objectives agreed by June 2003. National Employment Action Plan to be completed annually, the first to be completed by October 2003.

- > Advance the development of cooperation at EU level in the area of vocational training.

**Performance indicator:** Interim report on the Concrete Future Objectives of the Education process to be prepared by March 2004.

- > Advance Irish interests on key themes of the EU Social Policy Agenda in the following key areas: Social Dialogue, Temporary Agency Workers, Anticipating and Managing Change, Data Protection of Workers, Review of European Works Council Directive.

**Performance indicator:** Irish interests developed and advanced in consultation with the social partners and sectoral interests.

## Modernising the European Social Model

- > Contribute to the mid-term review of the Social Policy Agenda during 2003.

**Performance indicator:** Irish interests developed and advanced in consultation with the social partners and sectoral interests.

## Corporate Social Responsibility

- > Examine EU policy and promote the sharing of best practice and transparency in CSR proposals and practices.

**Performance indicator:** The impact of CSR will be examined in conjunction with the social partners once the EU Multi-Stakeholder Forum on CSR reports to the Commission (expected to be mid-2004).

### 4.5.7 Making Markets and Regulation work better

- > Actively contribute to EU discussions and initiatives to strengthen corporate governance systems in response to recent international corporate scandals and to the creation of a single market in financial services by 2005.

**Performance indicator:** Outcome of discussions on Modernising Company Law and Enhancing Corporate Governance, and on the proposed EU Directive on Market Abuse, Prospectus, Takeovers and Transparency to reflect Ireland's interests to the greatest degree possible.

- > Follow-up the recent Report by the High Level Group on Company Law and in particular the Commission Communication on Company Law and Corporate Governance;

**Performance indicator:** National response to Commission by end August 2004 on principles and actions proposed in the Communication.

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- > Ensure that the interests of Irish consumers are reflected in legislative and other initiatives agreed in implementing the Community Strategy for Consumer Policy 2002-2006 so that they derive full benefits from the continuing development of the Internal Market. The provisions of prospective Directives on Fair Trading Practices and on Consumer Policy Enforcement Cooperation will be particularly important in this regard.

**Performance indicator:** Interests of Irish consumers reflected in initiatives agreed in Community Strategy for Consumer Policy, deriving full benefits from the continuing development of the Internal Market, particularly with regard to the provisions of prospective Directives on Fair Trading Practices and on Consumer Policy Enforcement Cooperation.

- > Actively participate in discussions on EU Common Commercial Policy to ensure that Ireland's concerns are met.

**Performance indicator:** All Irish concerns arising during the period dealt with in EU CCP discussions.

- > Monitor Ireland's compliance with Single Market Regulations;

**Performance indicator:** Quarterly reports on level of compliance.

- > Actively participate in the Commission "Solvit" programme on the removal of barriers within the Single Market;

**Performance indicator:** Effective response under "Solvit" to trade barrier complaints.

- > Actively engage in discussions on the reform of the EU Merger Regulation.

**Performance indicator:** New Merger Regulation to be agreed and adopted before the 2004 Spring European Council and to take effect from 1 May 2004.

#### 4.5.8 International Trade and Investment

- > Maximize the benefits to Ireland of a successful conclusion to the Doha Round of trade negotiations especially in relation to market access, services, investment, intellectual property and trading rules;

**Performance indicator:** Facilitate the expansion of Irish trade, taking advantage of the further liberalisation in multilateral trade rules (Doha round scheduled to conclude 1 Jan 05).

- > Pursue an interdepartmental strategy aimed at ensuring maximum Irish input to and output from the Doha negotiating process both at EU and international levels;

**Performance indicator:** Interdepartmental coordination pre all EU and International meetings (including Memo for Government pre-September WTO meeting) with agreement on coherent approach.

- > Advance Irish and EU goals arising from the World Trade Organisation Ministerial Meeting in September 2003, through a proactive, focused and target driven Presidency.

**Performance indicator:** Efficient and effective management of the EU Common Commercial Policy process towards reaching agreement on trade policy approach (reflecting Irish concerns) to the issues under negotiation.