

Department of Enterprise, Trade and Employment

"We will work for Government and the people to grow quality  
employment and national competitiveness"

# Statement of Strategy 2005 - 2007

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## Statement of Strategy 2005-2007

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## FOREWORD BY MINISTER FOR ENTERPRISE, TRADE & EMPLOYMENT

This Strategy Statement, covering the period 2005-2007, is framed in the context of an economy that continues to grow at more than twice the EU average. The numbers in employment are higher than at any time in the history of the State and our unemployment rate is the lowest in the EU. With a moderate inflation rate and annual capital investment, as a % of GNP, running at more than twice the EU average, living standards continue to improve significantly. Nevertheless, as a small, open economy we are vulnerable to adverse international trends, such as rising commodity prices or a dampening of international demand. The recent report of the Enterprise Strategy Group, "Ahead of the Curve", found that while Ireland's economy remains strong, we need to be alert to, and have strategies to tackle, emerging threats such as competition from lower cost economies and imitation of our low corporation tax regime by competing countries.

In light of the particular set of challenges and opportunities identified in, inter-alia, our National Development Plan, National Competitiveness Council reports and the recent Enterprise Strategy Group report, as being central to enhancing Ireland's competitiveness over the coming years, I am satisfied that this Strategy sets a clear road map that will guide us towards achieving our stated goals.

From my perspective, I place particular importance on key priorities such as the implementation of the recommendations of the Enterprise Strategy Group's Report to support competitiveness and address emerging challenges. Building on the ESG report, I think it is timely to review issues impacting on small business in the Irish economy. Continued growth in investment in research and development is vital to developing Ireland's knowledge base, as is the translation of ideas into new products and services. I welcome the strong focus on enhancing consumer support going forward, in light of the recommendations of the Consumer Strategy Group's report.

In the area of the labour market, we need to continue to invest in Lifelong Learning, in keeping with Ireland's policy of moving up the skills ladder in an increasingly knowledge-driven economy, while continuing to provide supports for the unemployed and people with disabilities. In an enlarged EU, with further members set to join in the coming years, the area of economic migration needs to be managed in a way that ensures that we continue to attract foreign workers with the right mix of skills that are vital to the continued growth of our economy. In this regard, I place a high priority on pursuing the early enactment of the Employment Permits Bill, which will set a clear policy framework for economic migration going forward.

I am conscious of the need to maintain a strong focus on competition policy, which is not only good for business, but ultimately benefits the consumer. An efficient and fair marketplace, which is not overburdened by compliance obligations, will provide a wider choice of goods and services at a range of prices.

Through continuing to work with key stakeholders, both nationally and internationally, in pursuit of the goals and objectives set out in this Strategy Statement, my Department will make a significant contribution to growing national competitiveness and making Ireland a better place in which to live, work and do business. In achieving this, we will also contribute to the Lisbon goal of making Europe the most competitive, knowledge-based economy in the world.



*Michael Martin*

## INTRODUCTION BY SECRETARY GENERAL

Ireland faces great opportunities and challenges over the coming years. The successes of recent years, the rapid growth in our economy, the unprecedented growth in our labour force and the unparalleled decline in our unemployment rate has propelled Ireland beyond many of our competitor nations. Now, we must maintain and build on that success. This Department has a key role to play in continuing to grow as a nation, and in safeguarding our future prosperity.

As a key economic Department, working with our statutory agencies and offices, we are in a position to influence our national performance very positively. This strategy statement directs our work over the next three years in all areas under our charge, from employment rights to consumer rights, from competition policy to enterprise policy, from science, technology and innovation to the development of our labour market. It examines our operating environment in detail, including the threats to our success, and based on our assessment of where we currently are and of where we want to be, we set out our path to achieve our mission. Flowing from our mission statement, this strategy identifies our key priorities, our goals and objectives, the strategic actions we intend to take to achieve those goals, and the indicators by which we will measure our success.

We are keenly aware of our responsibilities for delivering the best possible service to Government, the business community and citizens. We strive for constant improvements in our policies and our practices. We have a tradition of embracing change, and driving our ambitions for continual strengthening of our abilities. In this Department, we set the highest standards for our work, in the belief that it is only in aspiring to excellence that we have an opportunity to achieve excellence. We have consistently risen to the challenge in the past, and we will continue to do so. We are faced with critical and vital opportunities, internal and external, including the efforts required of us to realise the Lisbon goals, further strengthen our national competitiveness and to meet the demands for better regulation and continuing modernisation. We also face the challenge of decentralising about 300 Departmental posts to Carlow in a way that minimises disruption to business continuity and within a framework which places people at the heart of the process.

Our strategy is set out under four pillars. The four pillars reflect the key strategic functions of the Department: enterprise, innovation, quality work, better regulation and excellent customer services.

In order to fully achieve our mission, the Department interacts with a number of stakeholders, including Social Partners, other Government Departments and Agencies, the voluntary sector and a wide range of international bodies. Our success will depend on our ability to work collaboratively to achieve overarching and cross-functional goals. Developing and deepening those links with stakeholders is a challenge and an opportunity for the Department. Our work is very significantly influenced by the European Union. Changes in the composition of the Union, and developments in the wider Union, will affect the way we work into the future.

As an organisation we continue to develop our abilities and our skills. For the third year in a row the Department has been listed among the 50 best companies to work for in Ireland. The award, based on a survey of employees in the Department and on the Department's culture and its HR policies, recognises excellence in workplaces, and puts the Department squarely at the forefront of public service employers. Our advancement of the change management agenda – through development of our people, the change from personnel management to a more strategic Human Resources management, improved Financial Management and ICT systems, and our regulatory reform initiatives, to name but a few – are indicative of our drive and pursuit of excellence in our internal systems. They are geared to one overriding ambition – to provide the highest quality customer service possible.

Delivery on our commitments in this statement of strategy is essential to growing our national prosperity. I have full confidence that the staff of the Department will readily meet this challenge.



A handwritten signature in black ink that reads "S. Forman". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

## SECTION 1

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## OUR MISSION

We will work for Government and the people to grow quality employment and national competitiveness

Our policies are designed to enhance competitiveness, help create an environment where enterprise can flourish and consumers are protected, upskill the labour force, provide sustainable employment opportunities, improve workplace conditions, and help to build an inclusive society.

## Our Values

Our approach to interacting with our key stakeholders – Government and the Oireachtas, members of the public, other public and private organisations and internally with our staff – is founded upon our core values of:

- Fairness & Respect
- Openness & Transparency
- Flexibility & Responsiveness
- Partnership & Consultation
- Responsibility
- Motivation & Performance
- Service
- Professionalism.

## Departmental Structure & Staff

### STAFFING

The Department currently has a staffing complement of slightly over one thousand. Our offices are based in Dublin and in Kilkenny (Patents Office). Arising from the Government's decentralisation programme, approximately 300 of the Department's staff will relocate to Carlow. We also have a number of staff serving overseas in London, Brussels and Geneva.

The Department is divided into the following seven divisions:

- Enterprise and Agencies
- Competitiveness and International Affairs
- Science, Technology and Intellectual Property
- Labour Force Development
- Employment Rights & Industrial Relations
- Commerce, Consumers and Competition
- Corporate Services and Economic Policy

### PILLARS OF OUR STRATEGY

This strategy statement is based on activities aligned along four pillars. These are:

- Pillar One      Enterprise, Innovation, Growth
- Pillar Two      Quality Work and Learning
- Pillar Three     Making Markets and Regulation Work Better
- Pillar Four      Business Delivery, Modernisation and Customer Focus

## Macro Environmental Analysis

### GLOBAL ECONOMIC BACKDROP

The global economy continued to recover in 2004. Current indications are that this recovery will continue, to Ireland's benefit going forward.

Forecast average GDP growth rates are 5.3% (4.8% for GNP) over the period of the strategy<sup>1</sup>. The 5.3% forecast growth in GDP in 2004 compares very favourably with 3.7% in 2003, and especially so when compared with the European Commission's euro-area growth forecast of 2.1% in 2004.

The employment outlook over the period of the strategy statement is positive, and is expected to grow by an average of 1.6% per annum. The unemployment rate is expected to average 4.5% over the period.

As one of the most open economies in the world, Ireland's ability to supply goods and services to international markets is essential to our continued economic success. In

<sup>1</sup> Department of Finance – Stability Programme, December 2004.

recent years, our competitive position was eroded, due mainly to increasing domestic costs and the appreciation of the Euro.

Following a poor export performance in 2003 (which saw the volume of exports fall by 0.8%), 2004 saw a turnaround in the situation, with the volume of exports growing by 5.6%.

The moderation in the rate of inflation that began in 2003 continued into 2004, with the Consumer Price Index averaging 2.2% for the year as a whole. The Department of Finance expects the rate of CPI inflation to remain moderate over the period of this strategy, averaging 2.4% between 2005 and 2007.

As a small, open economy, we are vulnerable to adverse international trends. In the short term, the potential risks to competitiveness and continued employment growth are:

- The possibility that global economic growth might not be sustained;
- Further appreciation of the euro or further rises in commodity prices and, in particular, oil prices;
- That increasing competition from abroad could give rise to job losses, particularly if pay increases were to exceed the levels negotiated under Sustaining Progress.

The favourable economic forecasts, therefore, are predicated on reasonable stability in the global economy.

## COMPETITIVENESS

Over the medium to long term the prescription for enhancing Ireland's competitiveness and productivity levels has been well signalled, for example in the current National Development Plan, in National Competitiveness Council (NCC) reports and, more recently, in the Report of the Enterprise Strategy Group. Economic development strategy is now aimed at developing a more dynamic, enterprising and innovation-based economy which can sustain higher living standards for all. This involves maintaining an attractive taxation regime and prioritising policies in the fields of research and innovation promotion,

entrepreneurship, enhanced competition and consumer policies, regulatory reform, infrastructural development, human resource investment and public sector reform.

Ireland's recent and current positive economic performance, as measured by the standard macro indicators of growth, employment and exports, have been undoubtedly very positive. However, we must remain alert to potentially worrying trends in wage levels, the costs of other inputs and rising prices. These can impact on our international competitiveness and have the potential to affect the longer-term sustainability of our economic growth. In the four years to May 2004, the average cost of Irish goods and services increased by over a fifth relative to our major trading partners. According to analysis carried out by the National Competitiveness Council, Ireland's price level relative to our trading partners was eight per cent above its long-run sustainable level at the end of 2003. In real terms, Irish wages increased by over 12% between 1998 and 2003, compared with 4% for the eurozone as a whole. However, balanced against these increases, Ireland's productivity has increased by 3.1% for the same period. This increase compares favourably with productivity gains in the US (2.5%), France (2.2%) the UK (1.9%) and Germany (1.6%) for the same period.<sup>2</sup>

The danger is that shorter term cost competitiveness pressures will prejudice our ability to reap the dividend from these more medium to longer-term actions. Fortunately employment growth in the economy as a whole to date has remained robust. Policies need to underpin continued employment growth in the economy. Addressing cost competitiveness pressures must complement the longer-term structural reforms which focus on improving productivity levels.

## CONCLUSIONS

Global markets and global competition characterise the environment within which the Irish economy must prosper. We compete in this market, not simply as a stand-alone economy, but as part of the European Union of twenty-five member states who share a vision for Europe's role in the world economy as defined by the Lisbon goals. Ireland's growth and prosperity are fundamentally linked to our ability to produce and sell on world markets, the increasingly sophisticated products and services which respond to market demand. To succeed, we must be internationally competitive in terms of our cost base and

<sup>2</sup> Source: Annual Competitiveness Report 2004 (National Competitiveness Council)

productivity levels. Medium term policies aimed at providing an attractive fiscal regime, increasing investment in research and innovation and in human capital, focusing enterprise policy, prioritising investment in infrastructure, strengthening competition policy, etc. are in train to attain the latter objective. A shorter-term concern that needs to be addressed is the disequilibrium of the cost base relative to competitor countries, which has the potential to undermine the outcomes of the more medium to long-term policies.

## Summary of key priorities

The high-level goals, objectives and strategic actions set out under each of the four pillars in the following chapters represent the strategic challenges facing the Department over the period of the strategy and the means by which these challenges will be addressed. While the Department is committed to the delivery of all of the commitments set out in Section 2, the following key priorities, many of which are cross-cutting, are considered to be of critical importance:

- **Enterprise Strategy Group** - the Department will drive policy development in line with the recommendations of the ESG Report and the high-level Committee's report approved by Government.
- **Small Business** - the Department will comprehensively review the environment for small business in Ireland with particular reference to the factors that facilitate development and growth (see pillar one goals).
- **Investment in Research & Development** – Science, Technology and Innovation (STI) across the whole of Government is vital to developing Ireland's knowledge base and translating ideas into new products and services. Under the aegis of the Cabinet and Interdepartmental Committees on STI, the Department will facilitate the development of national STI strategy in pursuit of the vision set out in the National R&D Action Plan and the target of increasing expenditure on R&D to 2.5% of GNP by 2010. As part of this overall strategy, we will aim to achieve increased coherence and effectiveness in the STI programmes of the Department's agencies – SFI, EI and IDA Ireland.
- **Economic migration issues** – the Department will actively pursue this agenda, in particular the early enactment of the Employment Permits Bill and general monitoring of the post-enlargement situation.
- **Lifelong Learning** – the Department will maintain a strong focus on the Lifelong Learning (training in employment) agenda, in keeping with Ireland's policy of moving up the skills ladder in an increasingly knowledge-driven economy and in line with the Lisbon Agenda.
- **People with Disabilities** – promoting the employment of People with Disabilities will be a key focus of the Department's policies over the period of the strategy, from both a labour supply and social inclusion perspective.
- **Unemployed and Long-term Unemployed persons** – the Department will continue to provide supports to the unemployed in order to both prevent the drift into long-term unemployment and to facilitate the re-entry of the LTU into the labour market.
- **Consumer Strategy Group** – The report of the Consumer Strategy Group is due to be finalised and submitted to the Minister as this strategy statement goes to print. A key priority for the Minister and the Department going forward will be to follow-up on the recommendations of the Consumer Strategy Group.
- **Competition Policy** - the Department recognises the need to maintain a strong focus on Competition Policy and, in this regard will, over the lifetime of this strategy statement, consider and act on the reports on the professions, due to be completed by the Competition Authority during 2005.
- **National Partnership Agreements** - the negotiation of the successor to the Sustaining Progress Social Partnership Agreement will begin during 2005. The Department will contribute to the development of a new Social Partnership Agreement attuned to continuing economic and social success. We will continue to play a key role in the partnership process, from the broad labour market, employment rights and social inclusion agenda, in the context of the overall competitiveness challenge.



- **International Dimension** - success in international markets is fundamental to Ireland's economic prosperity and requires that our policy perspective is outward-looking. Engagement with our European partners and with EU institutions will be a key priority as we move to the next phase of the Lisbon agenda, as the internal market further develops, and as we prepare for the next financial framework. The Department will be pro-active in supporting the development of a rules-based framework for international trade under the auspices of the World Trade Organisation and in helping business to access international markets. Within the constraints of available resources, we will seek to contribute constructively to other relevant international fora such as the International Labour Organisation and the OECD.
- **Decentralisation** – the decentralisation programme, insofar as it affects the Department (approximately 300 staff relocating to Carlow over the next 3-5 years) and four of our key Agencies will be central to the Department's business over the period of the strategy.
- **Modernisation agenda** – the broad Modernisation agenda is a key priority of the Department going forward, given the breadth of the challenge (e-Government; agile administration; HR agenda; Openness, Transparency and Accountability; Management Information Systems). A modern and agile Civil Service is frequently highlighted as being a factor in Ireland's competitiveness agenda.
- **Better Regulation** – the Department will seek to ensure that the current regulatory system delivers high standards of corporate governance and that any new legislative development of that system conforms to best regulatory practice, in particular the principles of Better Regulation.

## OPERATING ENVIRONMENT AND INFLUENCES

### Government Policy Framework

The Department plays an important lead role in delivering on the commitments set out in the Programme for Government and in the Sustaining Progress Agreement. We accomplished a lot over the period of our last strategy, achieving real progress on the commitments for which we have responsibility – in areas such as insurance reform; promoting investment in, and providing a structured national framework for policies in the R&D arena; attracting high-quality Foreign Direct Investment while supporting indigenous enterprises; upskilling and training people in employment; training and employment for people with disabilities; continued focus on long-term unemployment; regulatory reform; consumers and competition; health and safety in the workplace, and many other areas.

We also made significant contributions to cross-cutting issues such as Sustainable Development at the level of business and industry. In addition, we have a strong focus on the National Spatial Strategy through, for example, ensuring more balanced regional development by seeking to have a better spread of jobs throughout the country and by encouraging a greater proportion of new inward investment to locate in areas outside of the Greater Dublin Area.

The Department plays a lead role in driving the National Development Plan 2000-2006. We manage two of the three National Operational Programmes – the Employment and Human Resources Development OP and the Productive Sector OP – as well as contributing to the broader NDP agenda through our active participation in the two Regional Operational Programmes and the co-ordinating framework of the Community Support Framework Monitoring Committees.

As we look forward over the years 2005-2007, this present strategy statement sets out how we as a Department will continue to progress all of these important national policy frameworks. Section 3 below sets out the important role that we play in the many cross-Departmental issues underpinning Government policies.

## EU dimension

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 creates an inextricable link between activity at European Union level and the business goals of this Department. Over the period of this strategy statement the Department will be centrally involved in influencing and shaping key developments at EU level. To do so, we will need to be proactive in identifying and responding to new policy directions and in developing sound and effective negotiating strategies, including the building of alliances with other Member States and relationships with the relevant institutions.

### ENLARGEMENT

The enlarged EU of 25 member states creates important opportunities for Ireland. Ireland has always supported EU policies to strengthen and enhance the operation of the EU Internal Market. Work needs to continue on the creation of an effective Internal Market for Goods and Services. A particular focus over the period of this strategy will be to establish the conditions for the creation of an Internal Market for services, for which legislative proposals are currently being negotiated. In addition, timely implementation of, and compliance with, Internal Market legislation is essential to the effective operation of the Internal Market.

### LISBON AGENDA

On the economic front the focus will be on the pursuit of the goal agreed by European Council in Lisbon in 2000 of making Europe "the most dynamic and competitive knowledge-based economy in the world with more and better jobs and greater social cohesion".

In March 2000 the Lisbon European Council launched the Union's decade long strategy for economic, social and environmental renewal. The Lisbon strategy aims to make the Union economically stronger and provides it with an opportunity to show global leadership. Its added value lies in its co-ordinated, comprehensive and mutually reinforcing approach.

Some of the key action areas in which the Department plays an important role include:

- Completing the Internal Market, with each Member State having a transposition deficit for EU Directives of no more than 1.5% at any given time and a zero transposition deficit after 2 years;
- Achieving an intermediate employment target of 67% by 2005 and 70% by 2010; and
- Moving towards the EU target of investing 3% of GDP in R&D by 2010.

We already have action plans and systems in place to address these core target areas. Measures in a range of other areas of direct relevance to this Department, such as enterprise and SME policy (improving the administration of business start-ups; implementation of the Charter for Small Enterprises), e-business (development of National eBusiness Strategy), regulatory reform and company law are also relevant to the Lisbon strategy. The Lisbon strategy furthermore reinforces and complements our own national competitiveness priorities and is referred to throughout this strategy.

### MID-TERM REVIEW

As the Lisbon strategy reaches its mid-term point in 2005, a process of review has been completed with a view to giving it new momentum. The consensus which has emerged is that the Lisbon goals of growth and employment remain even more urgent today as the growth gap with Asia and the USA widens. Apart from the actions that are required to be taken in the key policy fields of the knowledge society, the Internal Market, the business climate, the labour market and under environmental sustainability, member states have now been asked to better integrate Lisbon policies into national policies and to secure greater national stakeholder involvement with the whole project. This Department plays a central role in delivering on key strands of the Lisbon Strategy, in terms of our contribution to key sectoral components such as the R&D and innovation dimensions, the Employment Strategy and the national competitiveness agenda. We also play a central role in terms of ensuring coherence and strategic perspective across the whole range of structural reforms that make up the Lisbon strategy. The Lisbon strategy is addressed under three of the four pillars of this strategy statement.

## Decentralisation

Following the announcement of the Decentralisation Programme in the Budget speech in December 2003, the Department will relocate approximately 300 staff to Carlow over the period of the strategy. The sections which are to move to Carlow are as follows:

- Companies Registration Office / Registry of Friendly Societies
- Office of the Director of Consumer Affairs
- Work Permits
- Labour Inspectorate / Employment Rights
- Redundancy & Insolvency

Additionally, staff from various agencies under the aegis of the Department are to relocate to a number of areas around the country, as follows:

- Enterprise Ireland to Shannon
- FÁS to Birr
- Health & Safety Authority to Thomastown
- National Standards Authority of Ireland to Arklow

The implementation of the Government's Decentralisation Programme will be a key challenge for the Department over the life of this strategy statement.

## Resourcing Environment

The Department's total net budget for 2005 amounts to €1.265 billion (including some carry-over from 2004). In addition to the Exchequer provision, the Department will oversee the expenditure of National Training Fund moneys amounting to €333 million in 2005.

The Department's total provision for its capital expenditure programme, including savings carryover, amounts to €434.4 million. These funds are provided within a rolling 5 year capital framework, where funding for major capital programmes is guaranteed over a 5 year period, which enables the Department and its Agencies to plan and manage the Department's capital investment programme more efficiently and effectively.

Funding is included in the budget for State Agencies under the remit of the Department as follows:

FÁS*	€620,141,000
Enterprise Ireland	€153,841,000
IDA Ireland*	€146,573,000
Science Foundation Ireland*	€131,251,000
Forfás	€27,976,000
National Authority for Occupational Safety and Health	€16,098,000
InterTradeIreland*	€9,169,000
National Standards Authority of Ireland	€6,519,000
SFADCo	€4,803,000
Personal Injuries Assessment Board	€2,500,000
Nitrigin Éireann Teo	€300,000

\* Includes carried over capital savings.

The Department's anticipated income for 2005 from European Social Fund receipts, fees for services provided and penalties for breach of statutory obligations is slightly under €88 million.

## Programme and Expenditure Reviews

In deciding on resource allocation, the Department takes account, inter alia, of the findings and recommendations of programme and expenditure reviews. The Department has a strong culture of review and evaluation. We are involved in programme evaluations carried out under the National Development Plan / Community Support Structure process, in conjunction with the NDP Central Evaluation Unit, given that we are the Managing Authority for two of the three NDP national Operational Programmes and are also involved in the Regional Programmes. Also, the Science and Technology budget includes a line for evaluations / reviews and has a culture of ongoing evaluation. Other reviews are carried out on an ongoing basis by Departmental Agencies. The reviews under the rubric of the Expenditure Review Initiative are carried out in addition to those other reviews undertaken periodically in the Department. In recent years, the Department has contributed significantly to the Expenditure Review Initiative, having reviewed Community Employment, IDA 1994-1997, FÁS Standards-Based Apprenticeship, Forfás, FÁS Traineeship & Specific Skills Training, Enterprise Ireland's Overseas Office Network and IDA Ireland's Property Portfolio, in addition to the two expenditure reviews, the Cross-Departmental Review of Supports for

the Long-Term Unemployed and the review of Science and Technology spending, which are currently underway.

The Department is currently examining programme areas for inclusion in the next round of the Expenditure Review Initiative 2005-2007.

## Institutional Environment

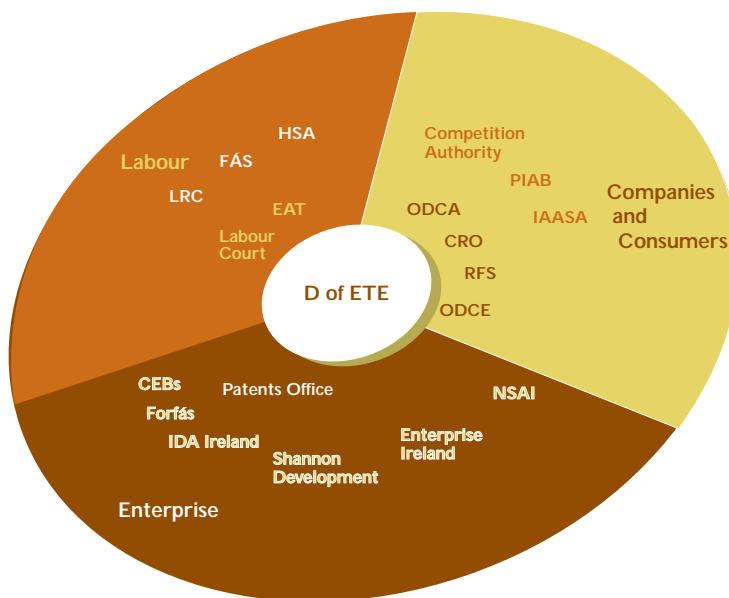
Given the broad remit of the Department's responsibilities, we operate in a complex institutional environment, with Agencies and Offices carrying out executive functions on behalf of the Department, or operating as watchdogs and regulators in the marketplace.

Our institutional environment must be responsive to changing priorities. Since our last strategy statement was published, a number of significant institutional changes have taken place. Science Foundation Ireland was established as a separate legal entity and significantly resourced to reflect greater priority for research and development. The Competition Authority was established as a separate statutory Agency, with significantly enhanced resources reflecting the desire to promote greater competition domestically. The Irish Financial Services Regulatory Authority (IFSRA) was established in May 2003, thus removing the regulation of insurance from the Department, responsibility for consumer credit from the Office of the Director of Consumer Affairs (ODCA) and Credit Unions from the Registrar of Friendly Societies (RFS). The current Registrar of Companies now performs some remaining functions as Registrar of Friendly Societies. The Personal Injuries Assessment Board was established in April 2004. The legislation to establish the Irish Auditing and Accounting Supervisory Authority has been enacted, and the interim board of the IAASA is in place pending the commencement of the relevant sections of the Act to establish the new body statutorily. Further adjustments to our institutional focus and structure may be necessary over the period of this statement to reflect identified emerging needs.

## NORTH/SOUTH CO-OPERATION

Since the suspension of the Northern Ireland Assembly in October 2002, the British and Irish Governments decided that the North/ South Implementation Bodies should continue to fulfil their important public functions on a 'care and maintenance' basis pending the restoration of devolved government to Northern Ireland. InterTradelreland is the body with responsibility for the promotion of North/South trade and business development. The key strategic objective of InterTradelreland for the period 2005-2007 is to increase the number, effectiveness and value of all-island trade and business development networks. Delivering this objective will require the development of effective relationships between the relevant partners North and South such as government policy makers, economic and industrial development agencies and business and trade organisations. The pace of development of the all-island agenda is inextricably linked to progress at a political level and we will remain prepared to respond rapidly to the evolving situation.

## Offices & Agencies of the Department



Offices: Office of Director of Corporate Enforcement, Companies Registration Office, Registrar of Friendly Societies, Office of Director of Consumer Affairs, Patents Office, Labour Court, Employment Appeals Tribunal, Labour Relations Commission.

Agencies: Personal Injuries Assessment Board, Irish Auditing & Accounting Supervisory Authority, National Standards Authority of Ireland, Enterprise Ireland, Shannon Development, IDA Ireland, Forfás, County Enterprise Boards, FÁS, Health & Safety Authority.

## Regulatory Reform

The Department remains committed to the principles of better regulation. As the primary regulator of business and of the workforce, we are very aware of the need for the best possible regulation, and the continuing need for lighter and more focused laws. The Department's activities in reforming existing legislation, and introducing new legislation, conform with the principles of better regulation as set out in the Department of the Taoiseach's White Paper, "Regulating Better". Regulatory reform is often cited as being a key component of the competitiveness challenge. The National Competitiveness Council's "Competitiveness Challenge 2004" report acknowledged the crucial importance of the programme of regulatory reform, and noted the importance of easing the growing regulatory burden on entrepreneurs and SME's. The Enterprise Strategy Group's report "Ahead of the Curve", published in 2004, welcomed the "Regulating Better" White Paper, and argued the importance of effective regulation in creating competitive advantage.

The Department is currently engaged in a number of projects, designed to improve the current regulatory environment, including:

- the fundamental restructuring, consolidation and reform of existing company law, which will change the base company in companies law from the public company (PLC) to the private company limited by shares, according with the fact that the vast majority of companies registered in Ireland are of this type;
- the modernisation of consumer legislation, with a view to producing a single modern Act to replace the broad set of legislation currently in force;
- a new Safety, Health and Welfare at Work Bill, which will set a new health and safety legal code for the next 10 to 15 years; and
- legislation relating to Military and Dual Use Export Controls. A Regulatory Impact Analysis (RIA) – a systematic analysis of likely effects of proposed new regulations – is being undertaken on this particular project.

## Modernisation Agenda

The agenda for change in the Irish Civil Service, which has led to the current extensive modernisation programme, commenced in 1994 with the launch of the Strategic Management Initiative (SMI) and was expanded in 1996 following publication of the report "Delivering Better Government" (DBG). In 2002, an independent evaluation of the progress of SMI/DBG concluded that the Civil Service was better managed and more effective than it had been a decade previously and that the modernisation programme was the crucial factor in effecting this change. The report also made a number of recommendations regarding the next phase of the modernisation programme and these recommendations formed the basis for the discussions which led to the modernisation programme contained in Sustaining Progress.

The commitments under Sustaining Progress in relation to modernisation in the Civil Service include:

- A renewed effort to ensure maximum value is achieved from all public expenditure;
- Publication of Customer Charters;
- Publication of a National Policy Statement on Better Regulation and the introduction of a model of Regulatory Impact Analysis;
- Improved HR practices in relation to a number of issues, including recruitment, promotion, training and performance management.

This has led to the development of a detailed action plan committing this Department to a range of activities which will further progress the modernisation process. The period of this strategy statement will see continuing modernisation challenges across the broad spectrum of financial, HR, regulatory, service delivery and performance measurement in the Department.

## Monitoring and Reporting

This strategy statement sets out the key challenges facing the Department during the period 2005-2007 and how these challenges will be addressed and progressed over the lifetime of the strategy.

In order to ensure that our strategic goals, objectives and actions are pursued in a timely and effective way, a range of monitoring mechanisms are in place which will keep the strategy under continuing review and will allow for corrective action to be taken, where necessary.

In the first instance, each section and division of the Department prepares business plans on an annual basis which forms the direction of work for the coming calendar year. These plans build on the goals, objectives and strategies set out in the strategy statement, and may include a number of new, unanticipated, tasks which arise from time to time. The business plans provide a greater focus to the broad ambitions contained in the strategy statement, assign specific tasks or sets of tasks to individuals, and set deadlines and performance indicators for each of the listed activities. These plans provide ongoing strategic direction for business units throughout the year and are formally reviewed by the Department's Management Board every six months.

The Performance Management & Development System (PMDS) also facilitates the delivery of the activities through proactive development and training of the staff to ensure successful implementation of the plans.

The Department produces an Annual Report on the implementation of the strategy within six months of year-end. In addition to reporting on activities undertaken, the report provides an opportunity to record any changes to the Department's overall strategy, to identify developments in our operating environment, and the facility to adjust our strategic objectives as necessary.

The implementation of the Management Information Framework will allow the production of Management Information Reports which will enable Divisions of the Department to link their reports to the Management Board with the Performance Indicators set out in our strategy statement.

The Department is required to report twice annually to the Department of the Taoiseach on progress made on those commitments contained in the Programme for Government to which it is either the lead deliverer or to which it contributes in a significant way.

The Minister meets bilaterally with the Taoiseach annually to review the Department's successes in delivering on commitments set out in the Programme for Government, under the Sustaining Progress Social Partnership Agreement, and our strategy.

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**PILLAR 1** Enterprise, Innovation, Growth

## ENVIRONMENTAL ANALYSIS

### Enterprise Strategy and Policy

Ireland today enjoys higher numbers in employment than at any time since the foundation of the State. Its living standards and gross national product per capita exceeds the EU average. The economy has weathered the recent global downturn and Ireland's GDP growth<sup>3</sup> was estimated at 5.3% in 2004. This compares very favourably with the European Commission's expected euro area growth of 2.1% in 2004. Having achieved sharply higher living standards, growth and employment levels over the past decade, we now face a number of strategic issues in maintaining and expanding these achievements.

The recent report of the Enterprise Strategy Group, "Ahead of the Curve", found that while Ireland's economy remains strong, there are considerable threats emerging that need to be tackled:

- Developing economies offering a low costs base are now firmly part of the global competition for markets and mobile investment while Ireland's cost base has increased substantially;
- Ireland's attractive corporation tax regime is being imitated by competing countries;
- New EU state aid limits will restrict Ireland's ability to support enterprise;

Building on the Department's Review of Industrial Performance and Policy 2003, the Enterprise Strategy Group set out medium term enterprise opportunities for the economy. The Group's vision of a growth-orientated economy, concentrating on new markets and technology-based products, can be achieved by a re-focussed approach to policy development and implementation. It is worth noting that many of the recommendations set out in the ESG Report reflect initiatives underway or previously envisaged in Departments and Agencies. The Report provides a further impetus for us to move quickly to a stage where the potential of the enterprise sector, in an international economy, will be supported by a more determined focus on distinctive sources of competitive advantage and particularly those identified by the Group. In

this context especially, the pace and direction of change must capture and combine the complementary and potent strengths of both the foreign and indigenous sectors.

The Enterprise Strategy Group's recommendations, as approved by Government, will guide and inform the direction of policy development and interventions over the next few years. It is important that across the range of State organisations, the enterprise agenda is recognised as a key reference point against which all enterprise related policy-making is set and indeed benchmarked both for its effectiveness and its positive impact on economic and enterprise growth. In driving the implementation process there should be programme and policy co-ordination across the different Departments and agencies that influence the environment for doing business in Ireland. The formation of an Expert Group to monitor implementation of the ESG's recommendations and twice yearly reporting to Government on achievements underlines the importance of creating a pro enterprise economy to sustain growth and employment.

#### ENTERPRISE IRELAND – SMALL & MEDIUM ENTERPRISES

A strong small and medium sized enterprises (SMEs) sector is a globally recognised indicator of the strength and viability of a modern economy. As is the case in many other countries, the majority of Ireland's indigenous industrial companies are SMEs. SMEs have inherent weaknesses in terms of their capacity to export, particularly in terms of marketing skills.

For many years, Ireland's economic policies have recognised that it is vital for our indigenous firms to compete internationally. Recent analysis including the Enterprise Strategy Group's 'Ahead of the Curve' have underlined how critical a goal this is. For our companies to successfully compete in international markets, they must grow in ability and ambition, by improving their market knowledge, improving their products and improving the management of their businesses. Enterprise Ireland is the enterprise development agency primarily tasked with supporting the development, across all business functions, of Irish SMEs in the manufacturing and internationally traded services sectors.

Enterprise Ireland has considerable resources and expertise available to its clients. The Department

<sup>3</sup> Source: Department of Finance "Ireland – Stability Programme December 2004 Update"

monitors Enterprise Ireland's impact and, together with EI, seeks to ensure that programmes are delivered in the most effective and efficient manner possible. The Department acknowledges the competing demands on public finances and therefore seeks to strike the correct balance when providing the funding to its agencies necessary to achieve the objectives of enterprise policy. Ongoing reviews of the Agency's programmes will assist the Department and the Agency to target and address the changing needs of EI clients.

The focus on increasing exports, intensifying innovation and R&D activities as well as developing stronger connections with the global economy will be a high priority over the period of this strategy statement. A successful realisation of these critical objectives will result in Irish firms becoming more competitive and help ensure sustainable long-term benefits to Ireland's economy. Success will also have to be assessed in terms of the impact that the enterprise development agencies are making in less developed regions. The Department and its agencies will work on new ways towards redressing regional imbalances.

Enterprise Ireland has developed a new Strategic Plan following a comprehensive strategic review. EI will focus on applied research and development, scaling and sustaining companies, internationalising clients and regional and entrepreneurship development. EI is ensuring significant alignment of its strategy with the ESG recommendations both in terms of general direction and specific initiatives.

## **IDA IRELAND – FOREIGN DIRECT INVESTMENT**

The level of foreign direct investment (FDI) in Ireland, relative to the size of the economy, is one of the highest in the world and certainly one of the highest in Europe. IDA Ireland's increased focus on job quality has already been paying dividends, with about half of all new jobs paying annual salaries in excess of €37,000. IDA Ireland will increasingly concentrate on securing foreign direct investment that will lead to high-value employment arising from the location in Ireland of investor's strategic operations in the areas of HQ activities, Research and Development and other high-end business functions.

IDA Ireland is now marketing Ireland as a global knowledge economy location for FDI. Future investments in areas such as infrastructure and education should be, as appropriate, aligned with this theme.

Ireland, like all locations competing for foreign direct investment, offers investors a certain cost-quality proposition. We must remain alert to the danger of allowing this key relationship to become imbalanced.

The competition for FDI is already intense and likely to become more so. Our global approach needs to be more sophisticated in relation both to our needs and our stage of economic development. There will have to be a greater focus on job quality in the pursuit of FDI.

The type of investments we need to win are those dependent on higher skills, preferably connected to research and development activity. As the more basic types of manufacturing migrate to lower-cost locations, we need to attract the jobs using the latest technologies, in state of the art facilities and at the cutting edge of innovation, research and applied development. We will also seek to influence the evolution of the fiscal environment and ensure the taxation system appropriately targets market failures and attracts and promotes the development and growth of such desired activities in Ireland.

One of the key challenges to be faced is the ability to continue to win technologically advanced manufacturing investments whilst also securing investments throughout the value chain that require high skill levels, very high quality infrastructure and a substantial capacity for innovation. The combination of these elements will be sustainable in the long-term in an environment where cost competitiveness is increasingly scrutinised by potential investors and will, therefore, further embed the investments in Ireland.

## **INTERNATIONAL TRADE A RULES-BASED FRAMEWORK IN THE GLOBAL MARKET**

Success in international markets is fundamental to the continuing development of the Irish economy. Multi-national and the indigenous companies in business here depend on access to global markets to sustain growth.

Maintaining an open and transparent trading environment through the reinforcement of the Internal Market rules and processes of the European Union, and those of the World Trade Organisation, is fundamental to further advancing global trade liberalisation. This is a key element of our economic development policy.

The adoption by the World Trade Organisation at the General Council in Geneva at end July 2004 of a Framework Agreement to progress the Doha Development Agenda (DDA) negotiations is a positive step in the move towards further multilateral trade liberalisation. The agreement sets out clear and precise parameters on each of the core issues under the DDA, including Agriculture, non-agriculture market access, services, development and trade facilitation.

Changes in the structure of the global economy since the beginning of the last decade have opened up a range of opportunities to Irish companies. Such opportunities were previously available only to large, multi-national corporations. Advances in technology and corresponding advances in logistics and reductions in the cost of transport and telecommunications have reinforced other positive trade-related developments. The latter includes the enlargement of the European Union and improved market access. These advances now reinforce global opportunities for Irish companies of all sizes.

Facilitating the efforts of such companies to take advantage of international opportunities is an important element of overall economic strategy. Our objective is to ensure that available State supports respond to the verified needs of companies at all levels of development.

### **ASIA STRATEGY**

There is agreement that Asia has significant potential as a destination of growth for Irish exports. It comprises countries with strong and sustained economic growth rates, emerging economies with significant and growing import requirements and recovering economies now again going up the international economic development league tables.

Government policy, through its Asia Strategy, has over the past five years significantly contributed to focusing the attention of Irish exporters on this region. A wide range of awareness-raising projects have been funded over that period and business and organisational relationships formed and cemented.

The impact of the first phase of the Asia Strategy has been reviewed. It concluded that the strategy made an important contribution towards strengthening economic, political and trading ties with the region. A further phase of the strategy will be developed and progressed in the time frame covered by this strategy statement.

### **OUTWARD DIRECT INVESTMENT**

Outward direct investment is a relatively new policy field and relates to the establishment of Irish businesses abroad. There are a number of different ways in which it can be done, for example, through mergers or acquisitions, through the establishment of sales or distribution outlets, by entering into joint ventures with companies abroad or by relocating partially or totally. We need contemporary insights into how outward direct investment trends have been developing in the recent past as these may have implications for national trade policy.

### **EXPORT CONTROLS**

Insofar as trade regulation is concerned, a range of challenges and developments in the area of international export controls has emerged. Changes in acquisition strategy by countries seeking nuclear, chemical and biological weapons, the threat from groups planning terrorist acts, the internationalisation of industry and the use of new methods of transaction (e.g. intangible transfer) are all factors that export licensing systems must confront. On foot of a recent report on Ireland's export licensing system in this sphere, there is a recognised need to modernise and strengthen the controls and ensure full compliance with Ireland's international obligations.

### **NORTH/SOUTH**

It is in the national interest to unlock the potential for North/South trade. This will enhance economic prosperity and create greater choice and new opportunities. By making the most of all the opportunities that lie close to home, business will be in a better position to exploit those that lie further afield. In 2003 Northern Ireland exported more than €1.04bn worth of manufacturing goods to the Republic of Ireland. Just over one third of Northern Ireland's firms have export trading relationships with firms in the South. On the other side of the equation, the South exported €1.41bn to the North in 2003. The Northern market accounts, at less than 2 per cent, for a much smaller share of the South's total exports. Nevertheless, over 28 per cent of Southern companies export to Northern

Ireland. These statistics reveal the enormous potential for North/South trade that remains untapped.

### e-BUSINESS

The Lisbon Summit in March 2000 set the goal of making Europe the most dynamic knowledge-based economy in the world by 2010. The relatively low levels of ICT usage (as distinct from ICT investments or ICT production) by European companies has been cited by the Economist Intelligence Unit (EIU) as the main differentiating factor in the US advantage over Europe in productivity growth. The EIU also notes Europe's weaknesses are most acute among SMEs.

Ireland has a very strong ICT producing sector and performs extremely well when compared to other leading economies, both in terms of enterprise creation and attraction of FDI in the ICT and related sectors. Our performance is far less impressive, however, when it comes to the adoption of ICTs by existing enterprises in the non-ICT related sectors of the economy.

eCommerce still represents a very small percentage of buying and selling but almost twice as many Irish enterprises place orders over the Internet than receive orders via the Internet. This challenge must be addressed.

### REGIONAL AID

The control of State Aid focuses on the effects on competition of aid granted by Member States to undertakings. State Aid can frustrate free competition, preventing the most efficient allocation of resources and posing a threat to the smooth running of the Internal Market. Aid may also enable the less efficient to survive at the expense of the more efficient, delaying structural change and hindering productivity growth and competitiveness. The unique system of State Aid control that exists throughout the European Union is aimed at reducing all of these inefficiencies. In line with this policy objective, Member States are, for the most part, reducing aid levels, in GDP percentage terms, while redirecting aid towards horizontal objectives of Community interest, such as the strengthening of economic and social cohesion, environmental protection, promotion of research and development and small and medium-sized enterprises. Since joining the European Community, Ireland has had considerable scope to assist the development of enterprise

through Regional State Aid and thereby level the playing field in terms of our economic development. The current European Commission Regional Aid Guidelines, which govern the level of State Aid which may be granted by Government Departments and Agencies as Regional Aid, expire at the end of 2006. The maximum aid rate has been declining in the South & East Region since 2000 to the current rate of 20% (and slightly less in Dublin and the Mid-East) which remains until the end of 2006. The BMW Region retains an aid rate of 40% until the end of 2006.

As GDP per capita in the BMW Region in 2001 was measured at 93.7% of that for the EU 25, it far exceeds the threshold of 75%, below which regions qualify as "regions where the standard of living is abnormally low or where there is serious underemployment". However, it is expected that the BMW region will be classified as an 'Economic Growth Region' in the EU and will continue to be eligible for Regional State Aid, albeit at a lower rate, from 2007 to 2013.

The S&E Region will officially have completed its 'Objective 1 in Transition' or phasing-out period at end 2006. As GDP per capita in the S&E Region in 2001 was measured at 141.8% of that for the EU 25, the economic development of the Region has already exceeded the level at which Regional State Aid would be permitted. However, other forms of 'horizontal' aid for European Community objectives will still be permitted in both the S&E and BMW Regions. These other forms of aid include aid for SMEs, aid for R&D, aid for Environmental Protection, Training aid and Employment aid (for creation and maintenance of jobs not linked to investment).

## Science, Technology and Innovation

Science, technology and innovation is a key driver of competitiveness. Ireland's current stage of development means that different sources of competitive advantage are needed. One key source 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 players in 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.

It will also require sustained focus by Science Foundation Ireland to support knowledge creation and human capital development through the recruitment and retention of researchers and research groups capable of developing high-impact, internationally significant discoveries in the fields underpinning biotechnology and information and communications technology. Close cooperation between SFI, Enterprise Ireland and IDA Ireland is required to ensure that our investment in S&T translates into new products, processes and services.

On the broader whole of government level, the publication of Ireland's National R&D Action Plan is an important step. The challenge during this strategy period is to develop a strategic implementation plan to optimise investment and advance the targets set out in the Plan.

Ireland's gross expenditure on research and development has increased significantly in the period 1991 to 2001<sup>4</sup>. However, the base from which it has grown is low by international standards. During this period, Ireland's ranking amongst 27 OECD countries, as measured by the proportion of GDP devoted to R&D, improved but, at 18th position, remains relatively low (see table below). With 1.4% of GNP (1.2% of GDP) invested in R&D, Ireland is at about two thirds of the EU average of 1.83% and well short of the EU's target of achieving three per cent by 2010. Ireland's spend is below the OECD average (2.28%) and significantly below best performing countries such as Sweden (4.27%), Finland (3.49%), US (2.70%) and Japan (3.09%). However, latest data for GERD indicates some closing of the gap, rising from €1,315 million in 2001 to €1,626 in 2003 (1.46% of GNP<sup>5</sup>).

## EXPENDITURE ON RESEARCH AND DEVELOPMENT 2001

Gross Expenditure on Research and Development (GERD) (€m)	1,315.1
GERD as a percentage of GNP	1.35
GERD as a percentage of GDP	1.15
Ireland's rank (out of 27 countries) for GERD/GNP ratio	16
Ireland's rank (out of 27 countries) for GERD/GDP ratio	18
EU Average (GERD as a % of GDP)	1.83
OECD Average (GERD as a % of GDP)	2.28

The research environment in Ireland has been significantly altered as a result of the allocation of €2.5bn to Research, Technological Development and Innovation across a range of Departments and Agencies under the National Development Plan (NDP) 2000-2006. 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 (PRTLII), through increased support aimed at building R&D capability and capacity in industry, and promoting collaboration between industry and the third level sector. The EU's Framework Programme for R&D is also a significant contributor of funds to public and business R&D in Ireland.

Latest data on Ireland's Business Expenditure on R&D (BERD) indicate an encouraging upturn from €914m in 2001 to €1,075m in 2003, rising from 0.9% of GNP in 2001 to 0.96% in 2003.

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% in 1991 to 76% 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.

<sup>4</sup> The most recent year for which comprehensive comparative data is available.

<sup>5</sup> Because of the significant difference between Irish GDP and GNP, our GNP performance is more meaningful in a comparative context.

The Finance Act 2004 has provided for a 20% tax credit against Corporation Tax to be available to companies for qualifying research and development expenditure and applies not only to basic and applied research but also to experimental development, an activity of significant importance to Irish companies. This will help to encourage existing overseas and indigenous firms to expand research functions at their operations in Ireland. This proposal will be reviewed during the period of the strategy statement with a view to ensuring it operates as an effective incentive to companies to increase R&D.

### INTELLECTUAL PROPERTY

Ireland can be an attractive location for the holding of intellectual property rights where the 12.5% tax rate is applicable to the profits generated by the intellectual property rights holding company. In the Finance Act 2004, the taxation environment was further enhanced to help Ireland compete internationally for reputable, high level headquarter and holding companies with the introduction of an exemption from Capital Gains Tax for Irish resident companies on the disposal of a shareholding in a subsidiary (whether Irish or foreign), and also the changes to the scope of our double taxation provisions for dividend income paid to parent companies. The removal of stamp duty on the registration of patents also underlined Ireland's intention of becoming a world leader in converting ideas into jobs.

Creation, dissemination and use of knowledge as well as the creation of intellectual property and technologies developed in Ireland are key to long-term prosperity.

Ireland's propensity to patent has been below that of comparator countries. In 2001, Ireland filed 86 applications with the European Patent Office per million population compared to an EU average estimated at 161.

A secure, certain and pro-business legal environment is an important condition for the attraction of mobile investment in R&D and for the encouragement of innovation activity in the economy in general. Ireland now has a modern legal framework in the key elements of Intellectual Property i.e. patents, trade marks, industrial designs and copyright.

### SUSTAINABLE DEVELOPMENT

In recent years there has been a growing recognition among all sectors of Irish society that we must work to achieve a balance between the economic, social and environmental dimensions of growth and development. In other words, there has been increasing support for the concept of sustainable development.

It is becoming apparent that competitiveness and sustainability can be mutually supportive if we innovate. It is now recognised at European level that eco-efficient innovations can make a positive contribution to the achievement of the Lisbon goals, and this is a concept which was explored in the context of the mid term review of the Lisbon Strategy.

The Department recognises that there are business opportunities available if we can harness the positive synergies between competitiveness and environmental protection. To use a recently coined phrase, we want Irish business to be "clean, clever and competitive".

While acknowledging the opportunities provided by the drive towards more sustainable development, the Department is aware of the challenges posed in this regard. These challenges include the need for all sectors of the economy, including the enterprise sector, to reduce their emissions of CO<sub>2</sub> in order to meet our commitments under the Kyoto Protocol. Other challenges include proposals at EU level for a fundamental reform of the system for controlling the manufacture, import and use of chemicals (REACH).

### Conclusions

Ireland has benefited from a willingness to continually reappraise and re-evaluate our enterprise promotion policies, programmes and institutions. While we have been successful in adapting policies to bring about a distinct evolution in the development and sophistication of the economy, our ability to continually adjust key policies will be an important factor in maintaining the momentum of economic and social progress. The pace and extent of global change in technology and competitiveness is inexorably changing the environment in which enterprises do business. Even in the near term this will have profound consequences for the manner in which we can influence the business environment and support business to direct their strategies towards more profitable and sustainable products, services and markets.

## GOALS

- I The enhancement of Ireland's productivity and competitiveness levels so as to sustainably produce and sell on world markets, goods and services which add to national welfare.
- II The development and implementation of policies to enhance the enterprise environment leading to high rates of sustainable entrepreneurship activity, the start up and growth of competitive firms, continued inward foreign direct investment and sustainable development.
- III The stimulation of business to increase commitment to R&D, the promotion of innovation and a culture of entrepreneurship amongst researchers and the encouragement and rewarding of effective linkages between enterprise and academia.
- IV The harnessing of the potential of the knowledge-based economy for economic and social well being, turning knowledge into products and services, and contributing to the development of enterprises that can compete internationally and thereby deliver growing employment for the benefit of all.
- V Working with the relevant stakeholders to ensure that Ireland becomes internationally renowned for the excellence of our research and is at the forefront in generating and using new knowledge for economic and social progress, within an innovation driven culture.
- VI Reviewing and updating 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.

## OBJECTIVES AND STRATEGIC ACTIONS

### Competitiveness

#### OBJECTIVE

1.1 To promote competitiveness so as to attain productivity levels in Ireland equivalent to the most advanced economies in the world through prioritising policy interventions in the domains of entrepreneurship, investment in research and development, competition and consumer policy, regulatory reform, human resource development and public sector reform. This will be complemented by a focus on cost competitiveness so as to restore relative prices to compare favourably with comparator countries; and by a commitment to work with our EU partners on the actions to achieve the Lisbon competitiveness targets.

#### STRATEGIC ACTIONS

1.1.1 We will maintain a high profile for competitiveness issues and challenges over the period of the strategy through reporting to Government on a six monthly basis.

1.1.2 We will report annually to the Government on the Annual Competitiveness Report and Challenge of the National Competitiveness Council and undertake an action-oriented follow-up of the recommendations.

1.1.3 We will undertake thematic or sectoral analyses of competitiveness issues from time to time, as the need arises.

1.1.4 We will actively support, as part of the national contribution to the Lisbon Strategy, the effective adoption and implementation of the policy fields and instruments, agreed following the mid-term review of Lisbon, which fall within the ambit of the Department. As part of the commitment to enhance national stakeholder "ownership" of the agenda, this will include timely and effective communication to the Oireachtas Committee on EU Affairs on issues arising. It will also include effective engagement with cross-Departmental teams concerned with the EU and, in particular, the Lisbon agenda.

1.1.5 We will pro-actively support efforts to make the EU Competitiveness Council a key driver of competitiveness-related reforms at the Union level.



1.1.6 We will continue consultation on, and maintain awareness of, issues affecting particular sectors of enterprise and continue to seek to have those issues addressed as far as is possible, at national, EU and international levels.

## Enterprise Strategy Group

### OBJECTIVE

1.2 To implement the recommendations of the Enterprise Strategy Group report as decided by the Government.

### STRATEGIC ACTIONS

1.2.1 In line with Government decisions and the agreed action plan, we will progress implementation of the recommendations of the ESG report.

1.2.2 We will use the Expert Group, set up to monitor implementation of the ESG recommendations, to ensure sustained progress in achieving this objective.

1.2.3 We will report twice yearly to Government on progress in implementing the ESG recommendations and will report on these activities in the Department's annual report.

## Small Business

### OBJECTIVE

1.3 To ensure that there is a favourable environment for the development and growth of small businesses in Ireland.

### STRATEGIC ACTIONS

1.3.1 We will review the environment for small businesses in Ireland, with particular reference to the factors that facilitate the development and growth of businesses.

1.3.2 We will ensure an ongoing open-ended and effective dialogue with the small business sector through the Small Business Round Table meetings.

## Public Expenditure on Enterprise Development

### OBJECTIVE

1.4 To closely monitor the effectiveness of public expenditure on enterprise development and the efficiency of its agencies in this regard.

### STRATEGIC ACTIONS

1.4.1 We will oversee a course of elementary budgetary reviews of each agency programme.

1.4.2 We will respond to significant company closures by ensuring that all relevant State Agency supports are activated in a timely and co-ordinated manner that produces the most effective response by the State to such closures.

## Entrepreneurial activity

### OBJECTIVE

1.5 To seek to improve the rate of entrepreneurial activity in order to enhance the start-up and competitiveness of firms.

### STRATEGIC ACTIONS

1.5.1 We will support the provision of a number of high-specification, regionally-distributed industrial sites by IDA Ireland to enable it compete for and win high value projects in both the Biopharmaceutical and ICT sectors.

1.5.2 We will support the industrial development agencies in the delivery of programmes to assist the enterprise sector to grow and develop through financial supports, managerial capability building programmes and actions to promote entrepreneurship and an enterprise culture throughout the economy.

1.5.3 We will seek to maximise returns from the European Regional Development Fund by monitoring the financial and physical implementation of the Productive Sector Operational Programme.

1.5.4 We will seek to ensure active Irish participation in the Multi-Annual Programme for Enterprise and Entrepreneurship 2001-2005 and its successor, the Programme for Enterprise Competitiveness.

## Use of ICT by Small & Medium Enterprises

### OBJECTIVE

1.6 To encourage greater and more effective usage of ICTs by SMEs across all sectors of the economy.

### STRATEGIC ACTION

1.6.1 Over the period of this strategy, we will roll out the eBusiness strategy, which was launched by the Department in December 2004. The implementation of this work programme will be overseen by a cross Divisional / Agency Working Group.

## Regional development & Development agencies

### OBJECTIVE

1.7 To ensure that the enterprise development agencies' strategies are making a clear and verifiable contribution towards balanced regional development.

### STRATEGIC ACTION

1.7.1 We will require the enterprise development agencies to conduct a full review of their regional development strategies and we will work with the agencies in addressing the findings of the reviews.

## Fiscal environment

### OBJECTIVE

1.8 To ensure the fiscal environment continues to evolve in support of enterprise and quality employment.

### STRATEGIC ACTIONS

1.8.1 We will work through the Tax Strategy Group in support of fiscal policies appropriate to Ireland's emerging needs.

1.8.2 We will work with the Enterprise Agencies to review and develop fiscal proposals to ensure Ireland is an attractive location for sought after economic activities.

1.8.3 We will review the recently introduced R&D tax credit to ensure it operates as an effective incentive to companies to increase R&D.

## Promoting investment in Research & Development

### OBJECTIVE

1.9 To develop and implement policies to achieve the targets in Building Ireland's Knowledge Economy, the Irish Action Plan for Promoting Investment in R&D to 2010. The overall goal is that enhanced performance in business, higher education and public sector R&D should result in gross expenditure on R&D increasing to 2.5% of GNP by 2010.

### STRATEGIC ACTIONS

1.9.1 We will develop and utilise, to best advantage, the structures and mechanisms for coordinating and implementing national policy for Science, Technology and Innovation in Ireland.

1.9.2 We will work with IDA Ireland and EI to review, and adapt where necessary, the programmes of Enterprise Ireland and IDA Ireland which are aimed at strengthening the R&D capability of their client companies, developing R&D collaboration among these companies and between the companies and higher education and public sector R&D bodies, and facilitating the commercialisation of research emanating from these sources.

1.9.3 We will oversee and evaluate Science Foundation Ireland in its deployment of significant resources aimed at building the research capability and excellence required to underpin competitiveness into the future.

1.9.4 We will improve the level of awareness of science among young people, and the public generally, through the recently established integrated awareness programme, Discover Science & Engineering, and continue to monitor and support the progress of Exploration Station, the interactive science and learning centre due to open in 2006.

1.9.5 We will work to ensure that Ireland maximises its participation and drawdown under the current Sixth Framework Programme (FP6) 2002-2006 and to ensure that our priorities are reflected in the design of the Seventh Framework Programme which will run from 2007.

1.9.6 We will pursue initiatives to provide assistance to mobile researchers and to introduce fast track procedures to improve the entry conditions for third country (non-EEA) researchers and their families.

**1.9.7** We will foster initiatives aimed at enhancing North/South collaboration on STI, in conjunction with third countries where appropriate.

**1.9.8** We will assess, develop and implement policy in relation to Ireland's involvement in space-related Science, Technology and Innovation, in the context of our membership of the European Space Agency (ESA), and the growing linkages between the European Union and ESA.

## Intellectual Property

### OBJECTIVE

**1.10** To ensure that our intellectual property legislative framework reflects developments in intellectual property practice and obligations arising from EU and international agreements.

### STRATEGIC ACTION

**1.10.1** Recognising the importance of a modern intellectual property framework as a source of competitive advantage, we will ensure that intellectual property legislation remains up to date and in compliance with our international obligations.

## International Trade

### OBJECTIVE

**1.11** To maximise the benefits to Ireland of a successful conclusion of the Doha Development Agenda negotiations, especially in relation to market access, intellectual property and trading rules.

### STRATEGIC ACTION

**1.11.1** We will co-ordinate Irish key interests in relation to matters arising under the framework of the EU Common Commercial Policy and seek to influence, through our participation on the 133 Committee and related structures, an ongoing opening of markets and liberalisation of trade policy developments, including a successful completion of the Doha round of negotiations.

## Developing export potential and capacity

### OBJECTIVE

**1.12** To enable trading opportunities available in markets across the world to be capitalised by Irish exporters and to create a system for the effective management of Ireland's export licensing system.

### STRATEGIC ACTIONS

**1.12.1** We will work cooperatively with other Government Departments, with Enterprise Ireland and with other agencies charged with the promotion of exports so as to enable the benefits of world markets to be optimised for our exporters. This will include developing means by which the clients involved – exporters themselves – can relay concerns and make suggestions on how policy, supports and administrative procedures could be beneficially refined or adapted so that the State's efforts to consistently improve on our export performance will be realised.

**1.12.2** We will introduce revised procedures to report and monitor on the impacts of trade missions abroad with a view to identifying possible success indicators by which to benchmark the outcomes in the future.

**1.12.3** We will give effect to the recommendations of the Review of the Export Licensing System, including the introduction of new legislation.

**1.12.4** We will work towards for the implementation of a new Asia Strategy for the period ahead.

**1.12.5** We will undertake a wide-ranging review of the issue of outward direct investment. The policy implications or instruments needed to support action in this field will be considered when reviewed during 2005.

## Internal market

### OBJECTIVE

**1.13** To strengthen the functioning of the Internal Market, including through the development of a regime to create an Internal Market in services, and through the timely transposition of EU Directives.

### STRATEGIC ACTIONS

**1.13.1** We will continue to work towards the creation of an effective Internal Market for Goods and Services. A particular focus over the period of this strategy will be to effectively contribute to the work on the proposed EU Directive on Services in the Internal Market.

**1.13.2** We will ensure compliance and timely implementation of EU Internal Market law in Ireland by working with other Government Departments to monitor closely and report on the correct transposition and notification of all Internal Market Directives.

## Sustainability & Competitiveness

### OBJECTIVE

**1.14** To integrate sustainability and competitiveness and to ensure that the development of environment policy at national and EU level enhances competitiveness, fosters entrepreneurship and encourages innovation.

### STRATEGIC ACTIONS

**1.14.1** We will engage with the Department of Environment, Heritage and Local Government on discussions at EU level regarding the EU position on climate change for the post Kyoto period (2012 onwards), seeking to ensure a balanced approach which takes account of competitiveness and environmental considerations.

**1.14.2** We will discharge our lead role in negotiations on the REACH proposals on chemicals.

**1.14.3** We will continue to work on the implementation of the Department's Sustainable Development Strategy which aims to provide a path for enterprise to achieve sustainable development.

**1.14.4** We will engage in negotiations at EU level on a range of environmental initiatives which impact on industry, including initiatives on climate change and the proposals for new legislation on chemicals.

### Performance Indicators

Ireland's ranking in international competitiveness reports and under relevant categories in NCC's Annual Competitiveness Report, in particular those which fall within the remit of the Department.

Annual (Spring) evaluation of progress on Lisbon Agenda with particular reference to Ireland's performance and elements which fall within the remit of the Department.

Growth of internationalisation of firms including growth of exports and level of diversification of export markets.

Evaluation of outcome of Doha Round in respect of Irish trade interests.

Business Expenditure on Research and Development (BERD).

Gross Expenditure on Research and Development (GERD).

Number of Researchers per 1,000 of total employment.

Regional spread of agency assisted projects.

Jobs performance by agency assisted firms by reference to factors such as job numbers, job quality and impact on local economy.

Rate of entrepreneurship.

Implementation of agency-specific actions from ESG report.



## General

The competitiveness of the economy is underpinned by a well functioning labour market.

A key objective of our strategy is to ensure that the labour force is equipped with the necessary skills and knowledge to adapt to changes at enterprise level, while at the same time ensuring that appropriate workplace legislation is in place.

QualityWork and Learning therefore has two interlinked and complementary aspects:

- Labour Market and Skills Development; and
- Employment Rights and Industrial Relations.

There is considerable synergy between these two aspects of QualityWork and Learning.

Increasing work quality requires not only investment in skills acquisition and greater inclusion in the labour force, it requires negotiation and agreement to facilitate modernisation within enterprises, including workplace relations, together with a stable industrial relations climate to promote labour market stability. It requires also an appropriate suite of employment rights legislation, including health and safety, together with effective resolution/redress mechanisms.

The consensus approach to skills development, employment rights and industrial relations, involving employers, employees and Government, is a major contributor to economic development. These interlinked aspects of QualityWork and Learning are discussed below.

## ENVIRONMENTAL ANALYSIS

### Labour Market and Skills Analysis

#### EMPLOYMENT OUTLOOK

The global economic environment has a significant influence on the Irish labour market as a small open economy. During 2001-2003 Ireland's rate of economic growth slowed considerably reflecting the international trend, but overall the labour market remained resilient. The more recent upturn in the global economy has the potential to support a continued upward trend in Irish employment.

Ireland's projected rate of GNP growth is 4.9% for 2004 and 4.8% per annum over 2005-2007<sup>6</sup>. This momentum arises from the more favourable international trading environment and renewed confidence among consumers as the Irish economy enters a cyclical upturn. While Ireland is poised to benefit from this upturn, the economy is very unlikely to return to the exceptionally high growth rates evident in the five-year period up to 2001.

The Department of Finance forecasts employment to grow by an average of 1.6% from 2005 to 2007<sup>7</sup>. This forecast is largely predicated on renewed Irish competitiveness and a global economic recovery.

#### LISBON AGENDA

The European Employment Strategy provides the framework for the implementation of the employment aspects of the Lisbon Agenda (see also Section 1, EU Dimension). Europe is making slow progress towards the achievement of the Lisbon objectives. This was recognised and emphasised in two reports<sup>8</sup>, drawn up by independent High Level Groups under the chairmanship of Mr Wim Kok, to the European Council. The Reports state that the objectives set at Lisbon are still valid and should be maintained. However, immediate and urgent attention must now be given to taking the necessary actions/measures to achieve the Lisbon goals. Strong political leadership is required across all Member States in order to implement and deliver on commitments made.

Under the Mid-Term Review of the Lisbon Strategy, which was informed by the Kok reports, the European Commission submitted a Communication on Growth and Jobs to the Spring European Council as the basis for revitalising the Lisbon Agenda. The Communication recommended that Member States intensify efforts around two principal tasks – delivering stronger, lasting growth and creating more and better jobs.

The Spring European Council agreed that urgent action was needed to renew the European economy and endorsed the Communication which provides for a streamlined coordination and reporting structure based upon a set of Integrated Guidelines which combine the Employment Guidelines and the Broad Economic Policy Guidelines.

The Integrated Guidelines, which cover the period 2005-2008, form the basis for Member States National Reform Programmes. The National Reform Programme will set out a

<sup>6</sup> Department of Finance – Stability Programme December 2004 Update

<sup>7</sup> Ireland Stability Programme, December 2004 update - Department of Finance, 2004

<sup>8</sup> Jobs, Jobs, Jobs - Kok I (Nov 03); Facing the Challenge - Kok II (Nov 04)

three-year strategy to deliver growth and jobs, addressing the reform actions and targets appropriate to the prevailing conditions in Member States. On the basis of the National Programmes, the Commission will draw up an Annual EU Progress Report setting out progress on the Lisbon strategy in January each year. This Report will be submitted to the Spring European Council.

The Irish National Reform Programme will be co-ordinated by the Department of the Taoiseach and replaces the various existing reports on follow-up to the Lisbon Strategy sent to the Commission by Member States each year – including the National Employment Action Plan, which will now be included as the employment chapter of the Report. The employment chapter will continue to be informed by existing Government policies, particularly Sustaining Progress, and will describe how the Employment Guidelines are incorporated into domestic policy and put into practice (see also Section 3, Cross-Departmental Issues). The National Reform Programme will also cover macro-economic issues and structural and market reforms.

### SPECIAL INITIATIVES UNDER SUSTAINING PROGRESS

A number of special initiatives have been identified under Sustaining Progress, one of which is "Supporting the long-term unemployed, those who become redundant and those in low-skilled employment". Actions to advance this initiative are reflected in the NEAP which outlines the measures being undertaken by FÁS and other Departments. Particular emphasis is being placed on the development of more activation measures, a coherent training strategy for those in and outside the labour force, maintaining employment schemes at their current level of activity and the introduction of a new Full Time Employment Support Scheme for People with Disabilities.

### LABOUR FORCE / EMPLOYMENT TRENDS 2000-2004

In the period 2000 to the fourth quarter 2004<sup>9</sup>, the labour force grew by an average of 2.58% per year. The ESRI Medium Term Review 2003-2010 has forecast the labour force to grow on average by 2.2% per annum between 2005-2007.

The employment targets set at Lisbon which are to be met by 2010 are: an overall employment rate of 70%, a female

employment rate of 60% and an employment rate for older workers of 50%. Progress towards these targets slowed in the last few years due to the downturn in the world economy and reduced economic growth. The pick up again in the global economy since mid-2003 has been reflected in Ireland improving in its performance to make steady progress towards these targets. The Employment in Europe 2004 report, published by the European Commission, predicts that Ireland is likely to reach all three targets by 2010.

The labour market responded positively to the economic recovery that began in 2003 with persons in employment in the fourth quarter of 2004<sup>10</sup> increasing by 3.6% on the previous year, resulting in an overall employment rate of 66.7% (EU25 rate 63.2% in 2004<sup>11</sup>). The number of persons in employment increased by 9.6% to 1,894,100 between the years 2000 to 2004. During the same period, full-time employment increased by 10% to 1,577,500 while part-time employment grew by 13% to 316,500.

The rate of female labour force participation has continued to grow more rapidly than the male participation rate. Between 2000 and 2004, the female participation rate averaged 49.1%. Female employment grew by an annual average rate of over 6.4% between 1994 and 2001, and 3.1% between 2001 and 2004. The female employment rate in the fourth quarter of 2004 stood at 57.2% (EU25 rate 55.7% in 2004).

Employment of older workers (55-64 age group) has also grown by 28.7% between the fourth quarters 2000-2004. The employment rate for older workers stands at over 48.8% in the fourth quarter 2004 (EU25 rate 40.35% in 2004).

Employment growth in the period up to 2004 has continued to be concentrated in the construction and services areas. Agriculture, forestry, fishing, hotels and restaurants sectors continue to decline while the health and the wholesale and retail trade services continue to increase.

The ESRI Medium Term Review 2003-2010 has forecast that employment will predominately grow in the services sector. There is significant room for further employment growth in this sector, given that the services sector share of the Irish economy is smaller than any other EU15 Member State. The

<sup>9</sup> Central Statistics Office – Quarterly National Household Survey, 4th Quarter 2004.

<sup>10</sup> Employment/participation rates for 2004 throughout this chapter are taken from Central Statistics Office – Quarterly National Household Survey, 4th Quarter, 2004.

<sup>11</sup> Comparisons with the EU25 rate throughout this chapter are taken from Eurostat – Labour Force Survey – 2nd Quarter, 2004.

trend in manufacturing employment is expected to remain at the same level, while there are likely to be declines in the agriculture and construction sectors. Within the services sector, growth is likely to be concentrated in financial and personal services, and health and education.

## REGIONS

Between 2000 and 2004, employment grew by 15.7% in the Border, Midland and Western Region (BMW), and by 9.1% in the Southern and Eastern Region (S&E).

The FÁS/ESRI occupational forecast predicts a national employment growth rate of 2% for the period 2001-2010. This represents 1.4% for the BMW region, 2.6% for Dublin and the Mid-East and 1.6% for the Mid-West and South.

## UNEMPLOYMENT

Unemployment remains low at 85,600, falling 300 in the year to the fourth quarter of 2004. The unemployment rate stood at 4.3% in the fourth quarter of 2004, which compares favourably with the EU25 average of 9%. The ESRI Medium Term Review has forecast the unemployment rate to average 5.1% in the period 2005-2007.

The rate of long-term unemployment averaged 1.4% throughout 2003 and into 2004, rising slightly to 1.5% in the fourth quarter of 2004. Long-term unemployment remains extremely low both by historical and international standards.

## REDUNDANCIES

The positive growth in the labour market can also be seen in trend data for notified redundancies. There has been a significant improvement in the latter half of 2004 which is in contrast to the increase in notified redundancies recorded in 2001-2003. The level of notified redundancies in 2004 was 16% below the number recorded in the previous year. As was the case in 2002 and 2003, the level of redundancies has not translated into large inflows into unemployment.

## VACANCIES

The most recent FÁS/ESRI survey of employer's vacancies<sup>12</sup> reported approximately 6% of firms having vacancies at the end of the fourth quarter of 2004. The highest percentages of firms reporting vacancies were recorded in the construction sector (16%), and the industry sector (15%); the lowest percentages were reported for the retail sector and services sector, with 1% and 6% respectively.

The percentage of firms reporting vacancies at the end of the

fourth quarter of 2004 is indicative of a labour market in which vacancies are arising mainly due to normal labour turnover in an efficient labour market rather than to serious shortages of labour at existing rates of pay.

## FUTURE SKILLS NEEDS

Expert reports at both national level and EU level continue to draw attention to the need to increase participation in education and training by adults in Ireland. The work of the Expert Group on Future Skills Needs, the Enterprise Strategy Group and the Taskforce on Lifelong Learning in particular point to the need to encourage employees to upskill, broaden their skills and renew their existing skills to keep pace with changes in the economy. Particular problems have also been identified with the lower level educational qualifications of significant numbers of those employed in the less skilled occupations in the workforce.

Figures for 2001 quoted by the Taskforce on Lifelong Learning showed that there were 220,000 persons at work with no second level education. These are challenges which will require a response from the Department of Enterprise, Trade and Employment and the Department of Education and Science and the agencies that operate under their remit. An overarching co-ordinating structure is in place as regards the broad Lifelong Learning agenda and, within that structure, a more closely defined role for the Department of Enterprise, Trade and Employment is being established to enable it to contribute, at the level of the enterprise, to specific training initiatives targeted at literacy and numeracy deficiencies in the workforce.

At the higher skill levels, the imperative for the future is for greater commitment to training for people in employment. This shift in focus is particularly important in terms of the strategic approach adopted by FÁS, the main agency which delivers on this policy for the Department. There is also a need for consistency of approach across the other Agencies which contribute to training and development of workers.

The FÁS/ESRI Occupational Employment Forecasts by Region for 2010 predicts that employment growth will increasingly depend on highly skilled labour. In the next five years demand for the following occupations is expected to rise: managers and proprietors, professional carers and health, science, education and engineering professionals. Future employment growth will require greater specialisation (particularly in the science and engineering fields), higher levels of education and training, and good levels of core and soft skills.

<sup>12</sup> FÁS/ESRI Employment & Vacancies Survey, 4th Quarter, 2004



## ECONOMIC MIGRATION

Economic migration has played an important role in Ireland's economic development. An inflow of skilled workers has helped to address the skills and labour supply needs which were required to sustain economic growth since the end of the 1990s.

1 May 2004 marked an important date for economic migration policy in Ireland, with the accession of ten new Member States to the European Union (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia). Ireland decided, prior to accession, to grant nationals of these States full and immediate access to the Irish labour market from the date of enlargement. This effectively means that, as of 1 May 2004, nationals of the new Member States no longer required permits to take up employment in Ireland.

This change in policy is reflected in the fact that, in 2001, almost 27,000 new first-time work permits (implying new entrants to the State) were granted; this figure had fallen to approximately 18,000 in 2003. Following EU enlargement, the number of new first time permits granted in respect of third country nationals in 2004 is likely to be in the region of 5,000, a very significant reduction on previous years.

Data from the Department of Social and Family Affairs indicate that approximately 50,000 Personal Public Service Numbers (PPSN) have been granted to nationals of the new Member States in the period from 1 May to December 2004. Preliminary indications are that up to 75% of those 50,000 had taken up initial employment in the period in question.

While Ireland will continue to have a need for overseas labour force personnel if present rates of economic growth are to continue, it is likely that employers will be able to fill the majority of their labour needs from the extended European Economic Area<sup>13</sup> (EEA) at least until the end of 2010. The CSO Population and Labour Force Projections 2006-2036 (CSO, 2004) suggests that the future need for overseas personnel will be similar to the levels successfully recruited in recent years.

Government policy will continue to concentrate on encouraging and facilitating recruitment of EEA personnel in the first instance. Policy in relation to applications for employment permits will focus clearly on facilitating the recruitment from outside the European Economic Area of

highly skilled personnel, where the requisite skills cannot be met by normal recruitment or by training. However, policy will need to be sufficiently flexible to address specific labour market failures where particular circumstances warrant intervention. A clear policy framework will be needed for addressing such market failures. To this end, the Department, in conjunction with FÁS and Forfás, is commencing work on the development of a medium term policy aimed at addressing economic skill needs. This will entail consultations with the Social Partners, the Expert Group on Future Skill Needs and the International Organisation on Migration (this Geneva-based organisation is currently undertaking a major study for NESC on all aspects of migration) and discussions with a small number of similarly positioned European economies (UK, Sweden, Denmark and Holland), the end being to produce a policy paper by mid-2006.

## EMPLOYMENT PROGRAMMES

FÁS' Employment Programmes (Community Employment, Job Initiative and Social Economy) have made an important contribution to the initial labour market integration of long term unemployed people and other disadvantaged groups.

The Government has decided that, in 2005, these Employment Programmes will be maintained at their existing levels of 25,000 places, with the objectives of:

- (a) progressing the majority of participants to the open labour market; and
- (b) maintaining essential community services through the abolition of the 3 year participation limit for people 55 years of age or over on CE.

## EMPLOYMENT AND TRAINING SUPPORTS FOR PEOPLE WITH DISABILITIES

The publication of the Disability Bill and the accompanying Outline Sectoral Plans from six key Departments, including the Department of Enterprise, Trade and Employment, form key elements of the National Disability Strategy for a framework of positive action measures to support participation by people with disabilities in Irish society. The key focus of the Outline Sectoral Plan developed by the Department will be to facilitate and improve access to vocational training and employment opportunities for people with disabilities, in the belief that employment offers the best means for them to participate fully in the social, cultural and

<sup>13</sup> The EEA comprises the 25 EU Member States, along with Iceland, Norway and Lichtenstein

economic life of the country. Following an extensive review and consultation process on vocational training for people with disabilities, a new strategy on training is being prepared for publication. Also, a new initiative, the Full Time Employment Support Scheme (FTESS), to provide better employment supports to people with disabilities who are willing and capable of moving into full time employment, is being developed and will be rolled out in the course of 2005.

### THE ROLE OF THE EUROPEAN SOCIAL FUND

The focus of the Lisbon objectives as a consideration in the development of Ireland's labour market policies has been outlined above. So, too, has the role of the European Employment Strategy and the National Employment Action Plan.

An additional European dimension in Ireland's labour market policies and programmes is the contribution of the European Social Fund (ESF). Over the period of the strategy statement, ESF funding will support the development of skills in the labour force. Training initiatives delivered by Enterprise Ireland, FÁS and other agencies, as well as programmes operated directly by the Department of Enterprise, Trade and Employment, will continue to utilise the available ESF funding under the Employment and Human Resources Development Operational Programme (EHRDOP) to provide education and training opportunities for the employed and the unemployed. The EQUAL Community Initiative will address inequality and discrimination in the labour market by providing ESF support to projects (Development Partnerships) to test innovative approaches to tackling labour market inequality. A particular emphasis will be placed on mainstreaming best practice from this programme. The Department, as the national authority for the ESF in Ireland, will be involved, over the period of the strategy statement, in negotiations at EU level on new Regulations to govern the Structural Funds (including the ESF) for the period 2007-2013. The Department will also be involved in developing national ESF co-funded programmes to commence in 2007.

At a policy level the importance of education and training in meeting the goals of Lisbon is increasingly being recognised and it is likely that an enhanced role and contribution for Vocational Education and Training (VET) will be encouraged and developed. Development of VET at national level will both inform the development of EU policy and also give effect to key recommendations emerging from the co-

operative process which has been under way for some time now and which is bringing Europe closer to a genuine single labour market. The key focus in the next few years will be the implementation of the Maastricht Communiqué on Vocational Education and Training<sup>14</sup> and the policy steer it gives in relation to credit accumulation and transfer in VET, enhanced mobility tools and, ultimately, the development of a European Qualifications Framework.

## Employment Rights & Industrial Relations

### EMPLOYMENT RIGHTS

The Employment Rights legislative framework continues to have an important role to play in promoting labour market stability. 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. Employment Rights legislation has an input in respect of each of these factors, since employees who enjoy good working conditions are generally more productive and open to change.

A suite of legislation has been enacted in the area of employment rights to reflect changes in society and the workplace at both national and international levels, through national initiatives, through the transposition of EU Directives and the ratification of International Labour Organisation (ILO) and Council of Europe Recommendations and Conventions. During the period of this strategy statement we will continue to interact with the Social Partners, Government Departments and Agencies on any proposed legislation in the area of Employment Rights.

To assist compliance with employment legislation, and in line with the Sustaining Progress Agreement, the number of Labour Inspectors was recently increased and will be kept under review throughout the period of this strategy.

### HEALTH AND SAFETY

In the area of occupational safety, health and welfare, steady progress has been made in recent years with a falling accident rate both fatal and non fatal, by 13% and 14% respectively since 1998. This reduction in deaths and injuries should be seen against the background of an increase in the

<sup>14</sup> The Communiqué sets out a number of priorities for enhancing European cooperation in vocational education and training at national level to improve VET systems and institutions and at EU level for increasing transparency, quality and mutual trust to facilitate a genuine European labour market.

workforce of almost a quarter of a million workers since 1998. This decrease is particularly significant, since it is contrary to the international trend of increases in accident rates when there are rapid increases in the workforce.

It is expected that the new Occupational Safety, Health and Welfare at Work Act will come into operation during 2005. The Act will give an impetus to the attainment of a safer working environment going forward. There will be an emphasis on establishing a preventive culture through emphasising that competence in health and safety will result in reduced accidents and ill health, with savings to businesses, including employers liability insurance, and ultimately to the economy as a whole.

The main provisions of the new Act will be the introduction of on-the-spot fines, increased penalties for summary conviction or conviction on indictment, testing for intoxicants, joint safety and health agreements, protection against dismissal and penalisation, and responsibilities on designers, manufacturers and persons who commission, procure or construct a place of work.

In addition, a new strategy for safety and health at work is in preparation at EU level so as to take into account the wider needs of the Union and the necessity for a changed approach post-enlargement in 2004.

## INDUSTRIAL RELATIONS

There was a considerable improvement in the industrial relations climate in Ireland during the last decade and this climate remains relatively stable. While 2003 saw an increase over 2002 in the number of days lost to industrial disputes – 37,482 compared to 21,257 – the number of days lost in 2003 represents a continuation in the trend of relatively low levels of days lost to industrial disputes. The actual number of disputes declined from 27 disputes to 24 disputes, the lowest since statistics were first compiled in 1923. CSO data for the first half of 2004 indicate that this trend is continuing with 5,370 days lost through 6 disputes compared with 32,277 days lost through 14 disputes during the same period in 2003.

A number of factors have influenced this trend of relative stability in the industrial relations environment, including implementation of the provisions of the National Partnership Agreement, Sustaining Progress. Sustaining Progress was ratified by the social partners in March 2003 and covers the period 2003 – 2005. It represents, as all of its predecessors

did, an evolution in social partnership. Sustaining Progress is a three-year agreement generally, but the pay terms and workplace issues were, as provided for under Sustaining Progress, re-negotiated in June 2004.

The successful negotiation of pay terms and workplace issues in June 2004 as set out in Part Two of Sustaining Progress provides the framework for continued industrial relations stability. Agreement on a range of issues provides certainty for employers and employees in relation to pay and forthcoming work place issues. Talks on a successor agreement to Sustaining Progress are expected to commence in October 2005.

Sustaining Progress provides an enhanced role for the Department's dispute resolution agencies – the Labour Relations Commission and the Labour Court – in dealing with disputes of compliance with the terms of the pay agreement and in relation to right to bargain issues. Both agencies (including the Rights Commissioner Service) have an excellent track record. Over 80% of cases are settled at conciliation by the Labour Relations Commission and the vast majority of recommendations made by the Labour Court are accepted by the parties.

The provisions in Sustaining Progress in relation to the public service on modernisation, flexibility, ongoing change and industrial peace have also been instrumental in creating a stable industrial relations environment. The parties to Sustaining Progress agreed that payment of the final two phases of benchmarking increases and the general round pay increases would be dependent on verification of satisfactory achievement of these provisions.

The Employment Appeals Tribunal, which provides an independent service for individuals to seek remedies for infringements of their statutory rights, has seen a 25% increase in unfair dismissal and redundancy cases over the last two years, impacting on the attainment of customer service standards. Proposals will be forthcoming from a working group, chaired by the EAT Chairman, which is carrying out an internal review of the EAT's procedures with a view to providing the highest level of customer service.

At a time of considerable change, growing demands are being made on the State's employment rights bodies. The Department is currently considering whether the present structures and procedures continue to be those most appropriate for meeting new demands. The Department's

consideration is being undertaken in consultation with the employment rights bodies concerned and with the Social Partners.

The Department will bring proposals to Government for the simplification of the large corpus of employment rights legislation without diminishing established rights. A key focus of this task will be an improvement in the operational aspects of the legislation.

## **SOCIAL POLICY AGENDA**

At European Union level, there will be a continued focus on facilitating the integration of the ten new member states into the union. The current Social Policy Agenda runs from 2000 to 2005 and a new Agenda for the period 2006 to 2010 is due to be agreed in 2005. The agenda provides the roadmap for employment and social policy, translating the policy objectives of the Lisbon strategy for economic and social renewal into concrete measures. As stated previously in this strategy statement, 2005 constitutes the mid-point of the Lisbon Strategy, and this will provide an important opportunity to review progress, increase efforts across the board to achieve the agreed goals, and to take corrective action to stay on course.

## **Conclusions**

Recovery in the global economy has brought back a certain level of stability to enable growth to occur. The Irish economy is benefiting from this recovery and the challenge over the next few years is to build on what has been achieved to date. The employment growth that is currently being experienced is expected to continue in Ireland in the long-term with a consequent increase in the demand for labour. Over the next five years, this increased labour demand will be met from the underlying population increase (estimated to account for 50% of the increase), increased participation from those outside the labour force (23%) and migration (27%). The increased participation of older workers and of women, particularly married women, will go some way to meeting this demand in the medium term.

The importance of migration for labour force growth has been increasing. The enlargement of the EU has resulted in a significant change with the majority of migrant workers now coming from the EU25. It is expected that, for the foreseeable future, only highly skilled workers will be sourced from outside the enlarged EU. In addition, the training and integration of more people with disabilities into employment will also help to address labour shortages.

The needs of the economy and changing demography mean that more of Ireland's growth over the next ten years must come from increasing the productivity of those already in the workforce. Recent research in Ireland has confirmed the importance of human resources investment in improving the productivity of the economy and hence economic and employment growth. To achieve our employment potential, a high skilled, adaptable workforce must continue to be developed through education and training, re-skilling and lifelong learning and by encouraging greater investment in training by employers. ESF funding will continue to play an important role in supporting the development of skills for the workplace.

Accompanying expected economic development and employment growth there will continue to be job turnover as employment changes. This requires a continuing emphasis on enhancing skills. At European level, the dialogue on social policy will continue to play an important role. The consensus approach outlined above involving employers, employees and Government will continue to be a major contributor to Ireland's economic development.

This approach, backed up by a well-balanced suite of employment rights legislation and associated compliance provisions, together with measures designed to stimulate employment, will provide an appropriate framework for achieving a competitive business environment over the period of the strategy statement.

## GOALS

**VII** The pursuit of labour market policies which promote the development of human capital and lifelong learning, help to address the skills needs of the economy, facilitate increased participation in and access to employment, and contribute to social inclusion.

**VIII** The further enhancement of quality employment by improving and enforcing employment rights and entitlements, including safety and health at work, and promoting social partnership, industrial peace and effective dispute resolution.

## OBJECTIVES AND STRATEGIC ACTIONS

### Lifelong Learning

#### OBJECTIVE

**2.1** To make Lifelong Learning a reality for increasing numbers of people in the Labour Force.

#### STRATEGIC ACTION

**2.1.1** We will interact with other Departments, agencies and groups to develop and implement lifelong learning initiatives that will provide learning opportunities for people in the labour force.

### In-Company Training

#### OBJECTIVE

**2.2** To expand the level of engagement and investment in In-Company Training, particularly activity targeting low skilled workers.

#### STRATEGIC ACTIONS

**2.2.1** We will directly administer a training initiative to address In-Company Training through a public Call for Proposals and we will facilitate the implementation of additional training initiatives in this area by FÁS, utilising ESF and National Training Fund (NTF) monies.

**2.2.2** We will work with other Departments, agencies and groups to ensure that training policy development includes the employability needs of lower skilled workers and we will ensure that FÁS and Skillnets continue to develop programmes which are focussed on lower skilled workers.

## Training and supports for people with disabilities

### OBJECTIVE

**2.3** To enhance training and employment supports for people with disabilities.

### STRATEGIC ACTIONS

**2.3.1** We will develop and rollout with FÁS a new scheme to help people with disabilities to take up full-time employment (Full Time Employment Support Scheme).

**2.3.2** We will engage with key stakeholders in the development of a Sectoral Plan for the Department, as set out in the Disability Bill 2004.

**2.3.3** We will explore the scope for promoting increased employers' awareness of people with a disability as a labour market resource.

## Vocational Education and Training at EU level

### OBJECTIVE

**2.4** To contribute, in co-operation with the Department of Education and Science, to the development of EU policy to ensure that vocational education and training makes a greater and more effective contribution to the Lisbon agenda.

### STRATEGIC ACTIONS

**2.4.1** We will work to give effect to the recommendations contained in the December 2004 Maastricht Communiqué on Vocational Education and Training.

**2.4.2** We will support initiatives to increase the mobility of the EU labour force through the development of a new European Qualifications Framework and other transparency and mobility measures.

## Support for the Unemployed

### OBJECTIVE

**2.5** To attract and facilitate the entry of the unemployed and inactive into the labour market through the provision of a range of programmes and services.

### STRATEGIC ACTIONS

**2.5.1** The Preventive Strategy, whereby FÁS engages with the unemployed, will continue to be implemented. We will consider the recommendations of the recent review of this strategy with a view to improving the effectiveness of the process.

**2.5.2** We will continue to provide a range of employment and training programmes to enable participants to progress into employment.

## European Employment Strategy

### OBJECTIVE

**2.6** To participate in the next phase of the European Employment Strategy, which will be reflected in the National Reform Programme, with particular emphasis on the creation of employment and the development of a skilled and adaptable workforce.

### STRATEGIC ACTION

**2.6.1** We will contribute at EU level to the work of the Employment, Social Policy, Health and Consumer Affairs (ESPHCA) Council and other relevant groups, including the Employment Committee, to ensure that EU policies reflect the Department's goals and objectives. The employment chapter of the National Reform Programme will be completed on an annual basis and submitted to the European Commission as part of the reporting arrangements on the Lisbon Agenda.

## Skilled labour from outside the EEA

### OBJECTIVE

**2.7** To implement a policy of providing a range of instruments to facilitate the recruitment of skilled labour force personnel from outside the European Economic Area, where the skills needs in question cannot otherwise be met by normal recruitment or by training.

## STRATEGIC ACTION

**2.7.1** We will implement the provisions of the Employment Permits Bill which is due to be enacted in 2005 to put the Employment Permit regime on a comprehensive and sound statutory footing. We will publish a policy paper on Ireland's specific skills needs post EU enlargement, taking account of the migration flows from the new Member States.

## Employment Permits

### OBJECTIVE

**2.8** To offer an improved level of customer service for Employment Permits applicants.

### STRATEGIC ACTIONS

**2.8.1** We will pursue the introduction of an on-line facility for certain Employment Permit applications and we will avail of a reduced volume of applications in a post-EU enlargement environment to provide better information and a more personal level of service to our customers.

## FÁS expenditure and activities

### OBJECTIVE

**2.9** To monitor the effectiveness of FÁS' expenditure and activities in pursuit of the Department's strategic training and labour market objectives.

### STRATEGIC ACTIONS

**2.9.1** We will oversee the allocation of financial resources to FÁS' activities and ensure that they support the Department's strategic objectives.

**2.9.2** We will monitor FÁS' activities and performance to ensure that the agency meets both strategic and corporate governance guidelines.

## Labour Market Data

### OBJECTIVE

**2.10** To provide relevant and up-to-date labour market data which will inform the development of labour market policies and initiatives.

### STRATEGIC ACTION

**2.10.1** We will prepare and update labour market data through the detailed analysis of economic reports and the compilation of statistics relating to employment/unemployment trends.

## European Social Fund

### OBJECTIVE

**2.11** To ensure optimum use of the resources available from the European Social Fund (ESF) for 2000-2006 programmes to support labour market initiatives.

### STRATEGIC ACTION

**2.11.1** We will monitor ESF expenditure under relevant programmes and will endeavour to optimise the use of ESF resources.

## ESF Programme design 2007-2013

### OBJECTIVE

**2.12** To design, within the parameters of EU and national guidelines, ESF programmes for the period 2007-2013 which add value to the development of human capital and increase participation in employment.

### STRATEGIC ACTION

**2.12.1** We will develop, in consultation with key stakeholders, ESF programme(s) for the 2007-2013 period that address the identified training and/or employment support needs of the labour market, in line with the relevant EU regulations.

## Social dialogue

### OBJECTIVE

**2.13** To progress social dialogue at EU, national and enterprise level.

### STRATEGIC ACTIONS

**2.13.1** We will contribute to the social dialogue process at EU and national levels;

**2.13.2** We will actively represent the Department in the national social partnership process, including negotiations on a successor to Sustaining Progress;

**2.13.3** We will implement the relevant provisions of Sustaining Progress and any successor Agreement within the required time frame;

**2.13.4** We will implement agreed recommendations from the Forum on the Workplace of the Future.

## Legislative, compliance and dispute resolution

### OBJECTIVE

**2.14** To provide effective legislative, compliance and dispute resolution provisions in the area of employment rights, including health and safety, and industrial relations.

### STRATEGIC ACTIONS

**2.14.1** We will introduce effective legislative provisions to transpose EU and ILO obligations.

**2.14.2** We will give legislative effect, as required, to commitments arising under Social Partnership or to take account of the evolving industrial relations environment.

**2.14.3** We will, in conjunction with other Member States, and in consultation with other relevant Departments and the Social Partners, review the EU Directive on Working Time.

**2.14.4** We will consolidate the corpus of employment law and develop proposals, in conjunction with the interested parties, in relation to the structures and procedures of the employment rights bodies.

**2.14.5** We will enhance compliance with employment rights legislation by revising procedures and developing proposals for consideration by Government.

**2.14.6** We will enact new Health & Safety legislation and subsequently update the associated general application regulations as well as a number of sector-specific regulations.

**2.14.7** We will develop guidelines for all actors in the sphere of occupational safety, health and welfare.

**2.14.8** We will follow up on the Review of the Mandate and Resourcing of the Labour Inspectorate.

**2.14.9** We will review service delivery in the Employment Appeals Tribunal.

## Performance Indicators

Employment and unemployment rates.

Investment by the Department on training schemes for the employed and the unemployed.

Number of FÁS Employment Services clients (jobseekers and Employment Action Plan referrals) progressing to employment or education/training compared to 2004.

Number of strike days and number of strikes.

Enhancing employment rights and entitlements by introducing effective legislative provisions within the required time frame.

Percentage of employment rights complaints investigated and concluded within 4 months.

Number and percentage of employment rights and industrial relations disputes resolved by the employment and industrial relations institutions.

Percentage of EAT Determinations overturned.

Simpler presentation of employment law.

Decrease in the rate of accidents (resulting in death or injury) at work per 100,000 workers.



**PILLAR 3** Making Markets and Regulation Work Better

## ENVIRONMENTAL ANALYSIS

### General

Irish law defines and prescribes the statutory obligations of business enterprises towards a diverse body of stakeholders, including employees, shareholders, creditors, suppliers, consumers and competitors. The objective is to promote high standards of corporate governance, efficient and competitive markets and to protect the interests of consumers. This policy contributes to national competitiveness through providing a secure and stable environment for investment, trade and for business and consumer transactions.

In the past, our economy was characterised by inadequate competition, poor levels of compliance with company law requirements and insufficient priority for the consumer. However, significant policy changes over recent years have greatly improved the regulatory environment. The challenge now is to regulate effectively while avoiding the creation of unnecessary costs or burdens which might impact adversely on overall competitiveness.

### Competition Policy

The thrust of competition policy is to encourage business to develop and prosper by eliminating unwarranted constraints on competition. This is achieved by guaranteeing access to the marketplace and by ensuring that those markets operate in a fair and efficient manner. Effective competition also benefits the consumer by providing a choice of goods and services at a range of prices.

The Competition Act 2002 updated the powers and functions of the Competition Authority. In addition, new EU competition rules have, since 1 May 2004, resulted in greater involvement on the part of national authorities in the enforcement and application of Community competition law.

The resources of the Competition Authority were significantly increased in recent years to complement its new role. Nonetheless, Ireland's continued strong economic performance underlines the need for a properly

resourced competition enforcement body, and the powers and resources available to the Competition Authority need to be kept constantly under review.

The Authority has recently completed a study of the banking industry and has made a series of recommendations to facilitate greater competition in the sector. The Authority is continuing its studies into other sectors including the insurance industry and the professions. Once completed, these studies will be considered and acted upon, as appropriate, over the period of this strategy.

### Consumer Policy

The objective of consumer policy is to provide consumers with the knowledge required to make informed choices, to provide protection from unscrupulous traders and to guarantee that consumer interests are reflected in the decision-making and enforcement process.

Ireland's consumer price inflation has exceeded the eurozone and EU-15 average for the past seven years. In the four years to May 2004, the average price of Irish goods and services increased by 22% relative to our trading partners. Between 2001 and 2002 Ireland overtook the UK and Sweden to become the third most expensive country in the EU for consumer goods and services (behind only Denmark and Finland). By 2003 Ireland was virtually on a par with Finland as the most expensive country in the eurozone for consumer goods and services. The National Competitiveness Council's Statement on Prices and Costs 2004 found that without action, the combination of the recent acceleration in Irish consumer price inflation alongside the growing risk of a sharp decline in the value of the dollar against the euro, made the possibility of a further significant deterioration in Ireland's cost competitiveness all too possible, putting at risk employment and living standards.

This has prompted a review of existing consumer laws and the development of a robust strategy for the protection and promotion of consumer interests. Weaknesses in consumer representational and advocacy structures also need to be addressed.

While most recent consumer legislation has emanated from the EU, many pre-existing domestic laws have developed in a piecemeal way over more than a century. Much of our domestic law is outdated and in need of modernisation. It is diverse and voluminous and made up of a variety of primary and secondary legislation. There is a resulting lack of knowledge on the part of the public in regard to the rights of consumers and obligations of business.

The Consumer Strategy Group was established in March 2004 to advise and make recommendations on the development of a national consumer policy. The Department is additionally involved in a major review of the existing body of legislation with a view to ensuring that it both meets the needs of consumers and is set out in a comprehensive and easily understood fashion.

## Company Law

### GENERAL

The company law compliance environment has improved considerably in recent years as a result of significant legislative and institutional reforms, in particular:

- the enactment of the Company Law Enforcement Act 2001 and the Companies (Auditing and Accounting) Act 2003;
- additional resources to ensure that companies meet their filing obligations with the Companies Registration Office and increased penalties for non-compliance;
- pro-active enforcement of the provisions of company law by the establishment and resourcing of the Office of the Director of Corporate Enforcement.

In addition, a new supervisory body, the Irish Auditing and Accounting Supervisory Authority (IAASA), will be formally established and come into operation in 2005 with the mandate of overseeing the auditing and accounting professions.

In view of the increased public interest and investment in this area it will be important to monitor progress made in raising corporate governance standards in Ireland over the period of this strategy statement.

### CONSOLIDATION AND REFORM

A major reform of company law is in train at domestic level, probably the biggest single regulatory reform programme in Ireland. The Company Law Consolidation and Reform Bill will consolidate, restructure, simplify and modernise company law in Ireland. The objective is to give Irish business a legal framework which delivers on:

- Market performance;
- Regulatory efficiency; and
- Stakeholder satisfaction.

The key innovation in the reform process is the involvement of all the players (policy makers, regulators, business, and professional bodies), through the mechanism of the Company Law Review Group, in the design of the new simplified companies code.

The new Bill will establish the private company as the standard company type. The Bill will synthesise the two distinct legal bases applying to company law statutes in Ireland: domestic law and EU law. It will also take account of the EU Financial Services Action Plan and of international best practice in corporate governance.

The main beneficiaries of the simplification will be small private businesses through a reduction in compliance obligations and procedures, which will result in efficiency and cost gains.

## FINANCIAL SERVICES (LEGAL STRUCTURE FOR FUNDS INDUSTRY)

Ireland is now globally recognised as a leading location for a range of internationally traded financial services, including banking, asset financing, fund management, corporate treasury management, investment management, custody and administration and specialised insurance operations. 12,000 people are directly employed in international financial services in the Dublin area, including the IFSC, and an additional 5,500 are employed in such services around the country. Over 5,000 of these are employed in Funds related activities. While initially the number of legislative vehicles that were available to the Funds industry was rather limited, a number of fund vehicles have been legislated for in recent years and existing law has been updated. While appropriate controls must be in place, it is essential to provide flexibility to the Funds industry in order to maintain Ireland's position as a centre of excellence in the provision of financial services and allow the IFSC to maintain its leading position in a competitive world market.

## European Union

Developments at EU level and elsewhere internationally, particularly major corporate scandals/failures in the US and more recently in Europe, continue to drive changes in the company law, corporate governance, accounting, auditing and financial services areas. The primary objective of these changes is to restore investor confidence, better protect investor interests and those of other stakeholders affected by the scandals and provide for more effective and efficient capital markets on an EU wide basis through greater disclosure and transparency requirements, more accountability on the part of Board members and senior management, and better enforcement arrangements.

A wide range of EU legislation and recommendations in the areas referred to have been adopted within the past two years. Some of these are currently being transposed into Irish law while several others fall due for transposition over the next three years.

In addition, new measures will continue to emerge from the wide range of initiatives contained in the Commission's Corporate Governance and Company Law Action Plan published in 2003. Indeed, a number of the Action Plan's short-term initiatives have already been developed and are currently at different stages of negotiation at EU Council level.

Over the next few years, therefore, external developments will have impacted substantially on the regulatory environment here and the Department will seek to manage this in an effective and efficient manner.

## Insurance Reform

In response to substantial increases in insurance premia and refusals to quote by insurers, the Agreed Programme for Government includes a commitment to tackle the high cost of insurance. This Department, in the light of its former role as regulator of insurance, took the lead role in the Government's Insurance Reform Programme. While EU law prevents governments from intervening in relation to premium levels or the risks that insurers are prepared to underwrite, the aim of the programme is to improve the functioning of the insurance market, to decrease the cost of the delivery of compensation and to investigate the competitiveness of the market in order to facilitate reductions in premia for consumers and businesses. This programme includes implementing a range of measures such as improvements in road safety, improvements in the legal process and providing a balance between prudential supervision and consumer protection. The reform programme has at its core the recommendations of the Motor Insurance Advisory Board (MIAB) and the MIAB Action Plan.

The Insurance Reform Programme is contributing to reductions in insurance premia. CSO Consumer Price Index statistics show that there was a reduction of 19.2% in car insurance premia between the months of April 2003 and October 2004.

Recent reform measures have also led to a better functioning insurance market, to enhanced profitability and the attraction of a number of new competitors.

Following the establishment of the Irish Financial Services Regulatory Authority (IFSRA) which now regulates insurance, and the transfer to the Department of Transport of responsibility in relation to the cost and availability of motor insurance, this Department's lead role in the Insurance Reform Programme, with the exception of the Personal Injuries Assessment Board (PIAB), has ended. The primary ongoing insurance focus of this Department will be from the horizontal competitiveness perspective and competition (in conjunction with the Competition Authority).

The establishment of the PIAB in April 2004 was a key initiative in relation to the Insurance Reform Programme. By eliminating the need for litigation costs where legal issues do not require adjudication, the PIAB will significantly reduce the cost of delivering compensation. The PIAB will also offer speedier assessments to the benefit of claimants.

The Competition Authority, in conjunction with this Department, is undertaking a study on insurance. This study aims to identify anti-competitive practices or other constraints on competition in the non-life insurance market in Ireland, with particular reference to motor insurance, employers' liability and public liability insurance. A final report was published early in 2005, which will contain recommendations aimed at removing unwarranted constraints in this area.

The new operating conditions in the insurance market enhance the attractiveness of the market to prospective new entrants. The insurance market is growing. Gross written premia increased to over €4bn in 2003 compared to just €2bn in 1998. As the economy continues to grow, the insurance market will also continue to grow in size. Competition from new entrants attracted by better market conditions will be an important element in ensuring continuing downward pressure on premia.

## Conclusions

The principal features of the business regulatory environment in the perspective of the next three years can be summarised as follows. The challenges facing us are substantial and are unlikely to diminish. Notwithstanding considerable progress made in recent years, the operation of many markets for goods and services in Ireland still discloses significant problems such as inadequate levels of competition, regulatory restrictions and significant consumer inertia. On the company law side, while compliance levels are improving, we are still some distance from a position in which there could be general assurance that corporate governance in this country is all that it should be. There will therefore be a continuing need for effective enforcement of current regulatory requirements across the competition, consumer and company law areas.

The "current" regulatory system is not static. It is in a state of continuous development and change, particularly in the case of company law. In that area, a formidable block of legislative transposition work must be completed over the next three years just to keep pace with existing EU commitments. To that can be added the task of engaging in EU negotiations on current and new initiatives. The wheels of domestic company law reform also must be kept turning in order to provide for the legislative needs of the funds industry and to bring forward the Company Law Consolidation and Reform Bill. A similarly ambitious project on the Consumer Law front is at an earlier stage and this will be spearheaded by legislation focusing mainly on meeting the requirements of the EU Unfair Commercial Practices Directive, when adopted.

## GOALS

- IX** Ensuring that the current regulatory system delivers efficient and competitive markets with high standards of corporate governance and consumer protection.
- X** The further development of the legislative framework, having regard to best regulatory practice, in particular the principles of Better Regulation.
- XI** The reduction of the cost of the delivery of compensation and the delivery processing times for personal injury claims with a view to improving the functioning of the insurance market for the benefit of consumers and businesses.

## OBJECTIVES AND STRATEGIC ACTIONS

### Competition Authority

#### OBJECTIVE

**3.1** To ensure that the Competition Authority is adequately resourced and empowered to fulfil its mission.

#### STRATEGIC ACTION

**3.1.1** We will assist the Authority in expanding its Mergers Division to meet increased demand and will keep the staffing and funding of the Authority under review going forward.

### Competition in sheltered sectors

#### OBJECTIVE

**3.2** To remove restrictions on competition and open up sheltered sectors of the economy.

#### STRATEGIC ACTIONS

**3.2.1** We will analyse existing regulatory provisions that restrict competition and proposals for new regulation or legislation with a view to seeking the elimination of any unwarranted constraints on competition.

**3.2.2** We will further enhance the role of competition and consumer policy to remove restrictions on competition and open up sheltered sectors of the economy.

## Consumer policy

### OBJECTIVE

**3.3** To formulate and implement a new consumer policy in line with best international practice and based on a modern institutional and legislative framework.

### STRATEGIC ACTIONS

**3.3.1** We will develop a new consumer policy and associated support structures aimed at promoting and protecting the interests of consumers based on the work of the Consumer Strategy Group.

**3.3.2** We will progress the review of existing consumer legislation to ensure that consumer law is more readily understood and meets consumer needs.

## Company Law & Regulatory Agencies

### OBJECTIVE

**3.4** To cooperate with, support and monitor the CRO, RFS, ODCE and IAASA (when formally established) in pursuit of the high-level goal of delivering high standards of corporate governance.

### STRATEGIC ACTIONS

**3.4.1** We will implement the Companies (Auditing and Accounting) Act 2003 and in particular establish on a statutory basis the Irish Auditing and Accounting Supervisory Authority as soon as possible.

**3.4.2** We will develop, in consultation with the regulatory agencies, the Annual Companies Report publication as a mechanism for monitoring and reporting on progress made towards the two high level goals in the Company Law area.

**3.4.3** We will further develop a system of measures of regulatory compliance (and non-compliance) in consultation with regulatory agencies, for enabling progress towards the first Goal above to be monitored and reported on.

## Companies legislative framework for the financial services industry

### OBJECTIVE

**3.5** To provide a flexible legislative framework for the corporate vehicles used by the financial services industry. This will facilitate the further development of Ireland's competitive position as an attractive location for the establishment of financial services companies.

### STRATEGIC ACTIONS

**3.5.1** We will provide the legislative framework for a new investment fund vehicle (the non-UCITS Common Contractual Fund); and segregated liability and cross investment for investment companies.

**3.5.2** We will develop proposals for the consolidation of legislative provisions applying to all investment companies.

## EU legislation on company law

### OBJECTIVE

**3.6** To contribute to the legislative work of the EU Council and Commission on company law in order to strengthen and develop the Internal Market.

### STRATEGIC ACTIONS

**3.6.1** We will enact a programme of primary and secondary company legislation as appropriate to provide for the transposition of new EU legislation, including:

- European Company Statute;
- European Cooperative Statute;
- Amendments to the First Company Law Directive;
- Insider Dealing and Market Manipulation (Market Abuse) Directive;
- International Accounting Standards Regulation;
- Modernisation of Accounting, Prospectuses, Takeovers, Transparency Obligations Directives.

**3.6.2** We will participate in negotiations on measures currently before the EU Council and in respect of new measures expected to be brought forward from the Corporate Governance/Company Law Action Plan over the next three years.

## Company Law Consolidation and Reform Act

### **OBJECTIVE**

**3.7** To bring forward proposals for a Company Law Consolidation and Reform Act based on the work of the Company Law Review Group.

### **STRATEGIC ACTION**

**3.7.1** We will submit the General Scheme of a Consolidation and Reform Bill for approval by Government in 2005 with a view to publication and enactment as soon as possible thereafter.

## Insurance Reform Programme

### **OBJECTIVE**

**3.8** To monitor and aid the newly established Personal Injuries Assessment Board in fulfilling its mission.

### **STRATEGIC ACTIONS**

**3.8.1** We will engage with and support the Personal Injuries Assessment Board to enable it to improve the processing of personal injury claims in order to achieve lasting improvements in the functioning of the insurance market generally for the benefit of consumers and business.

**3.8.2** We will complete and publish the study of the insurance sector in conjunction with the Competition Authority during 2005.

### **Performance Indicators**

Programme of new primary and secondary legislation to be delivered in accordance with time-scales to be set out in each successive Annual Business Plan commencing for 2005.

Quantitative and qualitative measurement of the contribution the Personal Injuries Assessment Board makes to reducing the cost and time taken in delivery of compensation to claimants.



**PILLAR 4** Business Delivery, Modernisation & Customer Focus

## ENVIRONMENTAL ANALYSIS

The Department has a staffing complement of just over 1,000. As demonstrated throughout this strategy statement, we are committed to providing quality service both to our external and our internal customers. Our day-to-day business is founded on our core values of fairness and respect, openness and transparency, flexibility and responsiveness, partnership and consultation, responsibility, motivation and performance, service and professionalism.

In February 2005, the Department was for the third successive year included in the "50 best companies to work for in Ireland" competition<sup>15</sup>. Furthermore, our rating has improved year by year. Participation in the competition provides the Department with a benchmark report which enables us to compare ourselves with the best public and private sector organisations in Ireland, and to address issues raised by staff working in the Department. By proceeding in this way, we have assiduously improved how we as a Department conduct our business.

The Department has a very active Partnership Committee, which helps to ensure that staff, unions and management take collective responsibility for driving the modernisation challenge and ensuring that we remain to the forefront of the change agenda.

## MODERNISATION AND CHANGE

The Strategic Management Initiative (SMI), launched in 1994, set the agenda for change in the Irish civil service. "Delivering Better Government", published in May 1996, expanded on the framework set out in SMI and contributed to the development of an extensive modernisation programme aimed at ensuring high standards and greater efficiency and value for money in the delivery of services to the public. This programme has led to a results-driven approach to public sector management and a more efficiently run Civil Service.

Following from the SMI and Delivering Better Government, the current social partnership agreement has

resulted in the development of a detailed action plan committing the Department to a range of activities aimed at further advancing the modernisation process within the Department and ensuring continuing improvements in services to our customers.

## QUALITY CUSTOMER SERVICE & CUSTOMER CHARTER

Increasing demands for excellence in service delivery is a welcome feature of our modern society. Where providers are attuned to customer needs, beneficial direct and indirect impacts include improvements to immediate service delivery and ultimately enhancement of competitiveness and value for money.

In order to assess the needs of our customers, the Department has conducted extensive customer care research in each of the Department's seven Divisions. The evaluation of the findings of the research formed the basis of the Department's Customer Charter, which was published in 2004 (available on our website [www.entemp.ie](http://www.entemp.ie)).

The Charter sets standards for the level of service that our customers can expect. Performance against the standards set will be monitored and reported on in the Department's Annual Report.

The Department aims to provide a high quality service to its customers across a wide range of activities. Each year the Employment Rights Information Unit provides information to around 150,000 customers; redundancy payments are processed on behalf of around 25,000 employees, around 9,000 insolvency payments claims are processed and some 7,000 visits are carried out by Labour Inspectors. It is intended that all of these services will be relocated to Carlow town by mid 2008. This carries significant risks for the quality of services that will be provided in the future. All of these sections have undertaken impact assessments, which identified ways in which the risks of service deterioration can be minimised. More work needs to be done in the period covered by this strategy to ensure that decentralisation will be successful for all our customers.

<sup>15</sup> The competition forms part of a European Commission initiative designed to draw attention to the many progressive workplaces throughout Europe, both in the public and private sectors. The competition aims to raise workplace standards throughout Europe by promoting healthy competition among organisations as they seek to be among their nations' and Europe's best workplaces.

## MANAGEMENT INFORMATION FRAMEWORK

As part of the overall arrangements approved for driving the reform proposals in Delivering Better Government, the Government appointed the Working Group on Financial Management to oversee implementation of the financial management reform agenda. The Group's 1999 report, *Financial Management in a Reformed Public Service*, recommended, among other things, the development of the Management Information Framework (MIF). The objective of MIF is to provide Departments with a flexible system of financial management integrated with performance and output measurement so as to enhance efficiency, performance and accountability. As well as the standard functions of a modern financial system, MIF envisages internal and, in time, external reports covering both the financial and non-financial aspects of performance. The MIF project aims at ensuring more efficient processing of financial transactions and accounts; better decision-making about the allocation of resources; more efficient and effective management of resources once allocated; and greater transparency in, and accountability for, the use of resources.

The Management Information Framework (MIF), which will be implemented over the period of this strategy statement, will enable the Department to produce information in a way which allows better linking of resources, plans, outputs and reports, leading to better informed decision-making regarding the allocation and use of departmental resources.

## FINANCIAL CONTROL & RISK MANAGEMENT

The Report on the Accountability of Secretaries General and Accounting Officers (the "Mullarkey Report") was published in January 2003. The recommendations of this report have far-reaching implications for the Department and these are being implemented on a phased basis. In addition to examining the role, responsibility and accountability of Secretaries General and Accounting Officers, the report comments on the areas of internal financial controls, internal audit arrangements and risk management, makes recommendations in these areas and sets out a time-frame for implementing them progressively over a two year period. Implementation of the recommendations of the report is on target. This will continue to focus the attention of the Department on

accountability, efficiency and value for money in the various programmes and services delivered by the Department and through funding provided by the Department to other bodies. Continuing improvement in these areas will be a key priority over the period of the strategy statement to ensure the Secretary General, as Accounting Officer for the Department, can sign annually a Statement on Internal Financial Control.

## HUMAN RESOURCES

The HR environment in which the Department operates will be affected by a number of factors during the period of the strategy:

### 1. DECENTRALISATION

The Government's Decentralisation Programme will see circa 300 posts in the Department move to Carlow. This, coupled with interest from some staff of the Department in relocating to other areas under the Decentralisation Programme, will have a significant impact on staff turnover and training requirements while new staff members throughout the Department familiarise themselves with their new roles.

### 2. REDUCTION IN CIVIL SERVICE NUMBERS

The current three-year programme of reductions in Civil Service numbers will result in the loss of 34 posts in the Department by end 2005. The Department will be required to maintain its high quality of existing service delivery to Government and the people and also deal with any new policy or service requirements which arise during the period while managing the required reduction in numbers.

### 3. LEGISLATIVE DEVELOPMENTS

The HR legislative environment in which the Department operates has changed radically. The Public Service Management (Recruitment and Appointments) Act 2004 allows Departments to recruit directly, subject to a licence from the new Commission for Public Service Appointments. The Civil Service Regulation Bill 2004, when enacted, will make a number of changes in the way in which Government Departments are managed. These changes will give Ministers and Heads of Departments the necessary powers to encourage and reward good performance and to deal effectively with underperformance.

#### 4. HR STRATEGY

The Department's Human Resources Strategy was published in early 2005. The purpose of this Department's first HR Strategy, is twofold:

- To bring our HR policies together in one document to show how the various policies interact with each other and can be better integrated.
- To map out an action plan for the future development of these policies, in particular how we will move from the traditional narrow approach to Personnel to a more developmental and strategic HRM approach.

The development of a more strategic central HRM function will continue the process of devolution of responsibility for routine day-to-day administrative personnel matters to line managers. The focus of the strategy is to map out how we will continue the transition to a more strategic approach to the management of our people and to set out the framework of supports necessary for all staff in the new HRM environment.

#### INFORMATION & COMMUNICATION TECHNOLOGIES

The IT environment in which the Department operates will be affected by a number of factors during the period of the strategy:

##### 1. DECENTRALISATION

From an ICT perspective, the Department is a large, complex organisation, with staff and offices located in a number of centres and a wide range of applications and technologies being deployed. The movement of some 300 of the Department's staff to Carlow as part of the Government's decentralisation initiative will increase this complexity and the demands placed upon the IT Unit.

##### 2. SERVICE DELIVERY

The demand for improved service delivery by the clients of Departmental services is mirrored by the increased IT literacy of the staff of the Department and the demands placed on the Department's IT Unit for the provision of high quality ICT infrastructure and services, to include electronic knowledge and records management, business intelligence, collaborative working tools and organisational learning systems.

#### 3. E-GOVERNMENT

The external environment in which the Department provides its services to the public and to the political system continues to evolve at a rapid pace. An important objective of Government is to promote and develop eGovernment, the use of Information and Communication Technologies to improve the delivery of services to the public.

As part of the eGovernment agenda, the Department was tasked with the development of an electronic system for the provision of services to the business community. The BASIS website ([www.basis.ie](http://www.basis.ie)), maintained and developed by the Department, meets this requirement.

#### 4. BUSINESS PROCESS RE-ENGINEERING

The delivery of a Business Process Re-engineering (BPR) service to the Department and its Offices is an essential factor in facilitating the introduction of new work process improvements. This will continue over the period of the strategy statement and will have enhanced significance in the context of decentralisation.

#### STATISTICS STRATEGY

The Department recognises that the first step in formalising a data/statistics strategy includes a fundamental appraisal of how data are currently collected and used – both internally and in the wider public sector. Developing strategies and plans which more closely align data availability to data needs will be the focus of the Department's activities in this area over the lifetime of this strategy statement and beyond. The Department is anxious that its activities and decisions are evidence based and underpinned by hard, reliable information.

The Department recognises that much preparatory work needs to be done before the above objectives are met. It is this preparatory work which is the main focus of our initial statistics strategy. The Department also explicitly recognises that much of the data that it uses, and will use, are outside the direct control of the Department. Conversely, it is also apparent that much of the economic and social data relied on by other Departments and organisations and by the public emanate from this Department and its Agencies. Dealing with such cross-cutting issues in an effective way will be a necessary step in the ongoing achievement of objectives in this area.

Working effectively with data involves both a highly detailed and a highly strategic emphasis. To this end, the Department and many of its agencies have been working closely with a team from CSO as part of the SPAR (Statistical Potential of Administrative Records) project. The output of this exercise, which is expected to be completed during 2005, will include a review of the data needs (as expressed by the Department) and the adequacy of the data sources currently being used to meet those needs. Major gaps in data will also be identified. It is also expected that this report will provide a framework for the prioritisation of data needs as well as strategic options for the development of more integrated data sources – whether these sources are internal to the Department and its agencies or externally available in the wider public sector.

#### **BREADTH OF DATA AND RESPONSE BURDEN**

Given its wide remit, the Department (and its agencies) is involved with data concerning individuals and data about establishments. Of this data, much is administrative in nature and some is survey-based. The situation is similar in other public sector organisations. Much of the data are needed to support the administration of a variety of programmes and schemes and are collected from respondents on this basis. Other data are collected and used for policy evaluation and formulation. A feature of recent years is that more and more information is being collected from establishments, but not always in a coordinated manner. This leads to the impression that data collections across the public sector are inefficient and place a larger burden on respondents than is necessary.

It is evident that opportunities exist to rationalise these data collections, both internally and across the public sector. Achieving this is more than a matter of efficiency. The continuation of a less than optimal, ad-hoc approach to data collections can actually endanger the quality of data collection and hence have adverse consequences for the decision-making process. The Department therefore intends to address the issue of response burden in a transparent manner and is signalling its intent to deal with this issue as an important strategic item in itself.

## **Conclusions**

The further advancement of the modernisation process will ensure a continued focus on the delivery of excellent services and greater value for money to our customers and stakeholders.

The successful implementation of the Management Information Framework will be a key and essential factor in facilitating effective measurement of performance against goals and objectives. It will provide a basis for improved evidence-based decision making regarding the deployment of resources across our policies and programmes, with the twin goals of achieving effectiveness and value for money.

In addition, the implementation of the recommendations in the Mullarkey report will continue to focus the attention of the Department on accountability, internal financial controls, internal audit arrangements and risk management.

The Government Decentralisation Programme, involving the move of some 300 of our posts to Carlow, will provide significant and complex challenges for the Department over the period covered by this strategy statement. Ensuring minimal disruption to business continuity and the maintenance of quality customer service will be a major focus of the work programme of the Corporate Support Services over the period of the strategy.

## GOALS

- XII** The provision of high level professional support and advice across the Department in key support areas, in order to ensure that we meet our business goals and continue to be at the forefront of the modernisation agenda.
- XIII** The delivery of excellent services to our external customers and stakeholders through ensuring the most effective use, development and deployment of our resources and the achievement of maximum value for our expenditure.

## OBJECTIVES AND STRATEGIC ACTIONS

### Quality Customer Service

#### OBJECTIVE

**4.1** To deliver the highest quality service to our customers by implementing the customer service standards established in our Customer Service Charter and implementing specific eGovernment initiatives of benefit to our customers.

#### STRATEGIC ACTIONS

**4.1.1** We will continuously monitor, evaluate and improve the standards set out in our Customer Charter and report regularly on the delivery of those standards.

**4.1.2** We will continue to monitor, expand and improve the services we deliver to the public and our stakeholders and actively seek to increase e-delivery of services where appropriate and feasible.

### Modernisation

#### OBJECTIVE

**4.2** To advance all areas of the modernisation process with particular emphasis on value-adding initiatives, including the implementation of the Management Information Framework, and to utilise our Partnership structures to promote internal dialogue and consultation with staff.

#### STRATEGIC ACTIONS

**4.2.1** We will identify and implement change management initiatives and priorities for the Department, through the Change Management Committee and the SMI Groups and we will drive the successful delivery of the comprehensive range of commitments in our Sustaining Progress Action Plan.

**4.2.2** We will drive the roll-out and implementation of the Management Information Framework having regard to the MIF project plan 2004-2006.

**4.2.3** We will continue to ensure that our Partnership Committee is central to promoting internal dialogue and consultation with staff on key issues in the process of change and improvement.

## Human Resources and Training

### OBJECTIVE

**4.3** To continue to develop our human resources through the Performance Management and Development System and transition from a traditional Personnel Management function to a devolved system of Human Resource Management, and to provide equality of opportunity to all staff.

### STRATEGIC ACTIONS

**4.3.1** We will implement the Department's Human Resources Strategy, including the development and rollout of a training programme and supports.

**4.3.2** We will continue to effectively implement our Performance Management and Development System (PMDS), in accordance with agreed deadlines, to enhance staff development and performance.

**4.3.3** We will develop policies to achieve greater participation by women in senior grades, with particular emphasis on achieving the targets of at least 33% of AP posts and 20% of PO posts to be filled by women.

**4.3.4** We will develop policies to improve participation in promotion competitions by people with disabilities.

## Human Resources Management

### OBJECTIVE

**4.4** To ensure the Department has the required human resources, equipped with the skill sets needed to deliver our business goals.

### STRATEGIC ACTIONS

**4.4.1** We will provide targeted training and development, addressing the identified development and business needs of individuals and groups of staff, utilising e-learning systems where possible.

**4.4.2** We will grow our skills and competencies to improve continuously our service to our customers and stakeholders at all levels.

## Information & Communications Technology

### OBJECTIVE

**4.5** To provide the best ICT services to support the Department's business needs.

### STRATEGIC ACTIONS

**4.5.1** We will undertake a review of the ICT Strategy 2003-2006 and, if appropriate, prepare a revised ICT Strategy to reflect any significant changes in the Department's working environment.

**4.5.2** We will provide a resilient ICT infrastructure for the successful hosting of the Department's public-facing services on a 24/7 basis.

**4.5.3** We will provide a business process re-engineering facility to assist Units and Offices of the Department improve the process of service delivery and subsequently assist those Units and Offices in the implementation of new work approaches. In particular, we will prioritise work on decentralising areas over the period of the strategy.

**4.5.4** We will develop an improved, more effective electronic Redundancy Payments system.

## Decentralisation

### OBJECTIVE

**4.6** To relocate Departmental staff and functions to Carlow within the timeframe set by Government in a manner which minimises disruption to business continuity and quality customer service and places people at the heart of the process.

### STRATEGIC ACTIONS

**4.6.1** We will produce and action a detailed implementation plan which will set out our strategies to minimise customer service disruption, identify and minimise risks, and manage staff turnover, training, knowledge management and communications.

**4.6.2** We will work closely with the Office of Public Works to assist in the procurement of a building in Carlow of high quality design and build, providing a safe, accessible working environment for all staff.

**4.6.3** We will plan to ensure that quality service delivery will be maintained in Carlow Town.

## Financial Control & Value for Money

### OBJECTIVE

**4.7** To ensure that all financial transactions are carried out in accordance with established public financial procedures and to seek improvements in value for money in the administration of the Department's affairs.

### STRATEGIC ACTIONS

**4.7.1** We will pursue the full implementation of the financial management modernisation programme, including the continuous improvement of service to our internal and external customers.

**4.7.2** We will bring the benefits of the new financial management system to the management and business units of the Department, enabling them to perform their functions more efficiently and effectively.

**4.7.3** We will review the Insolvency Payments scheme.

## Internal Audit

### OBJECTIVE

**4.8** To provide a risk based internal audit service, which gives assurance on the systems of control.

### STRATEGIC ACTIONS

**4.8.1** We will provide assurance to the Accounting Officer regarding the internal control systems of the Department and those offices directly within the remit of the Department. We will specifically advise the Accounting Officer regarding signature of the Statement on Internal Financial Control, which now accompanies the annual Appropriation Account.

**4.8.2** We will fulfil our responsibilities to the European Commission for a programme of audit activity to be undertaken across organisations in receipt of funding from the European Social Fund (ESF). We also have a specific and extensive role in relation to the closure of each round of funding.

## Openness, Transparency & Accountability

### OBJECTIVE

**4.9** To enhance the management effectiveness and transparency of our business, including the provision of high-quality information under Freedom of Information and other instruments, and to provide effective ongoing communication horizontally and vertically throughout the Department.

### STRATEGIC ACTIONS

**4.9.1** Subject to the agreement of the Minister for Finance, we will extend FOI to the Employment Appeals Tribunal (administrative functions only), Science Foundation Ireland, the Company Law Review Group, the Crafts Council of Ireland, the European Social Fund Financial Control Unit, the 35 County and City Enterprise Boards, Skillnets and the Labour Court (administrative functions only) by end 2005.

**4.9.2** We will continue to develop the Department's intranet site through enhancing its content and functionality to facilitate effective communication throughout the Department.



## Statistics strategy

### OBJECTIVE

**4.10** To put building blocks in place which will enable the timely availability of data to support evidence-based policy making, to better support ongoing evaluation of existing policy and programmes, and to enable staff to use data more effectively, both in terms of policy formulation and evaluation.

### STRATEGIC ACTIONS

**4.10.1** On foot of the CSO/Department SPAR project, we will form a standing committee on data strategy. This will be chaired at a high level in the Department and will involve stakeholders internal to the Department as well as from the main agencies. A representative from the CSO will also be invited to be a member of this committee, as will other external stakeholders - stakeholders who are data users as well as representatives of data providers (establishments).

The committee will, during 2005:

- consider the content and recommendations of the SPAR report;
- commence a process of prioritisation of existing and emerging data needs;
- consider how the use of unique identifiers can be enhanced;
- further consider if the best use is being made of available data;
- identify major data gaps;
- identify how skills and competencies can be developed to promote better use of data.

**4.10.2** As well as the above, the committee will address the issue of administrative and response burdens on enterprises. Opportunities for rationalising data collection will be proposed by the committee and a report will be published before the end of 2005.

## Better Regulation

### OBJECTIVE

**4.11** To adhere to the principles of better regulation, as set out in the White Paper, "Regulating Better".

### STRATEGIC ACTIONS

**4.11.1** We will participate in the Regulatory Impact Analysis pilot project.

**4.11.2** We will adhere to the principles of better regulation when preparing legislation.

## Risk management

### OBJECTIVE

**4.12** To ensure that appropriate actions are taken by management throughout the organisation to identify and manage effectively the risks to which the organisation may be exposed.

### STRATEGIC ACTION

**4.12.1** We will put in place a framework for identifying and minimising risks in order to ensure that the Department has an agreed and understood methodology for achieving its objectives.

## Performance Indicators

Customer service performance as measured against the targets set in our customer charter and by assessment of customer satisfaction using past customer service research outcomes as a benchmark.

Improved customer satisfaction attitudes to service delivery by survey.

Quantification of human resource development activities by measuring inputs such as participation in PMDS, expenditure on training and training days, and through qualitative research to assess key outcomes such as satisfaction with skills enhancement relative to competencies required to deliver the Department's goals.

Progress in moving to a more proactive, flexible and responsive approach to HR as measured by means of a staff survey to be carried out in 2006, the results of this survey to be measured against the results of the previous survey in 2003.

The outcome of our actions to enhance financial controls as measured by the extent to which the C&AG sees fit, in his annual report, to comment on the Department's Appropriation Account, and the nature of those comments.

The success of our decentralisation to Carlow indicated by reference to completion within the timeframe set by the Decentralisation Implementation Group and the degree to which customer service disruption is minimised when compared against the benchmark of established customer service delivery prior to decentralisation.

Reduction in waiting times for claims hearing of cases in employment rights and industrial relations bodies and for payment of redundancy and insolvency payments.

## SECTION 3

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The Department's engagement in broad national policies extends well beyond the ambit of its agencies and statutory bodies, to encompass a range of stakeholder bodies including the Social Partners, other Government Departments and Agencies, the voluntary sector and a wide range of international bodies.

### COMPETITIVENESS

The broad national competitiveness agenda impacts across all of the Department's Divisions as well as numerous other Departments and State Agencies. The National Competitiveness Council, which helps measure competitiveness performance and define competitiveness challenges, engages with representatives of the main economic Departments. The recommendations of the Council are followed up by an informal Inter-Departmental Group chaired by this Department, which in turn reports on progress to Government.

Other competitiveness issues are also dealt with at the Cabinet Committee on Infrastructure, on which the Minister is represented. That in turn is supported by the Cross Departmental Team on Infrastructure, Housing and PPP's.

EU general and competitiveness issues are addressed by the Cabinet Committee on the EU which is supported both by a Senior Officials Group and the Inter-Departmental Committee for Coordination of EU Affairs. The Minister/Department is represented on these Groups.

### SCIENCE, TECHNOLOGY AND INNOVATION

Under the terms of the Government Decision of 22 June 2004 on Coordination and Governance of STI, and on foot of the Irish Council for Science, Technology and Innovation (ICSTI) Commission Report, a high-level inter-departmental committee, representative of all Departments having a role in science and technology matters and chaired by this Department, was established. This Committee will act as a forum where crosscutting issues are presented and discussed with a view to enhancing cohesion and synergy across the National System of Innovation. The interdepartmental committee (IDC) will report to Government on a regular basis and will make recommendations on the implementation of the R&D National Action Plan.

As part of the same Government Decision, the Government's first Chief Science Adviser has been appointed, and will participate in the IDC. These steps are expected to act as a catalyst to enhance systems and structures for the cohesive development and progression of cross-cutting issues.

The Minister represents Ireland's position on research matters at the 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.

### TRADE

Effective co-operation and co-ordination of the various interests concerned with promoting trade is essential if supports for exporters are to be maximised. Unity of vision and perspective in respect of the framework conditions (Common Commercial Policy, World Trade Organisation (WTO) agreements) under which trade is conducted is the starting point. Liaison arrangements across the various Departments' interests involved are in place to reach a coordinated Irish position at the EU 133 Committee<sup>16</sup> and related meetings, as well as in preparing for major trading round discussions such as the Doha Development round.

Information sharing, co-operation and co-ordination are also effected through structures such as the Trade Advisory Forum and Foreign Earnings Committee.

### REGIONAL DEVELOPMENT – COUNTY/CITY DEVELOPMENT BOARDS

The Department will continue to support the more co-ordinated delivery of public services at local level through its support of the County/City Development Boards<sup>17</sup>, particularly through the participation of the IDA, Enterprise Ireland, County/City Enterprise Boards and FÁS on the Boards.

<sup>16</sup> Under Article 133 of the EU Treaty, the European Commission is required to consult with Member States on the operation of EU Common Commercial Policy. The council committee involved is known as the Article 133 Committee.

<sup>17</sup> CDBs were established in 2000 to address the issue of more co-ordinated public and local development services at local level. Led by local government, the Boards are representative of the four key sectors of local government, local development, the social partners and state agencies. IDA Ireland, Enterprise Ireland, FÁS and the CEBs are represented on each board. The Boards are chaired by a local authority-elected member.

## **SOCIAL INCLUSION**

In Lisbon in 2000, the European Council of Heads of State and Government of the EU Member States pledged to make a decisive impact on poverty in the EU by 2010.

In December 2000, Member States agreed a common set of objectives for combating poverty and social exclusion.

Member States are required to draw up National Action Plans against Poverty and Social Exclusion (NAPS/Inclusion) and to report progress against those objectives.

The Department contributes to the NAPS/Inclusion process by providing an input to the plan on relevant labour market measures which address the objectives of combating poverty and improving social inclusion. Such measures include FÁS Programmes such as Community Employment, the Social Economy Programme, Training for People with Disabilities and other disadvantaged groups, and the EQUAL Community Initiative Programme.

## **NATIONAL REFORM PROGRAMME**

The Department is responsible for preparing the employment and competitiveness elements of the National Reform Programme, which under new procedures replaces the existing EU reporting requirements including the National Employment Action Plan. The National Reform Programme which covers both economic and employment policies will be co-ordinated by the Department of the Taoiseach. Many of the issues covered will be informed by existing Government policies, particularly Sustaining Progress and will describe how the Guidelines are incorporated into domestic policy and put into practice.

## **NATIONAL DEVELOPMENT PLAN 2000-2006**

### **EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT OPERATIONAL PROGRAMME**

The Department is the Managing Authority for the Employment and Human Resources Development OP and in this context is responsible for monitoring and reporting on progress on this programme. The programme will invest some €15 billion in vocational education, training and employment support measure over the period 2000-2006. €892 million of the total is provided by the European Social Fund. Key stakeholders include the Departments of Education and Science; Justice, Equality

and Law Reform; and Community, Rural and Gaeltacht Affairs; FÁS; Enterprise Ireland; the Social Partners and the EU Commission.

### **PRODUCTIVE SECTOR OPERATIONAL PROGRAMME**

This Department is also the Managing Authority for the Productive Sector OP and monitors and reports on progress on the programme. Investment under the programme exceeds €4.5 billion and is aimed at ensuring that Ireland has a business environment and infrastructure that is at least as favourable as any other location worldwide. €330 million of the total is provided by the European Regional Development Fund and the Financial Instrument for Fisheries Guidance Fund. Key stakeholders include the Regional Assemblies, the Regional Authorities, the Social Partners, the EU Commission and a number of Government Departments and Agencies including the Departments of Education & Science and Communications, Marine & Natural Resources, and Enterprise Ireland and Shannon Development.

### **EMPLOYMENT RIGHTS & INDUSTRIAL RELATIONS**

The Department continues to engage closely with the industrial relations bodies, the social partners and other Government Departments and agencies on social partnership issues and on EU developments, and on a range of other matters, including industrial relations and workplace issues.

### **SOCIAL PARTNERSHIP**

The Department is a major contributor to delivering a number of the special initiatives contained in Sustaining Progress. The Department is the main agent in addressing:

- Long-term unemployed, vulnerable workers and those who have been made redundant;
- Cost and availability of insurance;

and supports other bodies charged with addressing:

- Migration and interculturalism;
- Tackling educational disadvantage – literacy, numeracy and early school leaving;
- Care – children, people with disabilities and older people; and
- Including everyone in the Information Society.

The Department reports on its activities in implementing these initiatives on a regular basis to the central Steering Group and the Plenary Sessions.

Outside of the current social partnership agreement, the Department engages with the social partners in a number of different fora, including the National Economic and Social Development Office (NESDO).

### **COMMERCE, CONSUMERS AND COMPETITION**

In the areas of Company Law and competition and consumer policy, the Department works closely with other Government Departments, with the offices and agencies of the Department and with other stakeholder bodies, such as the Irish Financial Services Regulatory Authority, the Irish Stock Exchange and the Irish Take-Over Panel. The development and maintenance of these relationships is an essential part of our work. In particular, the Department works closely with the Office of the Attorney General in pursuing its legislative programme and with the Companies Registration Office, the Office of the Director of Corporate Enforcement, the Registry of Friendly Societies, the Office of the Director of Consumer Affairs and the Competition Authority in pursuing our goals. The Department will work closely with the Irish Auditing and Accounting Supervisory Authority when it is formally established.

### **MODERNISATION AND CHANGE**

The Department actively engages in a wide variety of Interdepartmental Committees, which address the broad modernisation agenda. These include the Implementation Group of Secretaries General, the Change Management Network, the Mullarkey Implementation Group, the Tax Strategy Group, the Regulatory Impact Analysis Steering Group, the Management Information Framework Consultative Committee, the MIF Project Management Sub

Group, the Financial Management Working Group, the PMDS Network, the Personnel Officers Network, the Training and Development Committee, the Departmental Training Officers' Network, and the Decentralisation Liaison Officer's Group. Through these groups, the Department contributes to the development of a modern, productive, customer focussed public sector while absorbing best practice models from elsewhere.

### **NEW CONNECTIONS**

New Connections, the Government's second Information Society Action Plan, sets out a number of recommendations in the areas of eGovernment, R&D, eBusiness, lifelong learning, and related issues to the legal and regulatory environment. This Department has responsibility for the implementation of a number of these recommendations and actions, including the BASIS (business access website) project, Work Permits online project, Patents Office online project, online registration of companies and the EI Acceleration Fund. The Department will continue to endeavour to meet the ambitions set out in New Connections. The Department reports on progress to the Department of An Taoiseach twice yearly, which in turn reports to the Cabinet Committee on the Information Society.

### **CONCLUSION**

In conclusion, the Department, in the exercise of its role as a key player across national policies impacting on social and economic policy, interacts with most other Government Departments and many of their Agencies. We also have strong and close links with the Social Partners.

The continuing development of all of these relationships is critical to the successful implementation of our own, and mutually shared strategic actions.



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