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European Commission

Annual Activity Report 2021

DIRECTORATE-GENERAL EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION

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THE DG IN BRIEF

The Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) pursues policy and legislative and financial initiatives designed to build a highly competitive social market economy in the European Union. The **European Pillar of Social Rights** ([1]) is the EU social strategy to ensure that the transitions to climate neutrality, digitalisation and demographic change are socially fair and just. By implementing the Pillar, DG EMPL aims to create more and better jobs, promote skills and vocational education and training, improve the functioning of the labour markets, fight inequalities, confront poverty and social exclusion, modernise social protection systems including pensions, health and long-term care, facilitate the free movement of workers, promote workers' rights, health and safety at work, and protect against discrimination in the work place, as well as uphold the rights of persons with disabilities.

Mission statement of DG EMPL, 2020-2024 strategic plan

The **Treaty on the Functioning of the European Union** (TFEU) provides that, when setting and implementing its policies and activities, the EU has to take into account requirements linked to the promotion of a high level of employment, the guarantee of appropriate social protection, the fight against social exclusion and promote high levels of education, training and protection of human health (Article 9 of the TFEU). Other specific responsibilities for DG EMPL enshrined in the Treaties include combating discrimination (Articles 10 and 19 of the TFEU), implementing the right to free movement of workers (Article 45 of the TFEU), coordinating social security systems (Article 48 of the TFEU), promoting social dialogue and improved living and working conditions (Articles 151 to 155 of the TFEU), and applying a vocational training policy (Article 166 of the TFEU).

DG EMPL is in charge of implementing the **European Social Fund** (ESF), which seeks to: (i) improve job opportunities for workers in the internal market, (ii) help raise workers' standard of living (Article 162 of the TFEU) and (iii) develop actions to strengthen the EU's economic, social and territorial cohesion (Article 174 of the TFEU).

The responsibility for fulfilling the above objectives and setting policy in the fields of employment, social affairs and inclusion is **shared between the EU and its Member States** (Articles 4 and 5 of the TFEU). Due to the specific nature of the underlying activities and given the shared management mode used with the vast majority of its financial resources, the results and impacts of DG EMPL's activities are only to some extent under its own control.

DG EMPL also contributes to the employment and social dimension of the **enlargement** of EU and to the **international dimension** of the Commission's work.

DG EMPL's **main areas of intervention** to attain its objectives are:

([1]) The European Pillar of Social Rights

- ✓ Policy development, guidance, coordination and governance in the areas of employment, social inclusion and equality, including through the European Semester process, based on the principles of the European Pillar of Social Rights, and further integration of the UN Sustainable Development Goals.
- ✓ Legislation on working conditions, occupational health and safety, free movement, coordination of social security, non-discrimination and equal opportunities.
- ✓ Management of a wide range of funding instruments to implement policies:
  - *Shared management mode with the Member States*: the European Social Fund Plus (ESF+) for 2021-2027 period, as well as the former ESF, the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD) for the 2014-2020 period; REACT-EU, part of the Next Generation EU package; and the European Globalisation Adjustment Fund for Displaced Workers (EGF).
  - *Direct management mode by DG EMPL*: (i) the Employment and Social Innovation (EaSI) strand of ESF+; (ii) part of Erasmus+; (iii) part of the Citizens, Equality, Rights and Values programme (CERV); (iv) funds allocated by virtue of the powers conferred to the Commission by the Treaty ('prerogatives') for social dialogue, labour mobility, analysis of the social situation, demographics and the family; and (v) contributions to five decentralised agencies.
  - *Indirect management mode with non-EU countries and international organisations*: (i) operational programmes under the Instrument for Pre-Accession Assistance (for the 2007-2013 period), which are currently at closure phase; and (ii) actions related to EaSI that are implemented either by international organisations or by the European Investment Bank and the European Investment Fund.

As part of the EU's response to the COVID-19 pandemic, DG EMPL also helps the Member States to implement other funding received under the Next Generation EU package, such as the Recovery and Resilience Facility (RRF) and the Just Transition Fund (JTF).

With a total budget of EUR 120 billion for the 2021-2027 programming period (including EUR 19.2 billion from the Next Generation EU package), in addition to the amounts remaining from previous programming periods, DG EMPL is **responsible for approximately 6% of the EU budget**.

A **reorganisation** took place mid-2021 to better align resources with the Commission's political priorities and to improve the DG's efficiency. A new unit focused on fair green and digital transitions and research was created. In parallel, the establishment of the **new Joint Audit Directorate for Cohesion** (merging the audit directorates of DG EMPL and DG Regional and Urban Policy) also helped create synergies and efficiency gains.

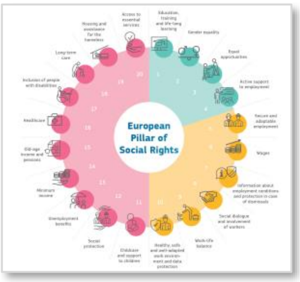
DG EMPL's **challenges and risks** typically arise from the effects of sudden changes in the EU's socioeconomic situation, such as the COVID-19 pandemic, which impacts all policy areas. However, the DG is proactive in focusing on long-term structural reforms in the Member States in order to develop their resilience and preparedness for unexpected situations. As such, DG EMPL supports the Member States through its policy development, guidance, coordination, governance, legislation and financial support that facilitate changes.

EXECUTIVE SUMMARY

This annual activity report is a management report from the Director-General of DG EMPL to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for its decisions and the coordinating, executive and management functions it exercises, as laid down in the Treaties ([2]).

A. Key results and progress towards achieving the Commission's general objectives and DG's specific objectives (executive summary of Section 1)

DG EMPL put forward all the initiatives planned in the 2021 Commission work programme and DG EMPL's management plan, contributing to the recovery plan. All these initiatives support the implementation of the ambitions set in President von der Leyen political guidelines, which were mirrored in DG EMPL's 2020-2024 strategic plan ([3]). These initiatives also helped implement the European Pillar of Social Rights and the UN Sustainable Development Goals, as further detailed in the following sections.



The Commission put forward the **European Pillar of Social Rights action plan** ([4]) on 4 March. Supported by a staff working document, the action plan sets out key actions at EU level in the areas of jobs, skills, equality and social protection and inclusion. It sets three EU-level headline targets to be achieved by 2030 on employment (at least 78%), adult learning (at least 60%) and poverty reduction (by at least 15 million people, including 5 million children). At the Porto Social Summit, EU leaders welcomed these targets and signed the Porto Declaration. The Presidents of the European Parliament, the Commission, EU social partners and the Social Platform, as well as the Portuguese Prime Minister also signed a separate Porto Social Commitment ([5]) welcoming the plan and calling on the European Council to endorse its headline targets. On 25 June, the European Council welcomed again the new headline targets in its conclusions. Following its strong endorsement, the Commission worked with the Member States to set their corresponding national targets. With the plan, the Commission has also proposed a revision of the social scoreboard, further aligning it with the principles of the pillar. The June Employment, Social Policy, Health and Consumer Affairs Council endorsed the scoreboard's headline indicators, which will already be used in the 2022 European Semester cycle.

([2]) Article 17(1) of the Treaty on European Union.

([3]) 2021 Commission work programme, 2021 management plan, Political guidelines of President von der Leyen and 2020-2024 strategic plan

([4]) European Pillar of Social Rights Action Plan

([5]) Porto Social Summit, Porto Declaration and Porto Social Commitment

In June, the Commission adopted the **2021-2027 strategic framework on health and safety at work** (OSH), which sets out a renewed vision for OSH for the coming years and extends the commitment to keep OSH at the forefront of the recovery process.

The Commission adopted a proposal for a **Directive on improving working conditions in platform work** and an accompanying Communication to ensure that people working through platforms have decent working conditions and access to social rights while securing the conditions for sustainable development of digital labour platforms in the EU.

The proposal for a **Council Recommendation on a European child guarantee**, adopted by the Commission in March, aims to ensure that disadvantaged children have access to the services they need, such as: early childhood education and care, education, healthcare, nutrition and housing, and are supported until they reach adulthood.

DG EMPL's main outputs in the area of social economy arise from the adoption of the **Communication on an action plan for the social economy** on 9 December. The plan sets out a framework for developing the social economy until 2030 and includes actions that will improve its contribution to the UN Sustainable Development Goals ([6]), the green and digital transition and the recovery from the COVID-19 pandemic.

The Commission continued to deliver on the European skills agenda for sustainable competitiveness, social fairness and resilience, in particular by proposing a **Council Recommendation on individual learning accounts** and a **Council Recommendation on micro-credentials for lifelong learning and employability**. The proposal on individual learning accounts aims to ensure that everyone has access to relevant training opportunities tailored to their needs, throughout their life and independently of whether they are currently employed or not. In parallel, the Commission seeks to make micro-credentials ([7]) work across institutions, businesses, sectors and borders.

Adopted on 3 March, the **2021-2030 strategy for the rights of persons with disabilities** aims to ensure that people with disabilities in Europe can exercise their human rights, have equal opportunities, have equal access to participate in society and

([6]) UN Sustainable Development Goals

([7]) Micro-credentials certify learning outcomes following a short learning experience (e.g. a short training course).

economy, are able to decide where, how and with whom they live, can move freely in the EU and are no longer discriminated.

To support the successful delivery of the above-mentioned initiatives, DG EMPL engaged in **dialogue with the civil society** and, in terms of **external communication**, it accompanied the initiatives by full press packages, including press releases, memos, factsheets and social media advertisement.

The COVID-19 crisis continued to impact the social and employment situation for people in Europe in 2021 but at a lower intensity, as the Commission took action to neutralise the pandemic effects through short and long-term funding support.

In the short term, the **European instrument for temporary support to mitigate unemployment risks in an emergency**, set out in 2020, allowed the EU to support Member States through loans, to counter the impact of the COVID-19 pandemic. Since its activation in September 2020, the instrument helped to protect 22.5 million employees and 8.5 million self-employed people.

Looking ahead to the longer term, DG EMPL has continued to implement the **funds under the 2014-2020 multiannual financial framework**, namely: the European Social Fund, the Youth Employment Initiative and the Fund for European Aid to the most Deprived, which were adapted to provide support measures for the health crisis in 2020.

The **European Social Fund** and the **Youth Employment Initiative** helped millions of Europeans improve their lives by learning new skills and finding better jobs. The latest estimates suggest that, between 2014 and 2020 ([8]), 45.3 million people were supported, of whom 5.4 million found a job (including as self-employed) and a total of 7.4 million gained a qualification. In addition, the Member States declared that around 3.4 million young people already had benefited from the Youth Employment Initiative by the end of 2020.

The **Fund for European Aid to the most Deprived** helped alleviate the worst forms of poverty in the EU by assisting the most deprived persons with food, basic goods and social inclusion support. The annual implementation reports from the Member States show that, in 2020 ([9]), approximately 15 million people benefited from FEAD food assistance (approx. 428 000 tonnes of food were distributed), 1.96 million people received material assistance, and 30 000 benefited from social inclusion support.

In 2021, DG EMPL worked to mitigate the socioeconomic impact of the crisis and ensured a socially fair recovery, including through the implementation of the **Next Generation EU programme**, encompassing the REACT-EU, the Recovery and Resilience Facility and the Just Transition Fund.

Thanks to **REACT-EU**, DG EMPL ensured a swift reaction to the COVID-19 pandemic. By the end of 2021, the Commission had adopted 87 amendments to ESF operational programmes and 13 to FEAD operational programmes to make the 2021 REACT-EU

([8]) Latest known data. The 2021 data will be provided in the annual implementation reports expected from the Member States by mid-2022.

([9]) Latest known data, as for ESF/YEI.

allocation available. Most of the new funding went to labour market measures, including measures to support short-term work schemes. On 23 November, the Commission adopted the breakdown by Member State of REACT-EU resources for the year 2022, based on the latest available socioeconomic data.

DG EMPL contributed to the assessment of the **Recovery and Resilience Plans** submitted by the Member States. Following the Commission's endorsement and Council's approval of these, DG EMPL helped ensure synergies with the European Social Fund and the European Social Fund Plus.

DG EMPL also provided guidance to Member States on the **Just Transition Fund** and territorial just transitions plans, as part of the informal negotiations on the programmes and in a technical webinar for managing authorities ([10]).

In relation to the 2021-2027 multiannual financial framework, following the adoption of the **European Social Fund Plus** Regulation in June, DG EMPL accelerated the programming negotiations with Member States authorities for the shared management part of the fund. Despite intensive preparatory work during the informal negotiation stage, not all Member States had advanced at the same speed in their programming, which resulted in the delayed submission of most of the draft partnership agreements and programmes. The most common causes of the delay stem from the prioritisation of the Recovery and Resilience Facility and/or REACT-EU negotiations, pending decisions on the Just Transition Fund, the COVID-19 pandemic and consequent lockdowns, and ongoing governmental changes and reshuffles.

The direct management part of the fund, namely the **Employment and Social Innovation** strand, supported activities such as setting up a network of national contact points to support potential applicants in all Member States. Communication, mutual learning and analytical activities also began, in order to support policy making.

In addition to the Funding and Tender portal for calls, the **new website of the European Social Fund Plus** ([11]) became the main external communication channel in 2021, thanks to news and human stories, besides a more effective use of social media.

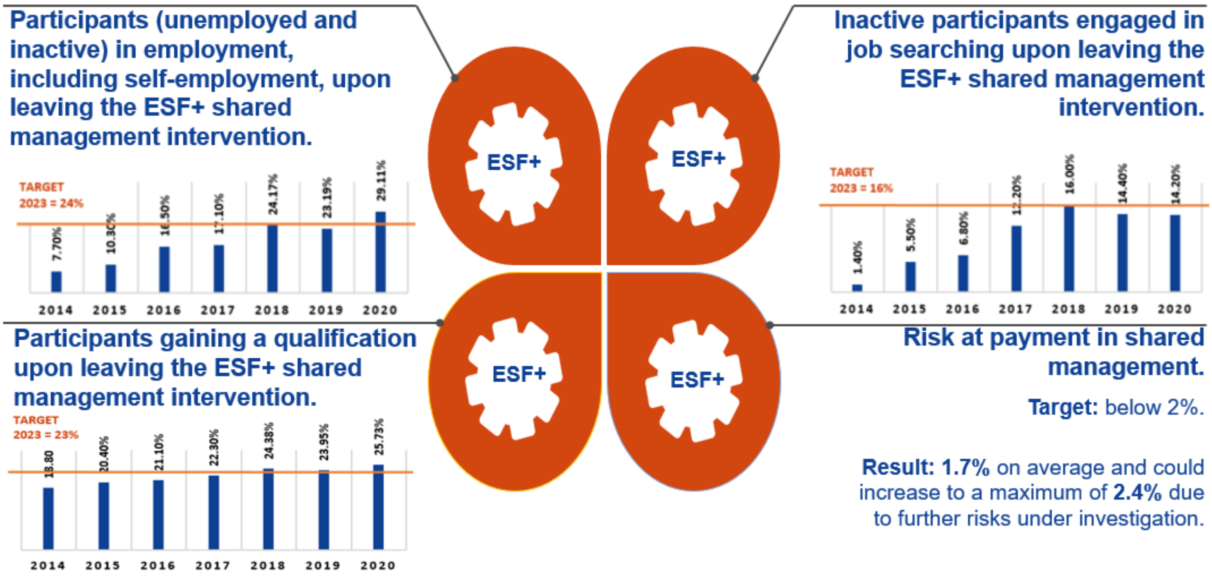
The Regulation for the **European Globalisation Adjustment Fund for Displaced Workers** (EGF) was adopted in April. Thanks to the enlarged scope of the 2021-2027 EGF, in 2021, eight applications were submitted by four Member States, requesting a total of EUR 20.5 million in order to assist 3 500 dismissed workers. Furthermore, six applications received in 2020 under the 2014-2020 Regulation were approved by the budgetary authority in 2021 and resulted in the mobilisation of EUR 17.8 million. Assistance from the fund includes packages of personalised services to reintegrate dismissed workers into sustainable employment as quickly as possible.

While led by other directorates-general of the Commission, the following programmes also supported DG EMPL's policy priorities in 2021: InvestEU, Horizon, Erasmus+ and the programme for Citizens, Equality, Rights and Values.

([10]) 2021-2027 Technical seminars – Technical webinar on the Just Transition Fund

([11]) European Social Fund Plus website

B. Key Performance Indicators (KPIs)



C. Key conclusions on Financial management and Internal control (executive summary of Section 2.1)

In line with the Commission's internal control framework, DG EMPL has assessed its internal control systems during the reporting year. It concluded that these are effective and that the components and principles are present and functioning well overall, but some improvements are needed, as minor deficiencies were identified. Please refer to section 2.1.3 for further details.

In addition, DG EMPL has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, and the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended and risks are being appropriately monitored and mitigated.

In particular, for programmes under shared management (98,6% of the relevant expenditure in the reporting year), DG EMPL carried out, **for each ESF/YEI and FEAD programme**, an individual assessment on the effectiveness of management and control systems and of the legality and regularity of expenditure entered in the accounts accepted in the reporting year. This approach allows to **disclose in this report the differentiated situation on the assurance obtained and individual risk rates confirmed for each programme**, by identifying which programmes function well, which present deficiencies and what type of remedial actions are needed, and for which programmes further financial corrections are necessary or likely to be needed.

Based on a review of all available audit results and a programme by programme analysis, DG EMPL concludes that:

- **The average residual total error rate** (risk at payment – KPI4) for the 2021 relevant expenditure for all management modes **is between 1.7% and 2.4%** (taking account of additional risks and ongoing audit contradictory procedures).

- However, for 48 programmes the individual residual total error rate remains above 2% despite the different control layers at Member States' level. Moreover, there are indications that the error rates may remain material for additional programmes. Therefore, as reflected in the maximum error rate, there is a risk that material irregularities remain in the expenditure certified to the Commission for ESF/YEI and FEAD in the accounts accepted in 2022.

- DG EMPL has, however, robust audit evidence (including from its risk-based compliance audits) **showing a differentiated situation for its 215 ESF/YEI ([12]) and FEAD programmes**: the confirmed residual error rate is below materiality for 167 programmes, while still above for 48 as indicate above. In most cases this did not question the reliability of the audit work carried out by the concerned audit authorities, but demonstrated that some errors remained undetected at Member State level. For the concerned programmes, DG EMPL will require application of appropriate additional financial corrections so that ultimately **the risk at closure** is below 2% for all 2014-2020 programmes (**to reach 1.4% on average** according to DG EMPL's estimate). For previous years, based on additional audit work and financial corrections applied, the risk at closure is currently below 2% for all years, close to the estimate. This reflects DG EMPL's multiannual corrective capacity mechanism.

- By the end of March 2022, based on all audit results including the last ones reported by audit authorities by 1 March 2022, DG EMPL has reasonable assurance that management and control systems function (sufficiently) well for 191 programmes ([13]) but present serious deficiencies for 24 programmes (11% of expenditure under assessment). **Weaknesses remain mainly at the level of managing authorities** or their intermediate bodies (deficiencies in management verifications, the first level controls), but DG EMPL notes an **improved situation overall** compared to the previous two years as a result of continuous efforts by programme authorities, with the Commission's support. **Weaknesses in the audit work** were also identified **for 12 audit authorities (or their control bodies)** in charge of auditing 8% of ESF/YEI and FEAD expenditure. Annexes 7C and 7D present the concerned programmes and authorities.

([12]) Including the operational programme Mecklenburg-Vorpommern REACT-EU 2021-2022, approved in July 2021.

([13]) This includes 11 programmes with only partial deficiencies.

Each time deficiencies are identified, DG EMPL requires **targeted remedial actions** to improve the functioning of the (part of the) system with a view to prevent recurring irregularities. Reservations are made based on all cumulative audit results up to the submission of the assurance packages in March 2022 (including the most recent audit opinions and error rates submitted by audit authorities, and before DG EMPL could complete its audit cycle), in line with applicable criteria (presented in annex 5). Reservations are only lifted once sufficient corrective measures have been taken. The fact that 88% of DG EMPL reservations are upheld for less than two years shows the effectiveness of corrective measures put in place. Please refer to section 2.1 for further details.

The Director-General, in his capacity as Authorising Officer by Delegation has signed the **Declaration of Assurance**, albeit **qualified by two reservations**:

- a reservation concerning management and control systems for **21 ESF/YEI programmes and 1 FEAD programme of the 2014-2020 programming period** in 10 Member States and the United Kingdom; and

- a reservation concerning ESF management and control systems **for 2 programmes of the 2007-2013 programming period** in 2 Member States.

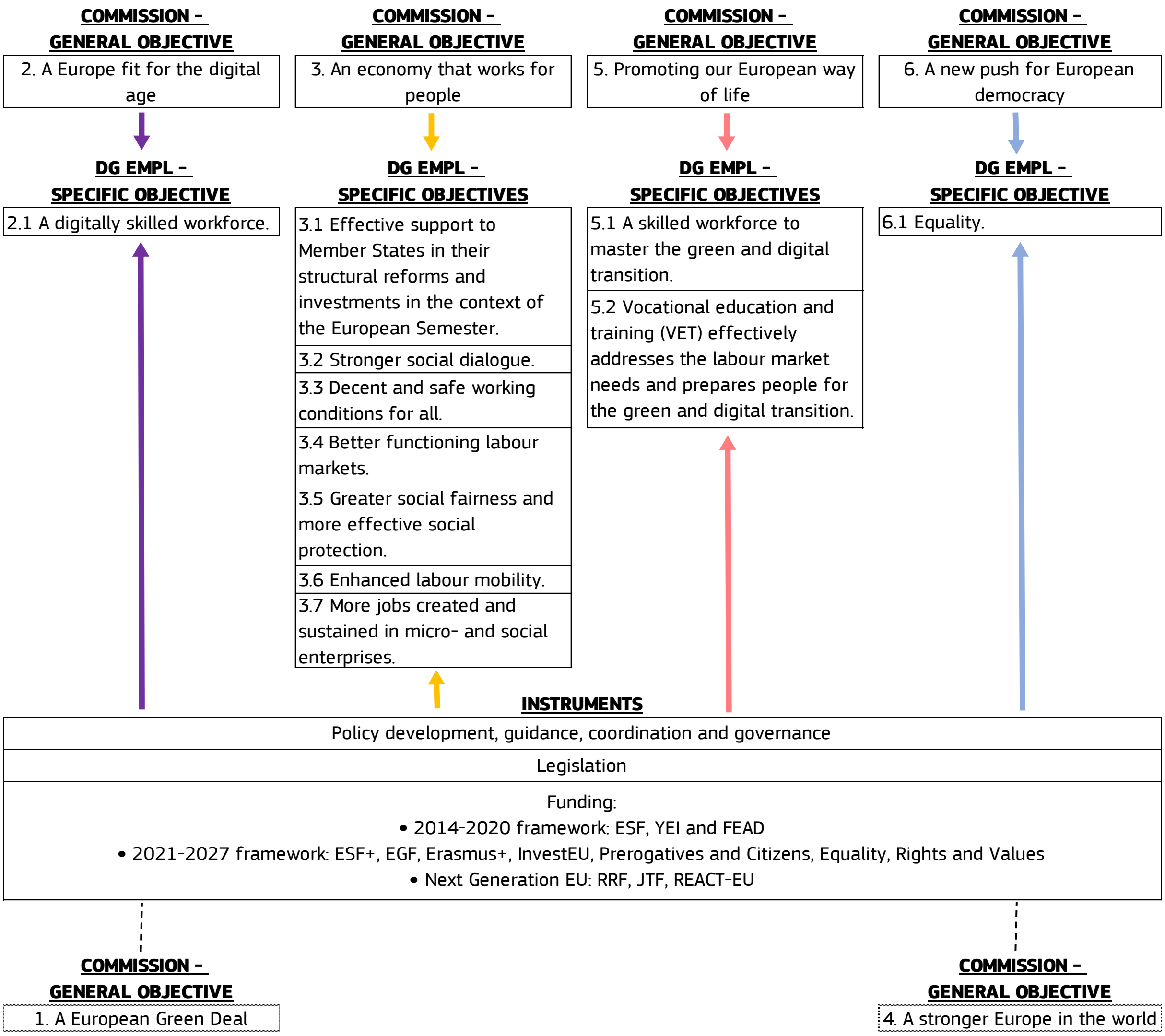
D. Provision of information to the Commissioners

In the context of the regular meetings during the year between the DG and the Commissioners on management matters, the main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of Commissioner Nicolas Schmit, responsible for the Jobs and Social Rights portfolio and Commissioner Helena Dalli, responsible for the Equality portfolio.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND DG'S SPECIFIC OBJECTIVES (14)

The continuation of COVID-19 infections across the EU extended the effects of the pandemic's effects into 2021. While the EU economy reached its pre-crisis level at the end of 2021, inflation in the euro area exceeded predictions and rose from a negative 0.3% in December 2020 to 5.0% at the end of 2021. In addition to pandemic-related adjustments, the surge in energy prices also contributed to the increase in inflation.

Against this background, DG EMPL softened the crisis impact on people with initiatives that supported the attainment of **four Commission general objectives**, where the DG plays a key role, and the other two to which it contributes indirectly, as presented bellow:



(14) This section should be read in conjuction with Annex 2 'Performance tables'. For more information on funds, refer to the programme statements for budget 2022 for ESF+ (page 549) and EGF (page 1 316), the ESI funds annual summary reports, the synthesis report of 2020 annual implementation reports submitted in 2021 and the ESIF open data platform.

General Objective 1: A European Green Deal

DG EMPL continued to contribute indirectly to this Commission objective through the design of policies, promotion of transformative change and activities to ensure that the transition takes account of impacts on employment and social investment needs, and is socially just, in line with the European Pillar of Social Rights and the UN Sustainable Development Goals.

In particular, DG EMPL prepared a proposal for a **Council Recommendation on ensuring a fair transition towards climate neutrality**, which provides guidance to Member States on active labour market policies, skills, social protection systems, taxation, access to essential services and the strengthening of cross-cutting enablers. It also contributed to analysis and policy development underlying the **Communication on energy prices** and the creation of a new expert group on vulnerable energy consumers.

Internationally, DG EMPL organised and co-hosted a side event on just transition at the 2021 UN Climate Change Conference, contributing also to the **Just Transition and International Solidarity Declaration**, and launched a new initiative, together with Canada, Denmark and the United States of America, on '**Empowering people: skills and inclusivity for just transitions**' at the Clean Energy Ministerial in Chile.

DG EMPL continued to develop analytical capacities to assess, monitor and evaluate the employment and distributional impacts of the green transition. These also informed the **impact assessment of the 'Fit for 55' legislative package** and the **2021 strategic foresight report**.

DG EMPL integrated social aspects into the **Recovery and Resilience Facility** and assessed how national plans, reforms and investments contribute to the just transition towards climate neutrality and are consistent and coherent with other instruments.

The **Research Executive Agency** supported DG EMPL with policy feedback, financial management and overall coordination on research. In 2021, the agency conducted work on grants, projects and evaluations for DG EMPL.

DG EMPL continued to contribute to the Commission's corporate **communication campaigns** around the Green Deal on the just green and digital transitions.

The achievements under this objective benefited from ESF **financial support**.

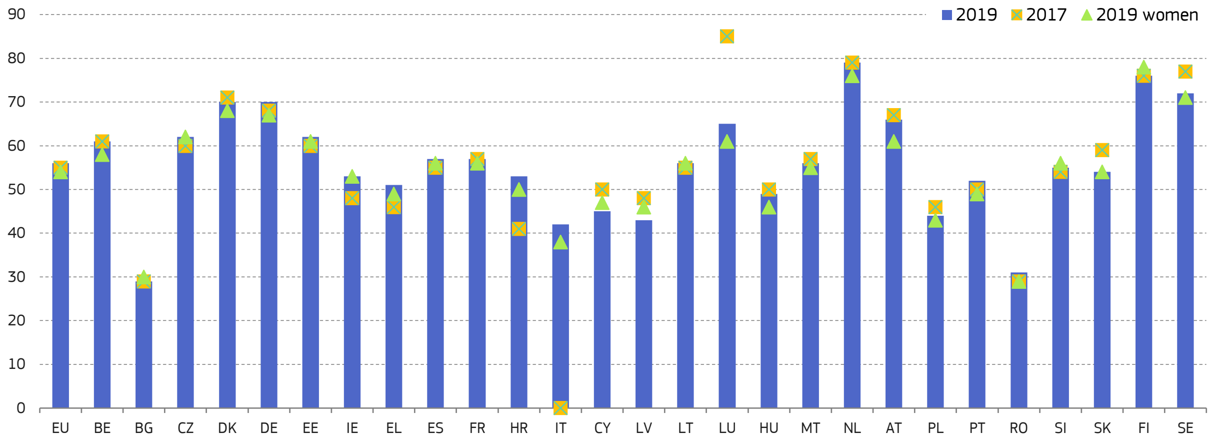
In Sardinia, Italy, thousands of jobseekers took training courses designed to help them find work in Europe's green and blue economies. Courses are split into two sets. One set is designed to strengthen people's skills and knowledge in a subject area, with job coaching, internships, and training leading to certification. The second is designed to help people to start up their own business. Thanks to an ESF contribution of EUR 56.5 million, over 5 000 people have participated in the project since 2016.

General Objective 2: A Europe fit for the digital age ([15])

The digital transformation is a key priority for the von der Leyen Commission, as it can strengthen the potential of businesses and foster innovation. The importance of digitalisation was once more proven during the pandemic when employment grew in jobs that are digital and can therefore be carried out from home, such as those in the insurance, computer programming and telecommunications sectors.

Digital literacy is the foundation the workforce needs to remain active in a labour market that is undergoing transformations due to technological progress. However, in 2019, only 56% of the EU population aged 16 to 74 had basic or above basic digital skills (55% in 2017) with disparities between the Member States ranging from 79% in the Netherlands to only 29% in Bulgaria. There are also gender differences, with only 54% of women having basic or above basic digital skills in 2019, compared to 58% men.

Chart 1: Population with basic or above basic overall digital skills ([16])



Minor and uneven progress made in the recent years, coupled with the high number of Member States significantly below the EU average, emphasises the need for more support to help adults to acquire at least basic digital skills.

Specific Objective 2.1: A digitally skilled workforce ([17])

([15]) The relevant performance table for this objective can be found in the annex 2 (page 4).

([16]) Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data code: TEPSR_SP410); 2017 data is unavailable for Italy.

([17]) The relevant performance table for this objective can be found in the annex 2 (page 5-6).

In cooperation with the Joint Research Centre, DG EMPL worked to update the **European digital competence framework** to take account of the competences needed as a result of emerging technologies such as artificial intelligence and datification or phenomena such as misinformation and disinformation. The framework is expected to play a central role in achieving the EU objectives on employment and adult participation in training by facilitating the monitoring of the people’s digital skills, supporting the development of curricula and setting learning goals, among other possibilities. The number of countries using the framework increased to 24.

In 2021, DG EMPL fully rolled out **SELFIE for work-based learning**, a digital self-reflection tool for vocational education and training providers, officially launched by Commissioner Schmit at the SELFIE forum on 7-8 October. DG EMPL further promoted SELFIE on EU social accounts and with a news item by the Joint Research Centre.

DG EMPL launched the **Europass digitally signed credentials**, acting on the clear need to move from paper-based certificates to digitally signed credentials. By the end of 2021, 23 countries were able to issue Europass digitally signed credentials.

In cooperation with DG Communications Networks, Content and Technology, DG EMPL also launched the **Digital Skills Self-Assessment Tool** in Europass, a service that allows users to assess the level of their digital skills and take the next step to improve them. Overall, usage of Europass increased from 1 million registered users in December 2020 to almost 3 million registered users in December 2021.

The policy achievements of DG EMPL under this specific objective benefited from **financial support** through ESF, EGF, EaSI strand of ESF+ and Erasmus+.

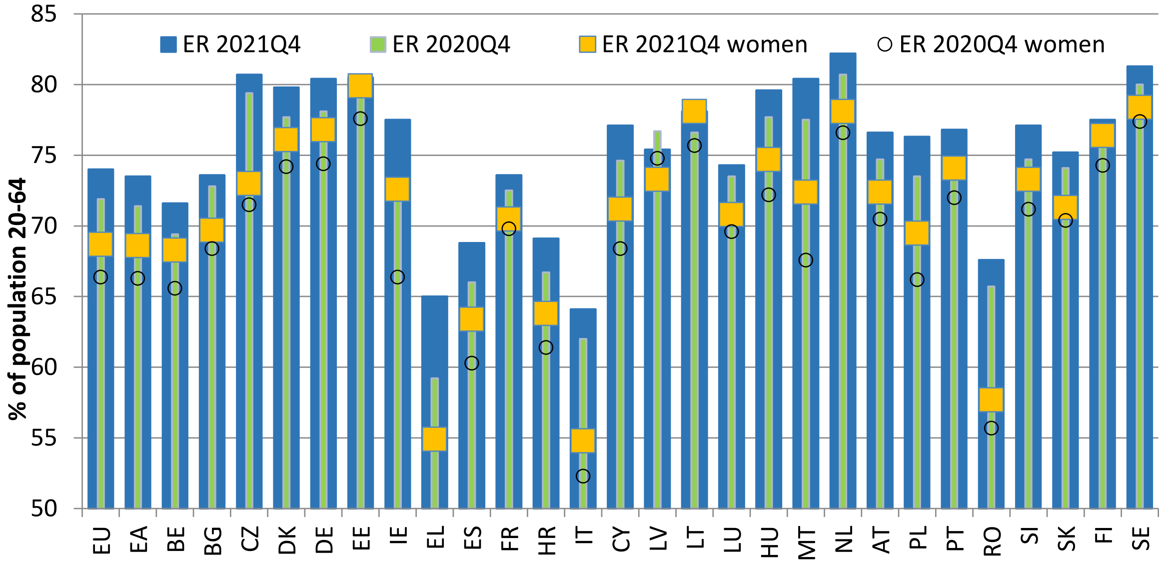
When the COVID-19 pandemic started, the population's shopping habits changed quickly with many turning to online shopping. Thanks to EUR 417 000 of ESF funding, retailers in South Funen, Denmark, received help to strengthen their digital business skills to navigate the changing retail landscape. The project, which advises companies on digital marketing and e-commerce, was initially scheduled to run from 2017 to 2021. Due to its success, it has been extended until September 2022 and has already supported more than 363 employees from 206 companies, by April 2022.

General Objective 3: An economy that works for people ([18])

The Commission's exceptional response to the crisis induced by COVID-19 cushioned the impact on employment. However, while employment grew in critical jobs that can be carried out from home and require low levels of social interaction, it fell in the sectors most affected by lockdown measures, such as the accommodation, food and travel sectors.

Overall, the employment rate for the EU population aged 20-64 increased from 71.9% in the fourth quarter of 2020 to 74.0% in the same period of 2021, making good progress towards the target of 78% set in the European Pillar of Social Rights action plan for 2030. When analysing the data by gender, the rate of women employment increased from 66.4% in the fourth quarter of 2020 to 68.7% in the same quarter of 2021.

Chart 2: Employment rate for population aged 20-64 ([19])



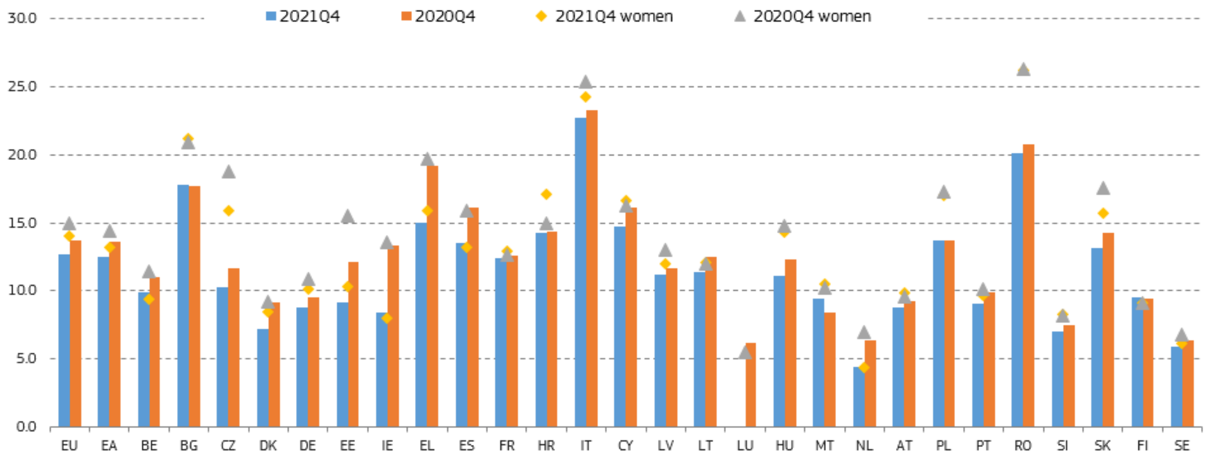
The 20-24 years old population was more severely impacted by the labour market shock, as they were already vulnerable due to a lack of or low levels of experience and were more likely to be in temporary employment. This age group saw the most sizeable decline in their employment rate in 2020 but it recovered, reaching 52.1% employment in the fourth quarter of 2021, compared to 48.4% in the same period of 2020. Others also saw improvements in 2021, except for those aged 70-74 where a decrease was noted (5.1% employment rate in the fourth quarter of 2021 compared to 5.3% in the same quarter of 2020) ([20]).

The EU average rate of young people neither in employment nor in education and training (NEETs) decreased from 13.7% in the fourth quarter of 2020 to 12.7% in the fourth

([18]) The relevant performance table for this objective can be found in the annex 2 (page 7-8).
([19]) Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data code: lfsi_emp_q).
([20]) Source: Eurostat (online data code: LFSA_ERGAED).

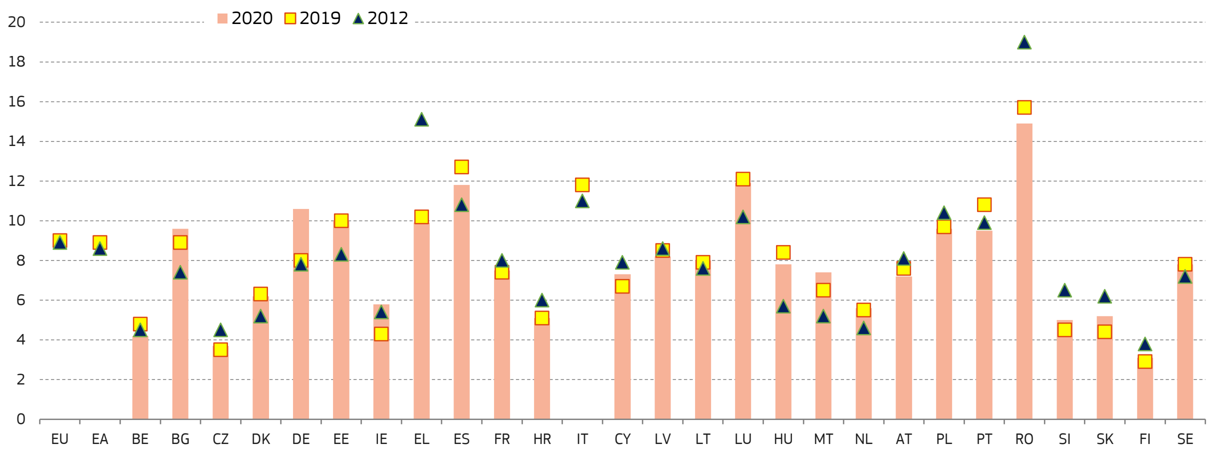
quarter of 2021, almost reaching pre-crisis levels (12.5%). As reflected in the graph below, the percentage of young women neither in employment nor in education or training generally exceeds that for young men.

Chart 3: Young people neither in employment nor in education or training (21)



While the consequences of the COVID-19 pandemic are not yet fully known, early estimates suggest lower wages for those that remained in work, showing that despite the protective effect of employment, many workers are still at risk of poverty as they do not earn sufficient amounts to provide them with a decent life. The rate of female workers who are at risk of poverty varies among the Member States with a high of 11.4% observed in Luxembourg and a low of 3.0% in Finland.

Chart 4: In-work-at-risk of poverty rate (22)



The proportion of people at risk of poverty or social exclusion was stable in 2020 compared to 2019 (21.9%), including for women (22.9% in 2020 compared to 23.0% in 2019), thanks in part to the unprecedented crisis response at EU level. In March, the Commission set a new EU-level target in the European Pillar of Social Rights action plan

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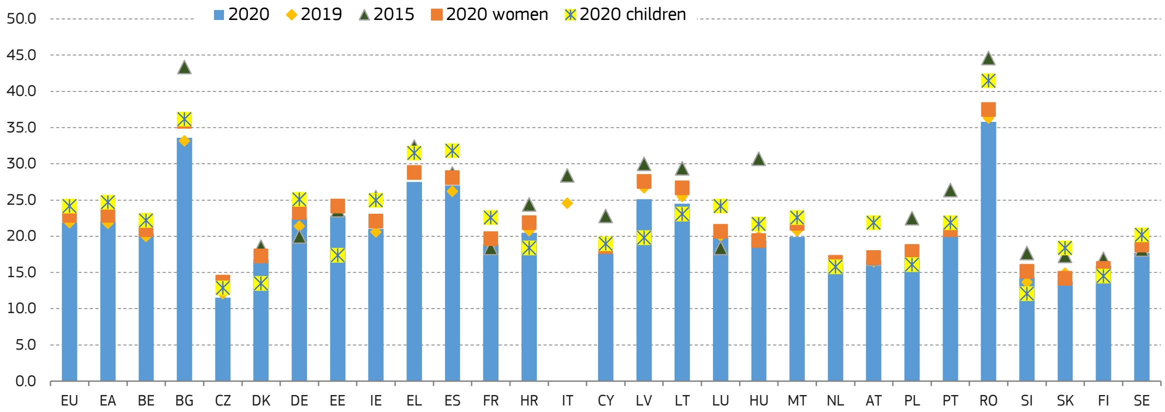
(21) Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data codes: une_rt_a and sdg_08_20); 2021 data for Luxembourg is unavailable.

(22) Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data code: ilc_iw01); 2020 data for Italy and the EU and EA average are unavailable.

to reduce the number of people at risk of poverty or social exclusion by at least 15 million by 2030. The nature of poverty and social exclusion is multifaceted. Some people are being impacted by very low work intensity while most face monetary poverty or material deprivation issues. Regardless of the cause, children aged 0-17 remain at a higher risk of poverty and social exclusion (the rate increased from 23.4% pre-crisis to 24.2% at the end of 2020).

Chart 5: People at risk of poverty and social exclusion ([23])



To address uneven changes in employment and poverty among Member States and pre-COVID-19 inequalities, policy action was needed for a medium-term sustainable and inclusive recovery, as described in the following sub-sections.

Specific Objective 3.1: Effective support to Member States in their structural reforms and investments in the context of the European Semester ([24])

As part of the renewed commitment to implement the **European Pillar of Social Rights** and support the application of the UN Sustainable Development Goals, the Commission adopted an **action plan** in March, which was welcomed by EU leaders at the Porto Social Summit and at the European Council. Part of the 2021 Commission work programme, the plan sets **new headline targets** for employment (at least 78%), adult learning (at least 60%) and poverty reduction (by at least 15 million people) for 2030.

In parallel, DG EMPL proposed a **revised social scoreboard** to improve the monitoring of Member States' employment and social performance. The headline indicators of the scoreboard were endorsed by the Employment, Social Policy, Health and Consumer Affairs Council and used in the Commission's proposal for a **2022 joint employment report** ([25]), providing an in-depth overview of the main employment and social challenges

([23]) Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data code: ilc_peps01); 2020 data for Italy is unavailable.

([24]) The relevant performance table for this objective can be found in the annex 2 (page 9-11).

([25]) 2022 joint employment report

in the EU that should be monitored in the context of the European Semester, based on the latest version of the **employment guidelines**.

DG EMPL helped shape national reforms and **Recovery and Resilience Plans**, by supporting DG Recover in the discussions with the Member States and providing key input for the assessment of the plans. It also helped draft delegated acts on the recovery and resilience scoreboard and the methodology to measure social expenditures in the plans. As a result, Member States dedicated 30% of expenditure to employment, skills and social policies.

The launch of the autumn package marked the return to a **more standardised European Semester cycle** after the adjustments made in 2020. As indicated in the 2022 annual sustainable growth survey ([26]), social fairness is among the Commission's key priorities, together with sustainability, productivity and macroeconomic stability.

The **Commission Recommendation for effective active support to employment** helps Member States move from the emergency measures taken to preserve jobs during the pandemic to active labour market and skills policies needed for a job-rich recovery.

In July, DG EMPL published the 2021 annual review of **employment and social developments in Europe** ([27]), an up-to-date economic analysis of the steps the EU is taking towards a strong social Europe, particularly in the aftermath of the COVID-19 crisis.

Through the publication of the **labour market and wage developments in Europe** ([28]) report, DG EMPL provided a thorough analysis of the main policy response at EU and national level to the COVID-19 outbreak. The analysis of the labour market impact could help shape future Commission and Member States measures to support the recovery and accompany the reallocation process towards the green and digital jobs.

Eurofound provided a valuable contribution on literature, data sources and drafting to the 2022 joint employment report and the employment and social development in Europe report, particularly in relation to social dialogue.

DG EMPL took **action to address policy performance recommendations** from the European Court of Auditors in relation to the Technical Support Instrument. These relate to the information provided in the screening phase of projects, cooperation with DG Reform in preparing projects (when resources allow) and the provision of data.

In terms of **external communication**, DG EMPL reached around 8.8 million people through its social media activities on the **launch of the European Pillar of Social Rights action plan** and 10 million TV viewers via Euronews broadcasting six episodes on pillar-related topics as part of the 'Real Economy' magazine. The launch was accompanied

([26]) 2022 annual sustainable growth survey
([27]) Employment and social developments in Europe
([28]) Labour market and wage developments

by a special eurobarometer [29] on Social Europe. DG EMPL rolled out a joint communication strategy and campaign with the Portuguese Presidency to promote the Porto Social Summit, including a citizens' dialogue, joint visual identity, press interviews, social media paid promotion etc. It also sponsored the first-ever European Pillar of Social Rights award. Furthermore, DG EMPL organised online quizzes on social rights, launched the #MySocialRights video competition and promoted a mini-series of animated videos on social rights via its social media accounts, triggering 2.3 million impressions.

The **Employment and Social Developments in Europe conference** provided an opportunity to discuss the main findings of the report and policy choices to support the green and digital transitions in light of the COVID-19 pandemic with European and national policy-makers, renowned academics and other key stakeholders.

These policy achievements benefited from **financial support** through ESF, EGF and EaSI.

With an ESF contribution of over EUR 8.5 million, the e-Government Agency in Bulgaria has introduced more than 859 online services in the last four years, which are making life easier for thousands of people and businesses. Upgrading cross-cutting e-government systems allows digital, remote and secure access to the databases of various administrations, which has enabled more efficient and effective public services and reduced administrative burden for people and businesses. During the COVID-19 crisis, hundreds of thousands of people used these e-services. The e-Government Agency's main goal is to make the communication between people and state administration entirely electronic within the next 5 years.

Specific Objective 3.2: Stronger social dialogue [30]

Social dialogue was instrumental in limiting the COVID-19 impact on workers and businesses, and supporting the recovery. The Commission discussed the response to the crisis and recovery measures in the regular **meetings of the cross-industry and sectoral Social Dialogue Committees** and in the **Tripartite Social Summit**.

(29) Special eurobarometer 509 on social issues
(30) The relevant performance table for this objective can be found in the annex 2 (page 11-12).

The special adviser on social dialogue to Commissioner Schmit presented a **report with actions on strengthening EU social dialogue** to (i) raise the profile of social dialogue within the EU and increase awareness of its importance; (ii) improve the structures and processes for European social dialogue; and (iii) support capacity building to benefit national social partners. The Commission started to consult social partners on the planned review of sectoral social dialogue through a survey and three technical seminars.

DG EMPL increased the involvement of social partners in EU policy and law-making by organising seven dedicated hearings with them and one meeting at high political level to **discuss planned initiatives** such as the EU's 2021-2027 strategic framework on health and safety at work and the 'Fit for 55' package.

With support from the Commission, the European social partners ensured effective social dialogue and provided support to their members. In 2021, the cross-industry and sectoral committees negotiated about **35 joint outcomes** (agreements, statements, toolkits etc.). The railways social partners signed a **new autonomous agreement to promote the employment of women**. The social partners from central government administrations are currently negotiating a **new agreement on digitalisation**. Following the appeal by the European Public Service Union against the ruling by the General Court, the Court of Justice confirmed that the Commission retains its right of initiative when social partners request the implementation of their EU-level agreement through a Council decision.

The Commission and the Employment Committee also organised a multilateral **review on the social partners' involvement in the European Semester process**, working with EU-level and national social partners.

DG EMPL emphasised the functioning and effectiveness of industrial relations by including in the 2021 employment and social developments in Europe review a chapter on the **role of social dialogue in managing the crisis and embracing structural change**.

Before submitting proposals in some social policy fields, the Commission must follow the **European social partners' two-stage consultation procedure**. The process and requirements for these consultations and for agreements negotiated by social partners is clarified in the better regulation tool 10 on 'treaty-based social partner consultations and initiatives', which was revised in 2021.

These achievements were **financially supported** by the prerogative and the ESF.

In 2021, the Commission organised two meetings of the Tripartite Social Summit on growth and employment, together with the Council Secretariat. DG EMPL also provided logistical and content assistance for 44 social dialogue committees (each with three meetings per year) and organised various consultation hearings on initiatives of DG EMPL and other services of the Commission. In addition, three calls for proposals were published on support for social dialogue, information and training measures for workers' organisations and improving expertise in the field of industrial relations.

Specific Objective 3.3: Decent and safe working conditions for all ([31])

A. Decent working conditions for all

In 2021, DG EMPL supported discussions in the European Parliament and Council and provided both co-legislators with the technical input needed to define their respective negotiating mandates on the Commission proposal for a **Directive on adequate minimum wages in the European Union**. The European Parliament adopted its negotiating mandate at its plenary session on 25 November and the Council reached a general approach on 6 December. Subject to its finalisation and transposition, the directive is designed to support collective bargaining on wages, ensuring that statutory minimum wages are set at appropriate levels and strengthening the enforcement and monitoring of minimum wage protection. It fully respects the specific characteristics of national systems, national competences and the autonomy of social partners.

In the field of labour law, the **expert group on the transposition of Directive (EU) 1152/2019 on transparent and predictable working conditions** completed its work. The group reviewed each of the directive's provisions and allowed for discussions on the issues faced by the Member States in transposing these into national legislation, while taking into account the views and contributions of EU social partners as observers. Its report, which was published in July, supports the effective and consistent implementation of the directive.

EU legislation on individual and collective rights has been enforced by ensuring the monitoring of complaints (more than 2 100 examined in 2021 in the area of labour law) and the launch, where appropriate, of infringement procedures, notably in the area of fixed term work and temporary agency work. Transposition and conformity checks continued, in particular for the most recent labour law directives in the area of transport.

Continuous **updating of information on national legislation and European and national jurisprudence on labour law** has been undertaken through reports from the European labour law expert network, the group of Directors-General for industrial relations and, in relation to Directive 2003/88/EC on working time, through updates of the dedicated webpage and the specialised sub-group of Directors-General for industrial relations.

([31]) The relevant performance table for this objective can be found in the annex 2 (page 13-14).

B. Safe working conditions for all

In June, DG EMPL presented the **2021-2027 EU strategic framework on health and safety at work**, as one of the major initiatives from the 2021 Commission work programme, following the outbreak of the COVID-19 pandemic. It identified key priorities and actions for improving workers' health and safety, and addressing rapid changes in the economy, demography and work patterns. Its objectives are: (i) anticipating and managing change in the new world of work brought about by the green, digital and demographic transitions; (ii) improving prevention of workplace accidents and illnesses; and (iii) increasing preparedness for any potential future health crises.

As preparatory steps, DG EMPL organised a roundtable with OSH experts, extensive consultations with stakeholders, a public consultation and a hearing in the European Parliament. The accompanying staff working document sets-out the results of an external study that took stock of the 2014-2020 strategic framework implementation and the results of the assessment of the practical implementation of Framework Directive 89/391/EEC and 23 related health and safety at work directives for the 2013-2017 period.

During its preparatory work, DG EMPL followed up on the external study to identify and select possible options for **updating Directive 89/654/EEC on minimum safety and health requirements for the workplace** and **Directive 90/270/EEC on minimum safety and health requirements for display screen equipment**, and to assess the related costs and benefits. The dedicated Working Parties of the Advisory Committee for Safety and Health at Work have also been closely involved in this analysis. Work was also carried out to assess changes in the world of work.

DG EMPL also pursued initiatives intended to reduce occupational exposure to hazardous chemicals, including carcinogens, mutagens and asbestos in the EU with the aim of reducing occupational diseases and reducing costs for businesses and social security systems. In particular it:

- worked towards facilitating an agreement between the European Parliament and the Council on the proposed **fourth amendment of Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work**; the co-legislators reached a provisional agreement on 16 December;

- carried out **preparatory work to feed into the impact assessments** on (i) revising the existing occupational exposure limit value under Directive 2009/148/EC on the protection of workers from the risks related to exposure to asbestos at work and (ii) setting or revising limit values for lead and di-isocyanates under Directive 98/24/EC on the protection of the health and safety of workers from the risks related to chemical agents at work; the preparatory work included the finalisation of a study supporting the impact assessments, completion of two-stage social partners consultations, adoption of Advisory Committee for Safety and Health at Work opinions and drafting the impact assessments with a view to adopting both proposals in 2022;

- published a **study gathering evidence regarding the exposure of workers to hazardous medicinal products**, including cytotoxic substances, and the best ways to address this; and

- carried out **procurement for a practice guidance on safe handling of hazardous medicinal products at work**.

The Senior Labour Inspectors' Committee adopted a new work plan for 2021-2027, a new structure and new mandates for all its working groups. It has set up a **new working group on biological agents**, which will develop guidelines to support labour inspectors in examining the quality assessment of exposure to biological risks in particular SARS-CoV-2.

A strong focus was placed on **monitoring the transposition of EU occupational safety and health legislation**, in particular in relation to six directives for which transposition deadlines expired during 2021 ([32]).

In particular, intensive work was carried out on monitoring the communication by Member States of national measures transposing the second and third amendments of Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work, and the follow up of the transposition of Directive (EU) 2020/739 amending Annex III to Directive 2000/54/EC of the European Parliament and of the Council as regards the inclusion of SARS-CoV-2 in the list of biological agents known to infect humans and amending Commission Directive (EU) 2019/1833. Infringement procedures were launched and closely followed up for those Member States that did not communicate their national transposing measures by the deadline. Significant progress has also been made in 2021 on conformity analysis ([33]) and handling of complaints.

([32]) - Directive (EU) 2019/130 amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (20 February);
- Commission Directive (EU) 2019/1831 establishing a fifth list of indicative occupational exposure limit values pursuant to Council Directive 98/24/EC and amending Commission Directive 2000/39/EC (20 May);
- Directive (EU) 2019/983 amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (11 July);
- Commission Directive 2019/1832 amending Annexes I, II and III to Council Directive 89/656/EEC as regards purely technical adjustments (20 November);
- Commission Directive (EU) 2019/1833 amending Annexes I, III, V and VI to Directive 2000/54/EC of the European Parliament and of the Council as regards purely technical adjustments (20 November); and
- Commission Directive (EU) 2019/1834 amending Annexes II and IV to Council Directive 92/29/EEC as regards purely technical adaptations (20 November).

([33]) In particular for:
- Directive (EU) 2017/164 establishing a fourth list of indicative occupational exposure limit values, where there was an informal exchange with a number of Member States through an EU pilot.;

With the aim of reducing unnecessary administrative burden in national legislation without reducing workers' protection, DG EMPL continued to **promote equivalent and effective application and enforcement of the EU occupational safety and health legislation**, in particular through actions within the Advisory Committee for Safety and Health at Work and the Senior Labour Inspectors' Committee, and through supporting the European Agency for Safety and Health at Work Agency (EU-OSHA) in its activities.

EU-OSHA has been involved in the EU response to the crisis, including on its mental health impact. It also organised expert discussions related to exposure to biological agents and pandemic preparedness at work, and developed two guides to facilitate the return to work for those with ongoing symptoms following a COVID-19 infection. In addition, it made available the final results from the occupational safety and health overview on 'musculoskeletal disorders', focusing on teleworking, the role of psychosocial risk factors and the role of workers in preventing and managing these disorders.

These policy achievements benefited from **financial support** through ESF and EaSI.

The Finnish University of Vaasa is developing a project, with funding from the ESF, called 'Focus on management of wellbeing at work'. The project will offer a framework and digital app to help businesses manage staff wellbeing, and its innovative crisis management tools should help companies respond to COVID-19. With an ESF contribution of EUR 1 million, it will help managers to recognise wellbeing development needs, set targets, use relevant tools and build management systems for workplace wellbeing, supported by an innovative digital app for smartphone and laptops.

Specific Objective 3.4: Better functioning labour markets ([34])

- Directive (EU) 2017/2398 amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work;
- Directive (EU) 2020/739 amending Annex III to Directive 2000/54/EC as regards the inclusion of SARS-CoV-2 in the list of biological agents known to infect humans.

([34]) The relevant performance table for this objective can be found in the annex 2 (page 14-17).

In 2021, DG EMPL continued its work to ensure labour markets function better, with the aim of facilitating transitions and increasing adaptability, inclusiveness and resilience.

In the context of the future of work, DG EMPL prepared the proposal for a **Directive on improving working conditions in platform work** ([35]), a major initiative announced in the 2021 Commission work programme, and the accompanying Communication, which were published on 10 December. To this end, DG EMPL organised two stages of formal consultations with the European social partners as well as numerous exchanges with stakeholders, including two roundtables with platform companies and people working through platforms. The proposal was underpinned by an impact assessment and several dedicated studies finalised throughout the year ([36]).

The objective of the legislative proposal is to ensure that people working through platforms have decent working conditions and access to social rights while enabling the sustainable development of digital labour platforms in the EU. More specifically, the proposed directive aims to address the misclassification of workers, creating new rights for algorithmic management in the platform work context and increasing the transparency of the platforms for public authorities so they can better enforce the applicable rules. The Communication outlines further non-legislative actions that can support improvements in working conditions for platform work.

DG EMPL also took an active part in the **debate on the future of work** in a digital world and contributed to the inter-service work on the proposal for the **Artificial Intelligence Act**. The use of artificial intelligence, and algorithmic management in particular, present distinct challenges in platform work and are also increasingly prevalent in the world of work beyond the platform economy.

Although it is falling, youth unemployment and inactivity as a result of the COVID-19 pandemic remain hight. To help tackle this, DG EMPL facilitated structural reforms and activation strategies for young people across the EU by supporting the implementation of the **reinforced Youth Guarantee**. This aims to reach out and get more young people into work, and support them in developing the right skills for a changing world of work, as well as encourage firms to hire unemployed young people. DG EMPL made a substantial contribution to the Employment Committee review on implementing the reinforced Youth Guarantee and supported Member States' data collection to monitor implementation. DG EMPL also facilitated exchanges among national Youth Guarantee coordinators, including through online meetings and webinars. The 2021 outputs also included a study on young people's access to social protection.

([35]) The initiative also contributes to the achievement of the Commission general objective 2 on 'A Europe fit for the digital age' as it supports its ambitions to grasp the opportunities from the digital age within safe and ethical boundaries by improving the protection of people working in digital platforms.

([36]) A study on platform companies business models, thematic reviews by the European Centre of Expertise on the situation in the Member States and on relevant case law, as well as a dedicated impact assessment study.

In 2021, DG EMPL continued to monitor the implementation of the **Council Recommendation on the quality framework for traineeships**, adopted in 2014. Following the call of the European Parliament and other stakeholders to improve working conditions for trainees, DG EMPL launched an evaluation study to support the review of the framework, announced for 2022 in the European Pillar of Social Rights action plan.

DG EMPL also continued to monitor the implementation of the **Council Recommendation on the integration of the long-term unemployed people into the labour market**. In 2021, the fifth round of the annual data collection in relation to long-term unemployed people took place, based on a commonly agreed indicator framework.

DG EMPL also actively participated in the audit carried out by the European Court of Auditors to assess European Social Fund support for long-term unemployed people. It committed to take the necessary actions to follow up on the auditors' recommendations, including by drawing up better guidance on creating an individual action plan for the long-term unemployed people who are being assisted by the fund.

In relation to **telework and the right to disconnect**, the European Parliament adopted a resolution on the right to disconnect on 21 January. In line with the European Pillar of Social Rights action plan, DG EMPL called on social partners to find commonly agreed solutions to the challenges of digitalisation. In addition, DG EMPL started an evidence-gathering exercise, including through a European Centre of Expertise seminar, and began work on the preparation and launch of a call for tenders for an exploratory study on the legal, economic and social context and development of telework and the right to disconnect, during and beyond the COVID-19 pandemic.

Research by **Eurofound** and the **EU-OSHA** on the digitalisation of the workplace, telework and the right to disconnect have contributed to DG EMPL's understanding of the current challenges and opportunities faced by workers and employers.

By supporting the **European Network of Public Employment Services**, DG EMPL helped these services learn from each other in adapting to and recovering from the COVID-19 crisis, as well as seizing opportunities to innovate, for instance via digitalisation. This was achieved through 19 mutual learning events, bringing together more than 1 500 participants and the re-launch of the third cycle of benchlearning, followed by 11 assessments in a virtual format. These activities supported Member States in promoting the development of active labour market policies and improving the capacities and performance of their employment services. Supporting the network through the green transition was another key priority, with the publication of a study and adoption of a position paper by the network board in December.

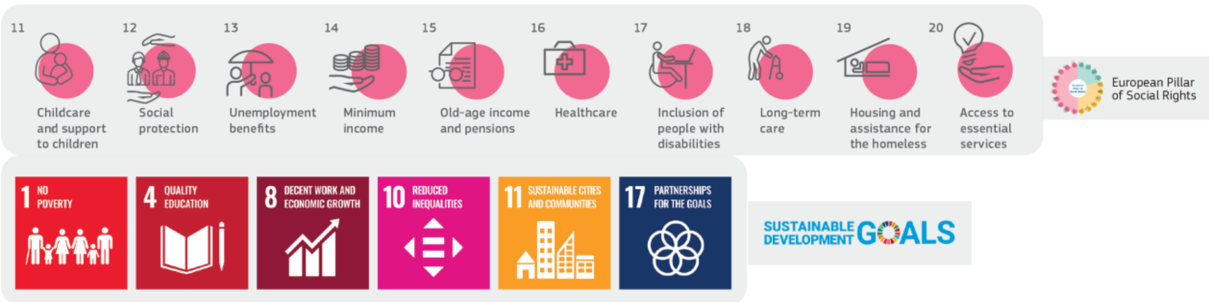
DG EMPL's **external communication** activities included a seminar on platform work focusing on an audience of specialised journalists in Brussels and Member States. In autumn, DG EMPL was present at the European Youth Event in Strasbourg and organised a debate event for Commissioner Schmit with around 500 young people, on the future of work.

In 2021, the Commission completed the ***ex post* evaluation of the 2014-2020 European Globalisation Fund**, which covered 49 approved applications submitted by the Member States between 2014 and May 2020. The report concluded that, overall, the fund successfully met its objective of showing solidarity with and helping people who have been made redundant due to large-scale restructuring events to find new jobs. The average re-integration rate into the labour market of workers who have been made redundant improved compared to the previous funding period (from 49% to 60%). Most of the recommendations have already been addressed in the Regulation covering the 2021-2027 period, adopted in April.

These policy achievements benefited from **financial support** through ESF, EGF and EaSI.

Between May 2017 and February 2018, 550 workers were made redundant in the publishing sector in the Attica region in Greece, as a consequence of falling newspaper sales since 2011. The EGF provided EUR 2.3 million in addition to national funding in order to help the workers affected. Despite the pandemic, the intervention was successful, with 79% of the workers helped back into employment at the time of submission of the final report. This is well above the average for EGF cases. Services offered included a grant for post-graduate university studies, which was for the first time the EGF had offered this in Greece, as well as business start-up aid, for example in the tourism industry or working as goldsmiths.

Specific Objective 3.5: Greater social fairness and more effective social protection ([37])



In 2021, DG EMPL put forward a proposal for a **Council Recommendation on the European Child Guarantee**, which was adopted by the Commission in March as part of its work programme. The Guarantee aims to ensure that disadvantaged children have access to the services they need and are supported until they reach adulthood. This initiative is an important part of the work to address child poverty in the EU, which

([37]) The relevant performance table for this objective can be found in the annex 2 (page 17-19).

reached 24.2% in 2020, and break the intergenerational cycle of disadvantage. The proposal was adopted by the Council in June.

In June, DG EMPL supported the launch of the **European platform on combating homelessness** at a high-level conference in Lisbon. European institutions and bodies, EU governments and civil society committed for the first time to work together to end homelessness in the EU. The platform supports dialogue, facilitates mutual learning, improves evidence-gathering and monitoring, and strengthens cooperation among all actors that aim to combat homelessness.

Throughout the year, DG EMPL began preparations in collaboration with partner NGOs for several other actions arising from the European Pillar of Social Rights action plan, to be completed in 2022.

For instance, DG EMPL set up a **high-level group on the future of social protection and the welfare state in the EU**, composed of experts selected through an open call for interest. The group held its first two meetings in 2021, to start the work on a report on ways to make social protection systems fit for the future, in view of demographic change, the new world of work and the green and digital transitions.

Work has also started on a proposal for a **Council Recommendation on minimum income**, a Commission Communication on distributional impact assessment and a report on access to essential services. A study was launched to analyse gaps in social safety nets to follow up on the pillar action plan and the Council Conclusions on strengthening minimum income protection to combat poverty and social exclusion in the COVID-19 pandemic and beyond, which call for updating the EU framework on minimum income.

In cooperation with DG Justice and Consumers, DG EMPL launched preparations for the **European care strategy**, to be adopted in 2022, in particular the long-term care elements. It will address both carers and care receivers, from childcare to long-term care.

DG EMPL contributed to the preparation of and the follow up to the **Green Paper on Ageing**, published in January, in particular in the areas of skills, longer working lives, social protection, pensions and long-term care.

DG EMPL reviewed and analysed the national plans submitted by Member States to implement the 2019 **Council Recommendation on access to social protection for workers and the self-employed**. These were discussed by the Employment, Social Policy, Health and Consumer Affairs Council and fed into the 2021 joint employment report and the annual report by the Social Protection Committee. It also updated the monitoring framework on access to social protection.

Together with the Social Protection Committee, DG EMPL worked further on the social scoreboard and published the **long-term care report** and the **pension adequacy report**. The key conclusions of both reports were endorsed by the Employment, Social Policy, Health and Consumer Affairs Council. The long-term care report analyses key common challenges on access and affordability, quality, workforce, financing and sustainability. It also provides information on recent reforms in Member States and the impact of COVID-19 on long-term care systems, giving a state of play of 'long-term care preparedness' across the EU. The pension adequacy report analyses the ability of pension systems to protect older people from poverty and replace income throughout retirement, today and in the future. It also provides an overview of recent pension reforms across the EU and in-depth analysis of how risks and resources are shared among older Europeans, in particular between men and women and between different socioeconomic groups.

DG EMPL supported the **survey on health, ageing and retirement in Europe**, ensuring the availability of comparable and detailed survey data across the EU to support policy analysis and development at EU level, in particular on policies on long-term care.

It contributed to the implementation of the 2020-2030 **EU Roma strategic framework** for equality, inclusion and participation, through the ROMACT capacity building programme for Roma inclusion, and the HERO pilot project on housing and empowerment for marginalised families, in particular Roma families. It also began developing the BIG pilot project on e-pay cards, proposed by the European Parliament, to promote more effective access to welfare benefits for people in extreme poverty, including Roma people.

In 2021, DG EMPL continued its work to implement the **action plan for integration and inclusion of migrants**, with a particular emphasis on increasing migrants' participation in the labour market, boosting their skills and supporting their social inclusion.

In terms of **external communication**, DG EMPL promoted the European Child Guarantee and its 20 social media posts generated around 141 000 impressions and 1 850 engagements. DG EMPL also organised an online conference on long-term care and pension adequacy in an ageing society to discuss the conclusions of the latest reports and to reflect on the way forward for social protection in old age. To promote the launch of the European platform on combating homelessness, DG EMPL worked with the Portuguese Presidency of the Council and the European Federation of National Organisations Working with the Homeless. This resulted in extensive media coverage and 341 posts were tweeted during the event using the hashtag #EndHomelessness, reaching more than 100 000 people. In November, DG EMPL organised a mutual learning conference on integrating migrants, highlighting skills intelligence and learning, education, sustainable housing for migrants and migrant women's employment opportunities.

These policy achievements were **financially supported** through ESF, FEAD and EaSI.

The 'Distribution of food parcels to students' project, which began in March 2020 and was co-funded by FEAD with EUR 1.4 million, identified and focused on the most disadvantaged students in third-level education in the Nouvelle-Aquitaine region of France. As the pandemic continued, the project's remit was broadened in October 2020 to cover young people aged 15-30 in precarious circumstances, with a new scheme called 'Rebound for youth'. Between 800 and 1 400 students receive food parcels each week. In total, nearly 52 000 packages had been distributed by the end of 2021.

Specific Objective 3.6: Enhanced labour mobility ([38])

In the field of **social security coordination**, DG EMPL helped advance the negotiations between the co-legislators on the revision of the relevant regulations ([39]), which led to a provisional agreement, however, this was not supported by the Council in December 2021.

DG EMPL also continued to ensure the electronic system for exchanging social security information becomes fully operational. By the end of 2021, the 32 participating countries had their data online while some particular business cases still needed to be rolled out. DG EMPL also launched the European social security pass pilot project to explore a digital solution for the cross-border verification of the social security entitlements of people who moved to a different country by institutions and other relevant actors (e.g. labour inspectors). Around 13 countries were taking part in the pilot project at year-end.

DG EMPL worked with the Administrative Commission to organise a further update of measures and guidance for social security institutions to ensure a common understanding and coordinated measures to benefit people who had moved to other countries.

The **EURES *ex post* evaluation** concluded that the EURES tools and services are relevant to addressing intra-EU labour mobility needs and that they lead to intra-EU placements, promote fair working conditions and increase awareness of labour mobility opportunities. The cost-effectiveness of EURES has increased and its benefits outweigh the costs. The EU added value of EURES was confirmed by the stakeholders consulted, showing that the Member States alone could not have achieved a similar level of support for cross-border labour mobility. Limitations identified mainly relate to the fact that the evaluation was done too early to show the final results of the reform, with some implementing provisions entering into force only after the end of the evaluation.

DG EMPL actively supported the **European Labour Authority** in reaching financial autonomy in May, in advance of the deadline set in the Regulation (1 August), as well as

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([38]) The relevant performance table for this objective can be found in the annex 2 (page 19-20).

([39]) Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems; and Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems.

its move to its headquarters in Bratislava. The Authority supported DG EMPL in disseminating information on the rights and obligations of mobile seasonal workers, raising awareness of fair and safe working conditions.

DG EMPL uses dedicated committees, expert networks to ensure the proper implementation/enforcement of the social security coordination rules. The Commission sent letters of formal notice to 24 Member States for **non-compliance** of their national legislation with the Directive 2014/67/EU on the enforcement of Directive 96/71/EC concerning the posting of workers. In addition, DG EMPL continued to monitor the **transposition** of the revised Directive on posting of workers. By the deadline of 30 July 2020, 13 Member States had transposed the Directive, while **infringements for non-communication** were launched against 14 Member States and the United Kingdom. **Reasoned opinions** were sent to two Member States for failing to communicate their national measures transposing Directive (EU) 2018/957 amending Directive 96/71/EC concerning the posting of workers, as follow up to letters of formal notice sent in October 2020. By 4 November 2021, all Member States had notified full transposition.

DG EMPL worked with the Member States to ensure proper application of the United Kingdom **Withdrawal Agreement** on citizens' rights and social security coordination.

DG EMPL worked closely with the Swiss authorities in the context of the **Institutional Framework Agreement** negotiation to reach a compromise on labour mobility.

In terms of **external communication**, considering that the social security coordination rules impact directly on millions of people (e.g. 250 million people hold a European Health Insurance Card), DG EMPL used various tools (studies, reports, seminars, Q&A, databases, websites, animation, videos, etc.) to ensure that the rules and their implications are appropriately communicated to the public and the responsible authorities.

In 2021, the European Court of Auditors launched audits on free movement in the EU during the COVID-19 pandemic and on exceptional measures during the COVID-19 pandemic. The Court followed up on its special report 6/2018 'Free movement of workers – the fundamental freedom ensured but better targeting of EU funds would aid worker mobility'. In the final analysis, the Court confirmed that the Commission took appropriate and timely measures in response to its recommendations.

These achievements were **financially supported** through ESF, EaSI and the Prerogatives.

The 'Boosting transnational cooperation' project co-financed by EaSI with EUR 373 852 between 2018 and 2021, helped develop cooperation plans, further informed and raised awareness on rights of posted workers, and identified the obstacles and barriers that hinder the checks on and monitoring of complex fraudulent schemes. Led by the French based Institut National du Travail, de l'Emploi et de la Formation Professionnelle, the project focused on the construction and agriculture sectors.

Specific Objective 3.7: More jobs created and sustained in micro- and social enterprises ([40])

DG EMPL prepared the **action plan for the social economy**, which was adopted by the Commission in December as part of its 2021 work programme. The Communication 'Building an economy that works for the people: an action plan for the social economy' sets out a framework for the development of social economy until 2030 and includes actions that will support its contribution to the UN Sustainable Development Goals, the green and digital transitions, and the recovery from the pandemic. Its objectives focus on: (i) the business environment, by ensuring that policy and legal frameworks are right for the social economy to thrive; (ii) building equal opportunities and capacity for all, by improving access to funding for the social economy; and (iii) awareness and recognition, by boosting the visibility of the social economy and obtaining new data about it.

The plan was underpinned by a broad stakeholder consultation. In addition, several other events, meetings and studies fed into the preparation of the plan and the evidence gathered in the staff working document accompanying the action plan. A **European Social Economy Summit** was co-organised with DG Internal Market, Industry, Entrepreneurship and SMEs in Mannheim on 26-27 May to support work on preparing the plan.

The **EaSI Microfinance and Social Entrepreneurship Guarantee** continued to provide support to eligible final recipients, helping them to cope with the negative economic effects of the COVID-19 outbreak by further facilitating access to and the availability of finance to micro- and social enterprises.

In 2021, DG EMPL coordinated the negotiations of the **InvestEU social investment and skills window** on the new financial products and the associated advisory initiatives, laying the foundations for the successful deployment of the social window from the start of 2022. The social window aims to improve access to finance for micro- and social enterprises, helping them start and expand their businesses, and thereby creating and sustaining jobs, generating a positive social impact and supporting social and inclusive entrepreneurship.

([40]) The relevant performance table for this objective can be found in the annex 2 (page 20-21).

In terms of **external communication**, the press outreach to promote the action plan resulted in at least nine articles in major European media outlets. On social media, information on the plan reached 35 000 people.

Communication activities were also carried out for EaSI and InvestEU, including awareness-raising activities, the publication of a code infographic, 4 case studies and 26 event news item. A ceremony for the award of the European code of good conduct for micro-credit provision was held during the European micro-finance conference.

Following up on the 2020 update of the European code of good conduct for micro-credit provision, DG EMPL published implementing guidelines. The code helps promote best practices in the European micro-finance sector and serves as a quality label, upholding high ethical and responsible lending practices, further protecting investors and consumers.

These policy achievements benefited from **financial support** through EaSI.

In 2019, a grant of EUR 558 096 from EaSI was signed with the Mustard Seed Maze - Sociedade De Empreendedorismo Social SA for the project 'Seeding social enterprises in Portugal' (2019-2021). The project implemented a total of 18 seed investment activities, which: (i) resulted in the financing of 18 social enterprises in Belgium, Germany, France, Netherlands and Portugal; (ii) effectively increased the total amount of resources and the quality of service deployed into seed deals; and (iii) increased support for earlier stages of social enterprises. The team assessed over 1 500 social enterprises and helped to prepare their founders through investment readiness sessions, built relationships with the right co-investment partners and supported social enterprises on impact monitoring.

General Objective 4: A stronger Europe in the world

DG EMPL contributed indirectly to the Commission's objectives through, for instance, further strengthening the EU's unique brand of responsible global leadership and supporting multilateralism and decent work worldwide.

To this end, DG EMPL continued to promote **decent work in the EU's external action**, multilateral fora, global partnerships, including via trade arrangements, as well as development, enlargement and human rights policies.

Moreover, it continued to promote **labour rights within the EU's trade relations**. In this area, DG EMPL contributed to the ongoing negotiations for free trade agreements, ensuring these included commitments on fundamental rights at work, occupational safety and health, labour inspection and access to remedies and provisions on decent working conditions. It also monitored the effective implementation of labour commitments in existing free trade agreements, under the 'Everything but arms' scheme and the Global Scheme of Preferences.

In 2021, DG EMPL continued to support **social and economic reforms in the Western Balkans** through economic reform programmes and by incentivising the application of the pillar principles in these countries, strengthening the regional cooperation in partnership with the International Labour Organization and the regional Cooperation Council, and the roll out of the EU legislation. In July, DG EMPL organised the second EU – Western Balkans Ministerial meeting on employment and social affairs where the ministers discussed youth employment and the structural challenges faced by young people in the labour market.

As for the extended neighbourhood and Central Asia, DG EMPL continued to improve the **employment and social dimensions of the EU Eastern Partnership post-2020** and to promote **decent work and respect for international labour standards in Central Asia**, in line with the 2019 EU strategy on Central Asia. Furthermore, DG EMPL increased its engagements with Southern Neighbourhood partners and with the Union for the Mediterranean labour and employment ministries, with which it organised three events.

Following the withdrawal of the United Kingdom from the EU, DG EMPL continued to monitor the **implementation and enforcement of the relevant elements of both the Withdrawal Agreement and the Trade and Cooperation Agreement**, and participated in the negotiations on an **agreement regarding Gibraltar**.

In 2021, DG EMPL also prepared a proposal for a Communication on decent work worldwide, scheduled for adoption in the first quarter of 2022.

The work of the **European Training Foundation** contributed to these achievements by integrating EU priorities on employment, social affairs and inclusion in the policies of the neighbourhood countries.

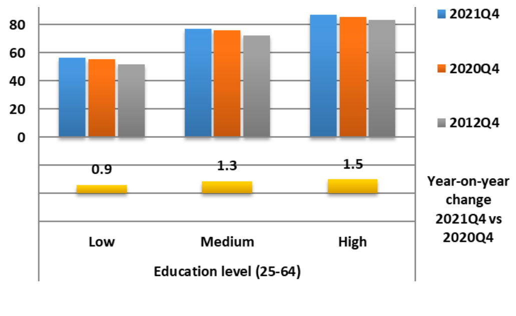
These policy achievements benefited from **financial support** through EaSI.

With EUR 282 043 from EaSI, the project 'European skills, competences, qualifications and occupations (ESCO) classification in the new Icelandic IT system' (2019-2021) strengthened Iceland's commitment to the EURES cooperation. In recent years, the Icelandic labour market has become more and more dependent on foreign labour. The project prepared an initial needs analysis and categorised it into four phases, which were converted into production tasks. Once completed, the system was tested by experts from the Icelandic Public Employment Service - Vinnumálastofnun (Directorate of Labour) and, as a result, the new IT system was developed and the ESCO classification was implemented.

General Objective 5: Promoting our European way of life ([41])

The European Pillar of Social Rights action plan set a headline target of 60% of adults participating in training every year by 2030. This is an ambitious target, considering that only 37% of adults took part in learning activities each year by 2016 ([42]), but is much needed as the latest crisis proved once more that those with higher education levels are more resilient to external shocks and experience a faster recovery on the labour market.

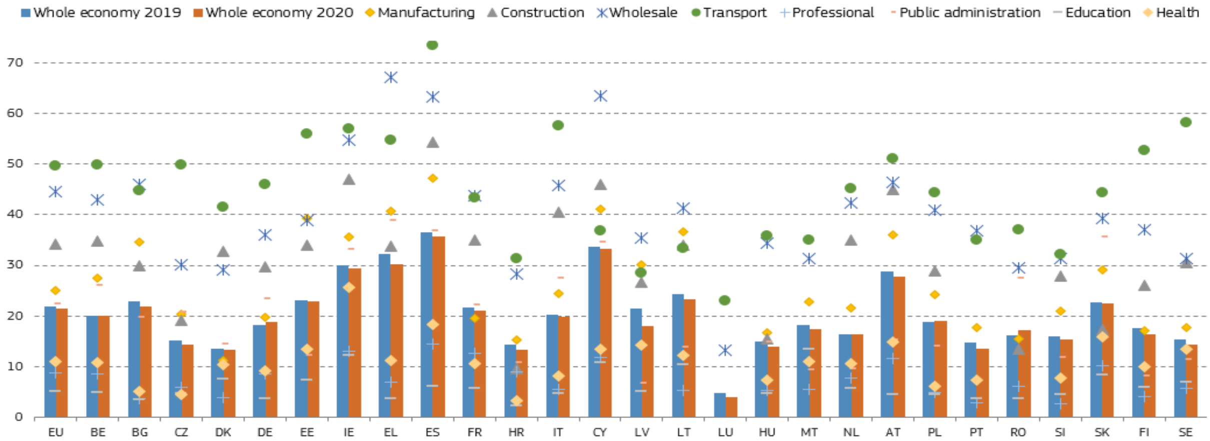
Chart 6: Employment rate by education level



From this perspective, 87.2% of those with a higher education level were in employment in the fourth quarter of 2021, an increase of 1.5 percentage points compared to the same period of 2020. However, only 56.6% of the adults with a low education level were in employment in the fourth quarter of 2021, with a lower increase rate (0.9 percentage points) ([43]). One of the reasons is the type of jobs held, as people with higher and medium education levels are more likely to have less contact-intensive occupations where teleworking helped keep people in employment.

Another challenge amplified by the pandemic outbreak is the skills mismatch. While more highly and medium educated adults were in employment, 21.5% were overqualified for their jobs at the end of 2020. Most of them were working in the transport (49.7%), wholesale (44.6%) and constructions (34.2%) sectors.

Chart 7: Skills mismatch – overqualification ([44])



([41]) The relevant performance table for this objective can be found in the annex 2 (page 22).

([42]) Latest known data; from 2022, the 12 months adult learning participation will be measures in the Labour Force Survey every two years with the first data available in April 2023.

([43]) Source: Eurostat (online data code: LFSA_ERGAED).

([44]) Source: Eurostat experimental statistics on skills. The following data is unavailable: Estonia and Latvia on professional category; Luxembourg on manufacturing, construction, professional, public administration, education and health categories; Malta on construction category; Portugal on construction category; and Romania on health category.

To support the Commission's ambitions on recovery and accelerate the digital and green transitions, DG EMPL focused its activities on boosting the upskilling and reskilling of the workforce to increase their job security and improve their employment opportunities through two major initiatives on individual learning accounts and micro-credentials.

Specific Objective 5.1: A skilled workforce to master the green and digital transition ([45])

The last flagship actions of the European skills agenda for sustainable competitiveness, social fairness and resilience were adopted by the Commission in December, as part of its 2021 work programme, namely: a proposal for a Council Recommendation on individual learning accounts and a proposal for a Council Recommendation on micro-credentials.

The proposal for a **Council Recommendation on individual learning accounts** aims to ensure that all working age people have access to and take up relevant training opportunities tailored to labour market needs, throughout their life and independently of whether they are currently employed.

The proposal for a **Council Recommendation on micro-credentials for lifelong learning and employability** will support the upskilling and reskilling of the labour force and make it easier for people to prove and communicate the outcomes of short learning experiences and to use these for work or further training in the EU.

DG EMPL based these initiatives on extensive consultations, including a social partners hearing, an open public consultation and events with Member States and stakeholders. The initiative on individual learning accounts was also informed by an impact assessment.

As part of the **Pact for Skills**, DG EMPL mobilised over 600 organisations and established 9 large-scale partnerships in 8 key industrial ecosystems, which together will upskill and reskill over 6 million people in Europe in the coming years.

In addition, the new **European Digital Credentials for Learning** was launched in October to help employers and education and training providers to rapidly confirm whether a digital diploma or certificate is genuine and accurate.

([45]) The relevant performance table for this objective can be found in the annex 2 (page 22-26).

In 2021, DG EMPL also worked on defining a **taxonomy of skills for the green transition**, the results of which were published at the beginning of 2022.

Following up on Action 2 in the European skills agenda on strengthening skills intelligence, an expanded version of the Cedefop's **skills online vacancy analysis tool for Europe** was released in 2021 at the 'Getting the future right' event in April, offering detailed and real-time information at sectoral and occupational level on the jobs and skills employers need, based on online job advertisements.

These policy achievements benefited from **financial support** from ESF, EaSI and Erasmus.

Germany's Red Cross in Saxony-Anhalt created the 'Digital Red Cross' project to help its staff learn how digital technologies can be used to make their jobs easier, improve services and encourage more people into care roles, while ensuring that care continues to be personal and humane. By involving employees in the process of digital transformation, the project encouraged learning and skill sharing, and reduced people's fears about using technology. With an ESF contribution of EUR 394 000, approximately 400 participants have benefited from the project, which ran from 2018 to 2021.

Specific Objective 5.2: Vocational education and training effectively addresses the labour market needs and prepares people for the green and digital transition ([46])

DG EMPL reached an agreement with Member States and other relevant stakeholders grouped in the Advisory Committee on Vocational Training on Agreement on the process for implementating and monitoring the 2020 **Council Recommendation on vocational education and training for sustainable competitiveness, social fairness and resilience** and the **Osnabrück Declaration**, including a template for national implementation plans to be submitted by countries in May 2022.

([46]) The relevant performance table for this objective can be found in the annex 2 (page 26-28).

In cooperation with the national reference points of the European quality assurance in vocational education and training (VET) and the EU Member States, DG EMPL finalised a **methodology to carry out peer reviews at VET system level**. Furthermore, 21 projects by the national reference points carrying out peer reviews in 2022 and 2023 have been selected for Erasmus+ funding in 2021.

Exploratory work on the concept of **European vocational core profiles** began with discussions held in a dedicated stakeholders group on different elements of the concept, including definition, methodology and key building blocks of the approach to profiles.

The **European Alliance for Apprenticeships** continued to promote the supply, quality and image of apprenticeships and the mobility of apprentices, through webinars, live discussions, online training modules and further extensions of the online library.

DG EMPL presented a report on the implementation of the **European framework for quality and effective apprenticeships**, acknowledging that the framework remains a key instrument to improve the quality and effectiveness of apprenticeships across the EU. The benchlearning process continued in 2021 with a series of peer learning activities organised around individual quality criteria in the framework.

Significant progress was made on setting up and developing **European networks of centres of vocational excellence**. In 2021, the first call for projects under the new Erasmus+ programme was launched, attracting more than 80 applications of which 13 were selected for financing.

The **Education, Audiovisual and Culture Executive Agency** contributed to this specific objective by managing a set of calls for proposals under Erasmus+.

The **European Centre for the Development of Vocational Training** (Cedefop) supported DG EMPL in these activities by producing evidence and research on various topics relating to VET and adult skills, and by sharing knowledge on skills.

In terms of **external communication**, DG EMPL co-organised two high-level conferences on (i) quality, effectiveness and international labour standards on apprenticeships (with the International Labour Organization); and (ii) the role of regions and cities in delivering high-quality apprenticeships (with the Committee of Regions).

The policy achievements were **financially supported** from ESF, EaSI and Erasmus+.

Education/training reforms and investments feature prominently in Recovery and Resilience Plans. For instance, Spain plans to invest EUR 1.4 billion in the digitalisation of schools and to boost dual VET by implementing a legislative reform and creating 135 000 new places in VET. Portugal plans to implement a reform that aims to provide digital training to teachers and update the offer of courses and qualifications for VET programmes. The reform is supported by investments in VET institutions' modernisation.

General Objective 6: A new push for European democracy ([47])

In 2020, the gender employment gap stood at 11% ([48]) and is expected to increase as many women gave up their job or job searching as a consequence of the COVID-19 outbreak; 24.4% of the economically inactive women were unable to start a job due to caring responsibilities, compared with 6.0% of economically inactive men in 2020. Overall, the COVID-19 pandemic pushed 1.8 million people into economic inactivity.

Chart 8: Employment by age group and gender ([49])

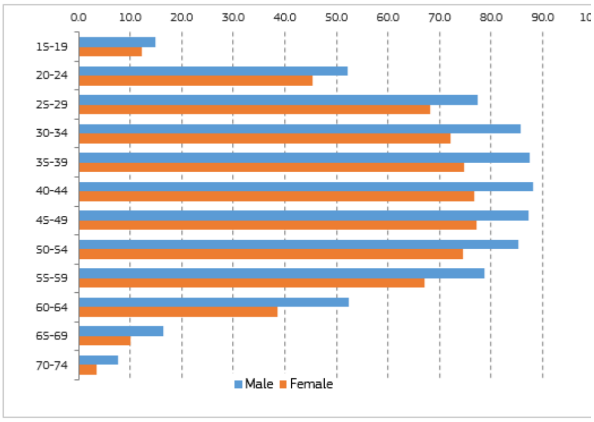
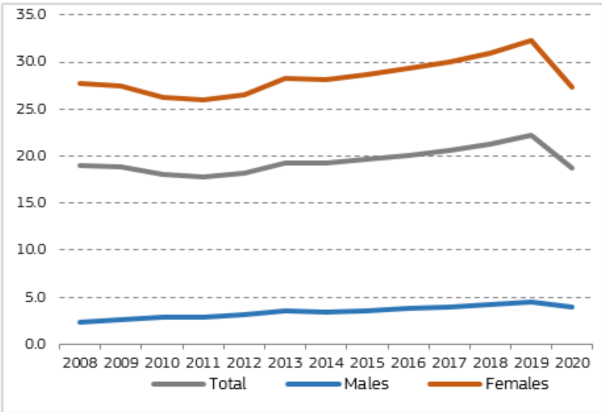


Chart 9: Inactivity due to caring tasks ([50])



As part of the European Pillar of Social Rights action plan, the EU reaffirmed its commitment to an inclusive high employment rate and set a target of at least 50% reduction in the gender employment gap by 2030 compared to the 2019 level (11.2%).

While the unpaid care burden increased for both women and men due to the physical closure of schools, childcare and other care services, women continued to take on the largest share of caring responsibilities. On average, 32.3% of children aged less than 3 years were enrolled in formal childcare in EU in 2020 (35.3% in 2019) but the disruption in the availability of childcare facilities led to an increase in duties for parents.

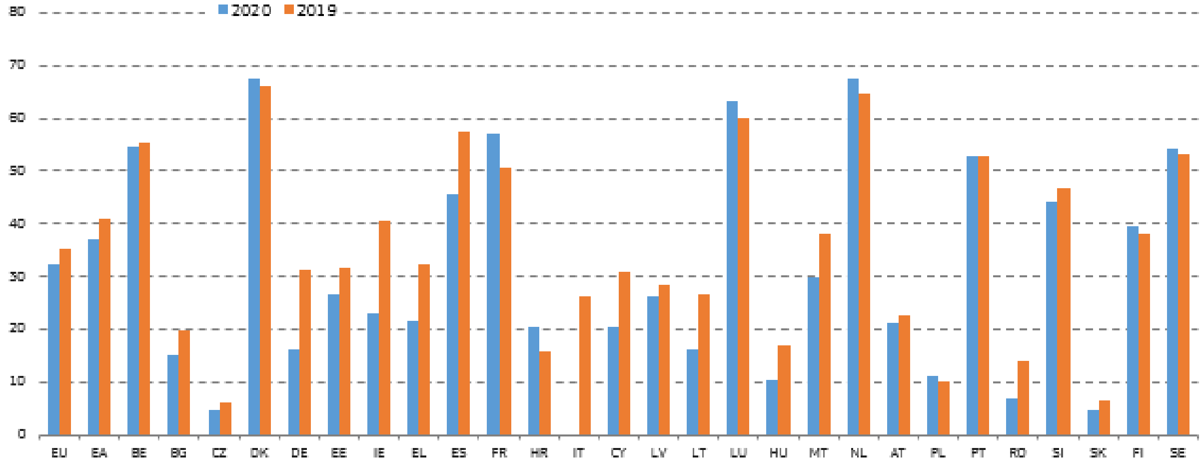
([47]) The relevant performance table for this objective can be found in the annex 2 (page 29).

([48]) Impact indicator in the 2020-2024 strategic plan of DG EMPL; measures the differences between men and women's employment rate (aged 20 to 64) in percentage points. Source: Eurostat (online data code: sdg_05_30).

([49]) Source: Eurostat (online data code: lfsa_ergaed).

([50]) Source: Eurostat (online data code: sdg_05_40).

Chart 10: Children aged less than 3 years in formal childcare ([51])



The crisis also impacted people with disabilities, in terms of employment and income. In 2020, only 47.9% were in employment, compared to 72.2% of those without disabilities ([52]). Moreover, 28.9% of people with disabilities were at risk of poverty or social exclusion in EU in 2020, compared to 21.9% of those without disabilities ([53]).

In this context, DG EMPL focused on ensuring that women and people with disabilities are not discriminated and have access to the same job conditions as others. Equality principles are mainstreamed in DG EMPL's initiatives and are therefore covered also in other objectives, as presented in the previous sections (e.g. specific objective 3.5).

Specific Objective 6.1: Equality ([54])

DG EMPL prepared the **2021-2030 strategy for the rights of persons with disabilities**, which was adopted by the Commission in March as part of its 2021 work programme. The strategy provides a framework for EU action, to be supplemented by Member States' policies, for further progress towards ensuring that all people with

([51]) Source: Eurostat (online data code: TEPSR_SP210); 2020 data for Italy is unavailable.
([52]) Source: European Disability Expertise for the European Commission, DG EMPL, based on Eurostat (online data code: ilc_di11).
([53]) Source: Eurostat (online data code: HLTH_DPE010).
([54]) The relevant performance table for this objective can be found in the annex 2 (page 29-31).

disabilities in the EU enjoy their human rights, have equal access and opportunities to participate in society and economy, are able to decide where, how and with whom they live, and are able to move freely in the EU, in line with the UN Convention on the Rights of Persons with Disabilities. The strategy contains 64 actions, out of which 7 are flagship initiatives. In 2021, DG EMPL set up the **disability platform**, one of the flagship initiatives in the new strategy. The platform will offer an improved governance mechanism, bringing together representatives of Member States, organisations of persons with disabilities, civil society and the Commission.

DG EMPL provided support to the Member States to prepare for the **transposition** of Directive (EU) 2019/882 on the accessibility requirements of products and services.

In 2021, DG EMPL published the **study to support the evaluation of the 2010-2020 European disability strategy**. The study showed that the strategy helped improve the situation for people with disabilities in a number of areas (for instance, accessibility). However, people with disabilities still face considerable barriers in accessing healthcare, education, employment, recreation activities, and in participating in political life.

DG EMPL successfully organised the 12th edition of the **Access City Award**, as well as the **European Day of Persons with Disabilities** in December, helping to raise awareness of good practices in removing barriers to people with disabilities participating in society and economy on an equal footing with others.

DG EMPL also monitored the application of Directive 2000/78/EC on establishing a general framework for equal treatment in employment and occupation. To this end, the DG contributed to the report on the application of this directive and of Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin, which was adopted by the Commission in March.

Working with DG Justice and Consumers and the Equality Task Force, DG EMPL supported the implementation of all equality strategies, and in particular the **gender equality strategy**, by including mainstreaming equality considerations in initiatives led by DG EMPL, such as the joint employment report, or in policy dialogues with non-EU countries.

These policy achievements benefited from **financial support** through ESF, EaSI and REC.

In Hungary, an ESF-funded project with EUR 41.2 million has been offering tailored employment support to people with disabilities through coaching and other activities. It aims to find sustainable, worthwhile employment that is tailored to the participants' specific needs. The project involves local businesses that are interested in employing people with disabilities. The project will run until the end of 2022, and by the end of 2021 had already supported over 19 000 people and helped over 14 000 of these to find a job.

Managing the 2014-2020 ESF towards delivery of policy results

Implementation of 2021 operational priorities

Performance-based reporting on the implementation of the ESF programmes is carried out by measuring the progress made on 6 operational priorities and 42 associated indicators. In this framework, **more than 76% of the actions for which indicators were set were reported to be on track or completed** by the end of 2021 with the rest experiencing slight delays or awaiting confirmation on pending data.

The year 2021 saw a peak in the number and complexity of programmes' amendments, mainly due to REACT-EU re-programming to support the Member States in the recovery process from the pandemic. While working on closing the 2007-2013 programmes, implementing the 2014-2020 programmes, and negotiations on the 2021-2027 Regulation and operational programmes, **DG EMPL completed on time 83% of the ESF and/or multi-fund programme amendments** covered by Commission decision (79.2% in 2020).

As regards monitoring of the programmes with DG EMPL as lead DG, **90% of the observation letters on the annual implementation reports were sent within the deadline** (77% in 2020). In addition, DG EMPL enhanced its programme monitoring with regular online attendance at monitoring committees and annual review meetings.

By December 2021, Member States had completed 963 evaluations of ESF and YEI operations (including multi-fund operations). The majority of these evaluations analysed the implementation process and progress towards targets, while 25% assessed impacts (29% among ESF and YEI evaluations, excluding multi-fund).

Assessment of the programmes' performance

As indicated in DG EMPL's strategy for a performance-based culture for the ESF 2016-2023, in 2017 DG EMPL developed a methodology to assess the performance of programmes on a yearly basis. This methodology was updated in 2020 to take account of the latest information available at the time of the drafting of the annual activity report. The performance assessment is carried out by the geographical units for each programme with ESF and focuses on four criteria and one overall assessment. The criteria are:

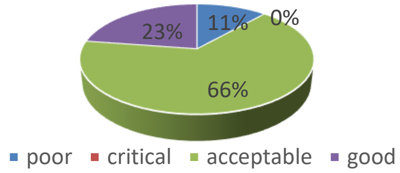
- financial implementation in terms of REACT-EU projects selection by end 2021 ([55]);
- financial implementation in terms of expenditure declared by beneficiaries by end 2021 (for non-REACT-EU amounts);
- outputs by end 2020 (latest available data in the annual implementation reports); and
- administrative capacity.

([55]) The 2014-2020 ESF envelope without REACT-EU is almost fully allocated on the ground. The main challenge remaining is the timely selection and implementation of operations financed from the additional REACT-EU allocation.

The assessment results in placement under ‘good’, ‘acceptable’, ‘poor’ or ‘critical’ categories.

Overall, the performance of programmes across all Member States at the end of 2021 is satisfactory, with **89% of programmes assessed as good or acceptable** (86% in 2020).

Chart 11: Overall assessment



When considering the four assessment criteria, **the main difficulties identified are linked to financial implementation** where 20% of programmes were assessed as poor or critical with regard to selected REACT-EU operations and 32% in terms of eligible expenditure declared. With regard to outputs implementation, 93% of the programmes were assessed as acceptable or good, **proving that the policy delivers results and generates EU added value**. **Administrative capacity scored very highly** and was assessed as satisfactory, with 94% of the programmes assessed as acceptable or good. There were no or very small concerns raised for these programmes and actions were reported as being carried out as planned.

Chart 12: Financial implementation (1) – selected REACT-EU operations

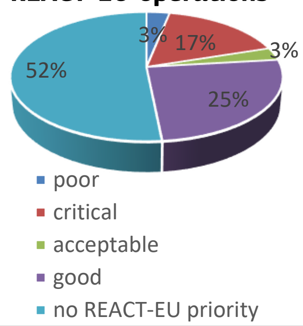
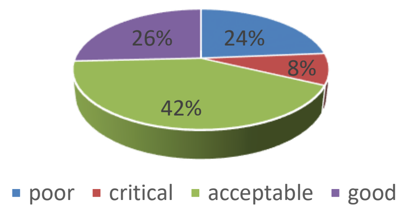


Chart 13: Financial implementation (2) –non REACT-EU expenditure declared



The main **implementation challenges** relate to: the complexity of programming and planning of the interventions; delays due to consultation of different public administrations; administrative issues related to tender procedures; problems with the payment system; administrative burden for applicants; requirements from the General Data Protection Regulation; and delays at governance level due to a focus on preparation/setting up of organisation/programme management, rather than on attracting proposals. Changes in the national/regional socioeconomic contexts (e.g. the impact of COVID-19), also affected the programmes’ performance.

Chart 14: Output implementation

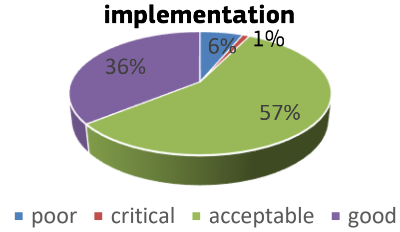
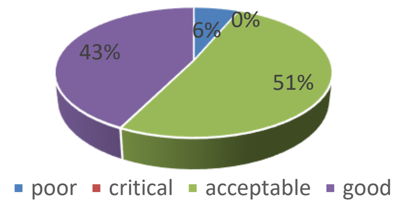


Chart 15: Administrative capacity



All these issues have been addressed in cooperation with DG EMPL during regular meetings held with programme authorities, such as annual review meetings and monitoring committee meetings. The programmes have also been adapted in order to better address new challenges or changes in the socioeconomic context, such as those arising from the COVID-19 outbreak. Implementation progress and challenges are also discussed in the ESF Technical Working Groups and ESF Committee meetings. DG EMPL has also taken measures to address implementation issues, such as sending observations on the programme implementation to the programme authorities.

In 2021, the European Court of Auditors issued a special report on performance-based financing in Cohesion policy, recommending a better use of enabling conditions, advance preparations for the mid-term review, clarification on the use of financing not linked to costs and on the assurance on EU funding of this. All these recommendations are being addressed or have already been addressed in the new programming period ([56]).

Status of programme implementation and key achievements

By the end of 2021, the ESF project selection rate increased to 105%. In 2021, nearly EUR 14.6 billion were paid to the 2014-2020 ESF programmes as well as nearly EUR 320 million for REACT-EU, increasing the **absorption rate to 61%** (total payments made compared to allocation, including REACT-EU). The cumulative eligible cost of operations selected for support under ESF was nearly EUR 133.8 billion and EUR 79 billion had been declared by beneficiaries. Nearly EUR 70.9 billion had been paid to the Member States in relation to ESF since 2014 (including interim payments and pre-financing).

The same maturity phase of implementation was observed for YEI where, by the end of 2021, the total amount paid was nearly EUR 280 million, increasing the **absorption rate to 81%** (total payments made compared to allocation). The cumulative eligible cost of operations selected for support under YEI was EUR 11.3 billion and more than EUR 7.3 billion had been declared by beneficiaries. Nearly EUR 4.5 billion had been paid to the Member States since 2014 (including interim payments and pre-financing).

In terms of simplified cost options, **19 Member States and the UK were covered by unit costs or lump sums** set out in Delegated Regulation 2015/2195, at the end of 2021. The Commission also developed unit costs for four areas (education, training for unemployed people, employment-related counselling services and training for employees) for use by all Member States. These initiatives have reduced the administrative burden and facilitated implementation for both programme authorities and beneficiaries, allowing them to focus on performance and results. Simplified cost options can also help reduce the error rate and facilitate access to funding for small beneficiaries.

In 2021, DG EMPL completed a **study on the development of EU-level simplified cost options and financing not linked to costs schemes** for the 2021-2027 period in community social services and for ALMA (active inclusion measures for disadvantaged young people). In 2022, it will adopt a delegated act and Member States will be able to use these off-the-shelf tools in order to simplify the implementation of their ESF+ programmes.

By the end of 2020 (latest available data), **45.3 million people were supported** by the ESF and YEI, of which:

- 5.4 million people had found a job (including self-employment);
- 7.4 million people had gained a qualification;

([56]) More details are available in annex 7M.

- 2.2 million people were in education and training as a result of ESF or YEI support;
- 3.4 million young people had benefited from the YEI;
- 3.1 million participants with disabilities received support;
- 6.8 million migrants and participants with foreign background received support;
- 8.5 million other disadvantaged people received support ([57]).

([57]) 'Other disadvantaged' refer to any disadvantaged participant not covered by the preceding indicators, such as people facing social exclusion. An example for the type of participant that can be registered under this indicator is a participant with an ISCED level 0 (which should be understood as not having successfully completed ISCED level 1) and is beyond the national customary exit age of ISCED level 1, that means participants typically over age 10 to 12. Others could be ex-offenders, drug addicts etc.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

This part explains how the DG delivered the achievements described in part 1 and how it obtained the assurance, disclosed under the point 2.1.5.

2.1 Financial management and internal control

Assurance is provided on the basis of an objective and systematic examination of all evidence available to the DG for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis (including through its audit activities), and by internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports have been considered in the assurance building process:

- the annual reports by the authorising officers by sub-delegation;
- the reports from the entrusted entities;
- the reports on control results from management and audit authorities in the Member States in shared management as well as the results of the Commission supervisory controls on the activities of these bodies;
- the reports of the Joint audit directorate for DG EMPL and DG Regional and Urban Policy, and *ex post* supervision and controls, including the assessment of system audit reports received from audit authorities;
- the contribution of the internal control coordinator, including the results of internal control monitoring at the DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) of the Financial Regulation);
- the limited conclusion of the Internal Audit Service (IAS) on the state of internal control, the observations and the recommendations it reported;
- the observations and the recommendations reported by the European Court of Auditors (ECA), and
- information received from the European Anti-Fraud Office (OLAF), including follow up to final case reports.

These reports result from a systematic analysis of the available evidence. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG EMPL.

This section covers the control results and other relevant elements that support management's assurance. It is structured into the following sub-sections: 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1.1. Control results

This sub-section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives ([58]). The DG's materiality criteria and assurance building are outlined in annexes 5 and 7 of this report, respectively. The annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Table 1: Synthesis of the control results ([59])

Activity		Payments 2021 (EUR million)	% from total	Internal control objectives: indicators available at this level	Reservation	Non expenditure items 2021 (EUR million)
2014-2020 programming period	ESF/YEI with REACT-EU	18 797.9	95.4%	Residual total error rate: 1.7%	21 operational programmes	Intangible assets: 7.6 Cash and cash equivalents: 101.8 Current financial liabilities: 60.8
	FEAD	531.3	2.7%	Residual total error rate: 0.5%	1 operational programme	
	EGF	24.0	0.1%	- Error rate: 0% - Five year basis: 0.05%	No	
2007-2013 and prior programming period	ESF	75.0	0.4%	Residual risk rate: 0.6%	2 operational programmes	
	IPA	0.0	0.0%	Residual risk rate: 0.8%	No	
Direct management	Grants	70.9	0.4%	Error rate = 0.5%	No	
	Procurement	65.8	0.3%	Error rate <2%	No	
	Financial instruments	50.8	0.3%	Error rate = 0%	No	

([58]) 1) Effectiveness, efficiency and economy of operations; 2) Reliability of reporting; 3) Safeguarding of assets and information; 4) Prevention, detection, correction and follow-up of fraud and irregularities; and 5) Adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (Article 36(2) of the Financial Regulation). The second and/or third internal control objectives only when applicable, given the DG’s activities.

([59]) In accordance with table 2 on payments and table 4 on assets from annex 3.

Activity		Payments 2021 (EUR million)	% from total	Internal control objectives: indicators available at this level	Reservation	Non expenditure items 2021 (EUR million)
	Cross-sub-delegations given	0.04	0.0%	Error rate = 0%	No	
Indirect management	International organisations and third countries	2.4	0.0%	Error rate = 0%	No	
	Subsidies to agencies	90.6	0.4%	N/A	No	
Total		**19 708.7**	**100.0%**			

Given the late adoption of the ESF+ Regulation (June 2021) and the priority given by the Member States' authorities to other instruments to tackle the immediate consequences of the COVID-19 outbreak (REACT-EU, Recovery and Resilience Facility and Coronavirus Response Investment Initiative CRII and CRII+), the adoption of the ESF+ programmes was delayed to 2022 and, therefore**, no payment was made in 2021 for the 2021-2027 period**.

Overall, DG EMPL confirms that in 2021**:**

- it allowed indirect costs above the 7% flat rate in four cases, all with the OECD, in line with the Framework Administrative Agreement concluded between the OECD and the Commission ([60]);

- it concluded three grants not linked to costs ([61]) and launched three calls for proposals with a view to conclude financial framework partnership agreements ([62]);

- it did not award grants retroactively ([63]); and

- it didn't have any case of confirmation of instructions ([64]).

One waiver of a recovery order (around EUR 6 000) was granted ([65]), upon request of DG Budget, given that the debt could not be recovered due to the insolvency of the debtor (also presented in table 10 of annex 3).

([60]) Using for this purpose Article 181(6) of the Financial Regulation.
([61]) Article 125(3) of the Financial Regulation.
([62]) Article 130(4) of the Financial Regulation.
([63]) Article 193(2) of the Financial Regulation.
([64]) Article 92(3) of the Financial Regulation.
([65]) Article 101(5) of the Financial Regulation.

2.1.1.1 Effectiveness of controls

2.1.1.1.1 Legality and regularity of the transactions

DG EMPL uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned. The benefits resulting from the controls are further described in annex 6 under column 'cost-effectiveness indicators'. Annex 7A provides further details about the control architecture applicable to the shared management funds, in particular Cohesion policy funds. A **glossary** to explain the concepts most commonly used in this report is comprised in annex 7 N.

The assurance model and the conclusions on the legality and regularity of expenditure for management modes others than shared management are described in annex 7K.

A. Shared management – ESF/YEI and FEAD 2014-2020

Overview of how DG EMPL obtains assurance for each programme, deals with material error rates and what actions it takes to improve the situation

Impact of programmes annual accounts (2020-2021)

EUR 43 billion of certified expenditure in 212 accounts

EUR 838 million prudently withdrawn from accounts (definitively or temporarily based on managing authorities' work and follow up to Commission requests for corrections)

Comprising on average at least 40% as definitive corrections, including **EUR 107 million from audit authorities' work**

The Directorate-General reviews all cumulative audit information available for each programme in order to identify the need for reservations, in line with the materiality criteria disclosed in annex 5, and additional corrective measures required. The 2013 Common Provisions Regulation provides **increased safeguards for assurance**. A 10% retention applies on all interim payments during the year, thus effectively protecting the EU budget until controls are completed at Member State level and annual programme accounts are accepted. For programmes where serious deficiencies persist at the moment of settling the accounts, and in situations where the balance would be positive, the payment of the balance is interrupted.

Programme managing authorities carry out management verifications before expenditure is certified. Audit authorities report (i) on the effectiveness of management and control systems throughout the year and (ii) once a year audit opinions and representative error rates based on audits carried out during the year. **Programme authorities have an interest to apply themselves appropriate corrections** in programme's annual accounts in order to be able to reuse such expenditure. **Otherwise**, should **serious deficiencies** in the management and control system of the Member State be identified by the Commission or the European Court of Auditors after the accounts were submitted, and which were not identified, reported and corrected by the Member State's authorities, **net financial corrections** may apply. It should be noted, however, that the provisions for net financial corrections adopted by the co-legislators in the Common Provisions Regulation are subject to strict cumulative legal requirements, considerably limiting their scope of application and in practice leading to considerable challenges for the Commission in applying net financial corrections ([66]).

With respect to the legality and regularity of the transactions for the 2014-2020 period, the objective is to ensure that the **residual risk of error for each programme**, estimated through the residual total error rate of the amounts certified in the year N-1 accounts (after the control cycle is completed and the required financial corrections were implemented by the programme authorities), **is below the materiality level of 2%.**

Therefore, DG EMPL assesses audit results reported for each programme, adjusts error rates when deemed necessary and imposes additional corrective actions, which include system improvements and financial corrections. DG EMPL has the legal tools to implement these additional corrections and use them, if necessary, to eventually bring each concerned programme's residual risk below the 2% materiality threshold, after due contradictory procedures. Thus, the adjusted reported error rates of the previous year (after DG EMPL could implement its audit cycle) constitute the best indicator for the legality and regularity of the relevant expenditure in the annual activity report.

This strengthened assurance model for 2014-2020 is ensuring overall lower error levels for the reporting year compared to 2007-2013 period ([67]), as demonstrated below. However, error levels remain above 2% for some individual programmes each year ([68]) and **DG EMPL is therefore applying various actions to further reduce the risks** associated with expenditure declared under the ESF, YEI and FEAD.

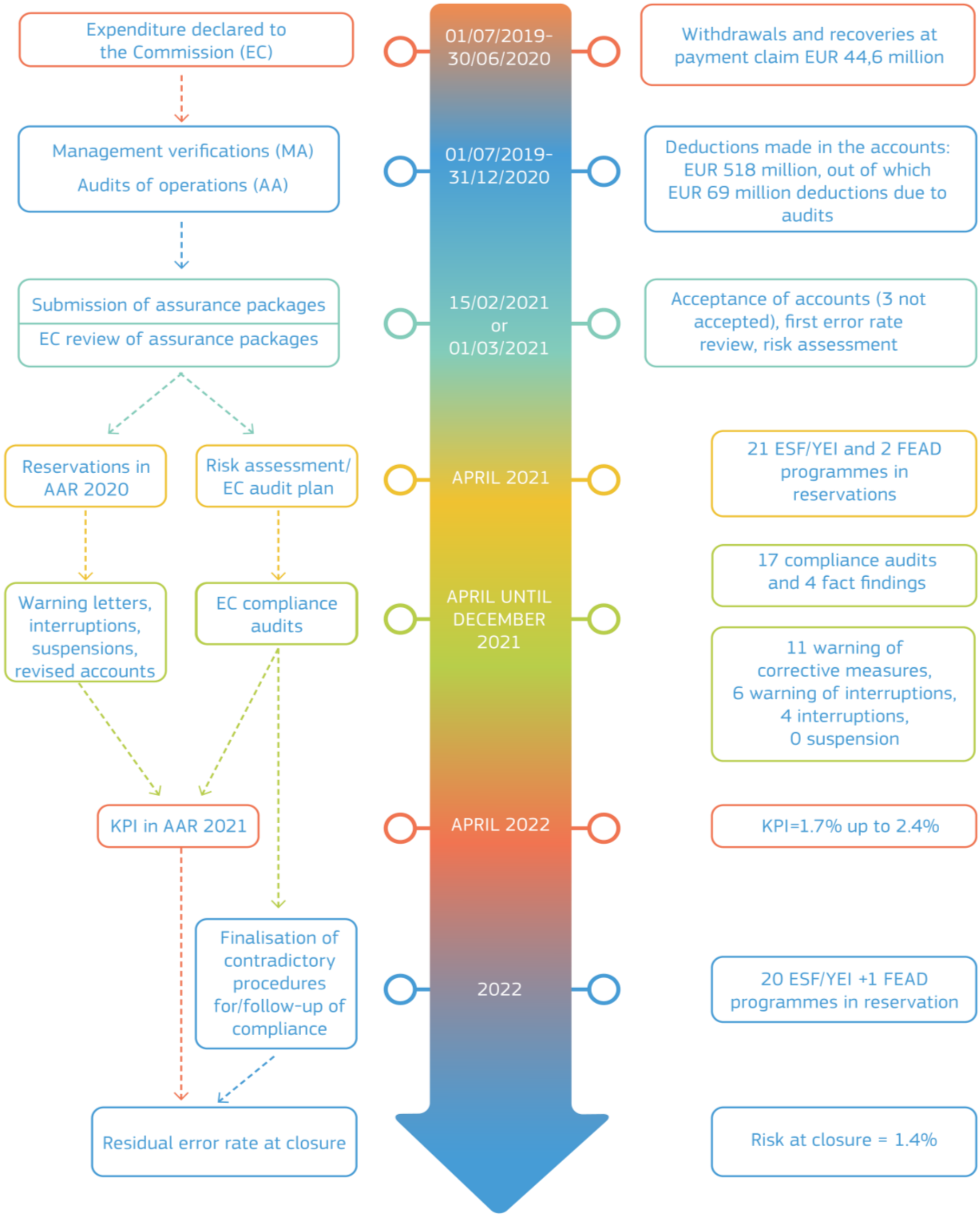
The illustration below shows the assurance building process for programme accounts submitted and accepted in 2021, as a result of the complete audit cycle reported in the 2021 annual activity report.

([66]) More details are available in annex 7H. The legal conditions for net financial corrections were simplified in the 2021-2027 Common Provisions Regulation.

([67]) When the error rate was between 5%-7% over time for Cohesion policy with a starting point above 12%.

([68]) The situation of the current year is available on page 55.

Chart 16: Assurance building process for programme accounts submitted and accepted in 2021 (annual accounts 2019-2020)



The residual total error rate (KPI 4) for ESF/YEI and FEAD reported in the annual activity report is based on accounts accepted in the reporting year and for which the control cycle is completed; it is robust and gives a fair view of the remaining risks

DG EMPL carries out systematic desk audit work to assess the situation **for each programme** and accounts accepted in the reporting year. It discloses in the annual activity report **individual error rates for each programme**; these error rates are based on Member States' reporting that is either confirmed, where contradictory procedures are completed, or adjusted, as needed, on the basis of DG EMPL's audit review [69] and results.

DG EMPL also aggregates programme error rates to report a total weighted average error rate for ESF/YEI and FEAD. This is the key performance indicator on legality and regularity (KPI4) from the annual activity report that is calculated for the previous (2019-2020) accounting year once the control cycle is completed and that is considered the best estimate for the risk on expenditure in the reporting year. **In the current annual activity report, the residual total error rate reported for the accounting year 2019-2020 is 1.7%** [70]. This rate has been calculated after neutralising the impact of advances paid into financial instruments, in line with ECA's 2016 recommendation [71] and with prudent adjustments made when necessary [72]. As a complement to this average rate, DG EMPL has also **estimated a prudent maximum error rate of 2.4% to take into account potential additional risks**, not necessarily identified through audits, and additional audit work required under ongoing contradictory procedures, estimated at flat rate where no detailed audit information was available [73].

Residual Total Error Rate (RTER) 2019-2020
(before taking account of impact of financial instruments advances)
167 programmes with RTER <= 2%
48 programmes with RTER > 2%

(69) Confirmed error rates are reported once the national and EU audit cycle is completed.

(70) This is an increase compared to the 2020 annual activity report (1.4%) due to a prudent estimate for 27 programmes; for 10 programmes grouped under a common sample, DG EMPL has prudently recalculated (increased) the residual risk reported, pending the results of an ongoing action plan concerning previous accounting years; for 17 programmes grouped under a common sample, DG EMPL has taken account of preliminary findings reported by the European Court of Auditors, pending the contradictory procedure.

(71) Advances paid into financial instruments are included in the declared expenditure, which, in line with Article 127 of the Common Provisions Regulation, form the basis for the samples of audit authorities. On this basis, the confirmed residual total error rate is 2%, hence advance payments to financial instruments have a negligible impact on the confirmed residual error rate (0.1 percentage points).
In its recommendation n° 2 a) in the 2016 Annual Report (paragraph 6.40), ECA also addressed State aid advances. In line with the Regulation, State aid advances may be partially cleared by expenditure during the accounting year. Given this inherent legal complexity for dealing with such advances in the error rate calculation and the limited impact estimated in previous years, DG EMPL did not remove these advances in the KPI4 calculation.

(72) For 75 of these programmes (Czechia, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Latvia, Lithuania, Malta, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and United Kingdom). DG EMPL applied professional judgement using flat-rates or the best information available to estimate the impact of known systemic irregularities until final assessments by the concerned audit authorities.

(73) Namely to consider additional risks that may be present in that part of the audit sample of the audit authority that was not covered by the Commission services' audits, as well as additional risks identified during the Commission services' desk reviews or during ECA audits but not yet communicated. For programmes not audited by the Commission services or by ECA but for which the audit authority was audited for another programme, the maximum risk

DG EMPL estimates that this KPI4 reflects a robust, reasonable and fair estimate of the overall risk at payment for all programmes taken together, following a programme by programme analysis.

It is therefore concluded that, overall for ESF/YEI and FEAD, no material irregular expenditure remains in the accepted accounts. However, despite the various control layers implemented at Member States' level, **for 48 programmes in 9 Member States the individual residual total error rate remains above 2%**. Moreover, there are indications that the error rates may increase above materiality for further programmes as well. The maximum value of KPI4 at 2.4%, beyond the materiality level, therefore reflects this risk and the fact that a material level of irregularities may remain in the expenditure certified to the Commission for ESF/YEI and FEAD in the accounts accepted in 2021. For these programmes where evidence shows a remaining error rate above 2%, as well as for any other risks that may materialise and increase the error rate above materiality following the signature of this annual activity report, DG EMPL will carry out the necessary corrective actions to ensure that the error rate falls below 2% for each and every programme concerned.

The detailed list of confirmed total error rates and total residual error rates by programme, as well as the Commission opinion on the functioning of each management and control system, are disclosed in annex 7B ([74]).

A differentiated situation: identifying and correcting programmes at risk

2019-2020
214 operational programmes in total, including 209 accounts with expenditure for ESF/YEI and FEAD

DG EMPL bases its assurance on audit results obtained from audit authorities each year for each programme, and complements such audit information by its own audit results.

Following the reception of the **assurance packages by 1 March 2021 (accounts from the accounting year 2019-2020 accepted in 2021)**, the Commission auditors performed:

- first, **consistency checks** of the reported total error rates and audit opinions against all cumulative audit information, in view of the assurance declaration in the 2020 annual activity report (published in June 2021),
- followed by a **thorough desk review of the annual control reports**, audit opinions and error rates reported (ending after finalisation of the 2020 annual activity report) ([75]) and

is calculated based on the average increase of the error rate due to Commission or ECA audits for the audited programmes of the same audit authority. This maximum error rate also includes, for the programmes only subject to a desk review, the risk of potential undetected errors and is estimated via flat rate: 2% for confirmed RTER up to 2%, 5% for RTER above 2% and 10 % for RTER above 5%.

([74]) With a view to the implementation of provisions in Article 78 on conditions for enhanced proportionate (controls and audits) arrangements of Common Provisions Regulation for 2021-2027.

- for a number of programmes/audit authorities for which specific risks have been identified, **on-the-spot compliance audits** to re-perform during 2021 the work done by the audit authorities. Details on the audits performed are available in annex 7F.

As a result of the 21 risk-based compliance audits and fact-findings, the Commission identified **further irregularities to the ones detected by the audit authorities in 13 assurance packages** leading to a recalculated residual risk at this stage of the contradictory procedures, above 2% in six cases (four for France, one for Italy and one for Poland). These cases demonstrate weaknesses in the prevention and detection of irregularities at the level of managing authorities in first instance. It also demonstrates weaknesses in the work of a limited number of audit authorities, which failed to completely detect irregularities. DG EMPL **requested improvements from 12 audit authorities** (or their control bodies) (76) out of 100 audit authorities responsible for ESF/YEI and FEAD programmes.

Desk review of audit authorities' audit results received in 2021:

- ✓ 214 system audits;
- ✓ 4 786 operations audited;
- ✓ statistical sampling covering 92% of the total certified expenditure; and
- ✓ 10% of expenditure audited.

In 2021, DG EMPL's audits covered:

- ✓ 74 operations through: 17 compliance audits and 4 fact findings (including 1 desk review);
- ✓ 19% of expenditure in accounts (54 programmes in 38 assurance packages and 17 Member States and the UK);
- ✓ 6 thematic audits in 4 Member States;
- ✓ 2 audits in the UK to verify the implementation of corrective measures; and
- ✓ 6 audits on the reliability of performance indicators.

At programme level, for the accounts accepted in 2021, DG EMPL confirmed a **residual total error rate below materiality for 167 programmes** (78%, including in some cases after adjustments made without a material impact) (77), and above materiality for **48 programmes** (78). For these programmes, the residual total error rate above 2% is the result of **DG EMPL recalculation or reassessment at flat rate** (pending all audit information).

(75) The desk review of 100% of received annual control reports and audit opinions takes also into account the cumulative knowledge and previous audit work carried out on the audit authority and operational programme concerned. It entails communication with the programme audit authorities to clarify information from the annual control reports, possibly completed by fact-finding missions. For the assurance packages received in 2021, DG EMPL was able to recalculate the reported residual error rate for 38 programmes based on the desk review of the assurance packages.

(76) One from Belgium, one from Germany, two from Spain, two from French regional control bodies, three from Italy, two from Polish regional control bodies, and one from Slovenia.

(77) In addition, for 14 operational programmes (from France, Hungary, Poland and Slovenia), the estimated residual total error rate is above 2% once the advance payments to financial instruments are removed (however, the residual total error rates reported below the materiality by the audit authorities or recalculated by the Commission are below 2%).

(78) 47 ESF/YEI programmes from Greece, Spain, France, Italy, Latvia, Poland, Portugal and Slovakia; and 1 FEAD programme from Slovenia.

DG EMPL took these results into account to assess the need for possible adjustments to ‘reportable’ rates for the next accounting year (2020-2021) and for additional reservations for the 2021 annual activity report.

For the accounting year 2020-2021, all assurance packages were received by 1 March 2022. **The most recent audit findings and audit opinions reported in these assurance packages, adjusted when considered necessary** based on experience obtained from the results of the assessment of reported errors in the previous year and with all other relevant information available to the Commission, **were the basis to decide on the need for reservations for 2021**.

DG EMPL has, thus, carried out an assessment [79] (desk review at this stage, at the time of signature of this annual activity report) of the information in the annual control reports and checked whether the reported audit opinions are in line with all other relevant information available to the Commission. This assessment was completed at the time of signature of the annual activity report for all programmes but a few (for which there is no indication of a need for additional reservations at this stage).

Following its assessment, DG EMPL concludes as of mid-April 2022 that **211 accounts with ESF/YEI or FEAD expenditure can be accepted** [80]. The Commission expects to formally accept these accounts by 31 May 2022, in line with the regulatory deadline. In one case, the accounts cannot be accepted due to an adverse opinion reported by the audit authority [81].

Regarding the ‘reportable’ residual total error rates for the assurance packages received by March 2022 (i.e. either total error rate reported by the audit authority or rate adjusted by DG EMPL at this stage of the assessment), DG EMPL notes that, at this stage, for 59 programmes the total error rate (a measurement of the effectiveness of management and control systems) is above 2%. The authorities applied, however, sufficient financial corrections on time for the accounts in 48 cases (and therefore the residual risk in the reported accounts was below or equal to 2%). **For the remaining 11 programmes** [82],

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(79) In particular, the following aspects have been analysed as part of the consistency checks carried out: (i) have the Member States authorities taken appropriate preventive and corrective actions to follow up the interruptions and warnings issued by the Commission; (ii) that audit conclusions reported by the audit authorities are in line with the national system audit reports transmitted to the Commission during the period, and with the results of the Commission's own on-the-spot audit work; and (iii) that, in case DG EMPL does not rely on the audit work performed by the audit authority, there is an analysis of the risk for the expenditure certified.

(80) Acceptance of the accounts is independent from the review of the legality and regularity of expenditure, followed up separately, in line with Article 139(5) of the Common Provisions Regulation.

(81) One programme from France.

(82) In one of these programmes, the audit authority itself reported a residual risk above 2% due to insufficient financial corrections applied by the certifying authority in the certified accounts (Romania). In another programme, the audit authority did not finalise its audits of

material residual total error rates still affect the accounts submitted by 1 March and DG EMPL will apply additional financial corrections, as necessary, upon finalisation of the assessment and resulting contradictory procedure. These programmes are put under reservation as the relevant expenditure in the reporting year is materially affected (details available in annex 9), in line with the materiality criteria presented in annex 5.

Spain – Risks linked to CRII

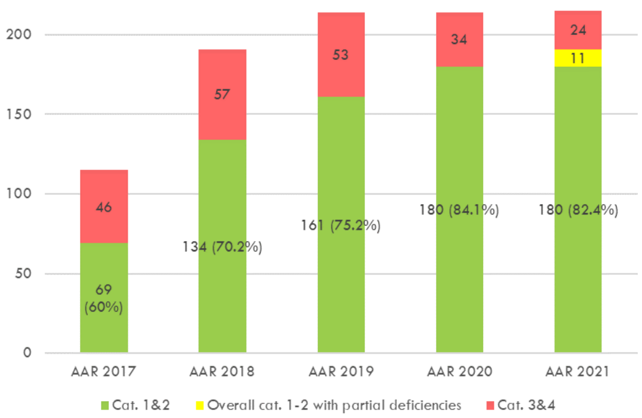
The audit authority of Cantabria identified several contracts for which the emergency public procurement procedure set up in the Spanish law under the CRII flexibilities was not respected. The resulting error rate was above 10% and the programme authorities agreed to apply a financial correction of EUR 0.9 million to bring the final residual error rate below 2%.

In 2021, the **Commission requested audit authorities to pay particular attention to new risks related to the flexibilities introduced with the CRII and CRII+** amendments as well as to the unjustified use of emergency procedures in public procurement. These risks materialised in some cases detected by audit authorities.

Based on its assessment of all national audit results received and analysed by DG EMPL at the date of this report, including audit opinions provided by audit authorities in the latest annual control reports, as per the results of their system audits and audits on operations, and taking account of its own audit results and further EU audit results, DG EMPL can conclude by mid-April 2022 that the **management and control systems:**

- **function well or sufficiently well for 191 ESF/YEI and FEAD programmes** (89%), covering 87% of expenditure under assessment ([83]). This provides assurance that the underlying transactions and expenditure declared in these accounts, as well as expenditure further declared by these programmes in 2021 under the ongoing accounting year 2021-2022, are not affected by a risk of material level of irregularities.

Chart 17: Assessment of the management and control systems, number of programmes and % of expenditure in accounts



operations and therefore reported the maximum error, which is above 2% (France). For two of these programmes, DG EMPL has recalculated (increased) the residual risk due to systemic issues and/or ongoing national verifications (Italy and Poland). For the remaining seven programmes (in Belgium, Italy, Poland and Slovenia), DG EMPL auditors have been able to provide a recalculation of the reportable residual risk based on information available from own audits and from the extended desk review of the assurance packages as up to the moment of signature of this annual activity report (the assessment is ongoing).

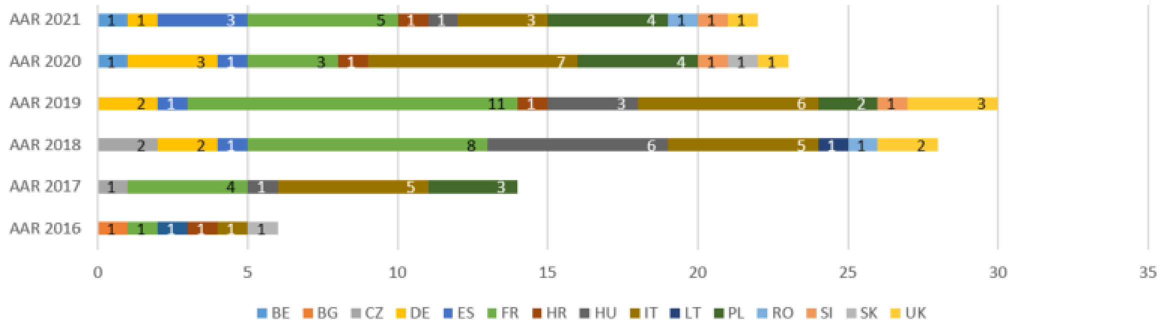
([83]) This includes 11 programmes with only partial deficiencies, as shown in the illustration.

- **present serious deficiencies for 24 programmes** ([84]), representing 13% of expenditure certified in the 2020-2021 accounts. For these programmes, the management and control system (or part of this system for a specific priority or intermediate body) works only partially and substantial improvements are needed.

This number continues to improve compared to the previous three years, as indicated in the illustration 17. It shows the continuous efforts carried out by programme authorities with the Commission's support to improve compliance with rules and the impact of audit recommendations on systems, where needed.

In line with the materiality criteria (annex 5), **DG EMPL issues reservations in the annual activity report** for all programmes in category 4 or part of programmes, for which the risk to the EU budget is estimated above the 10% payment retention ([85]).

Chart 18: Reservations per Member State / United Kingdom and the year of the annual activity report



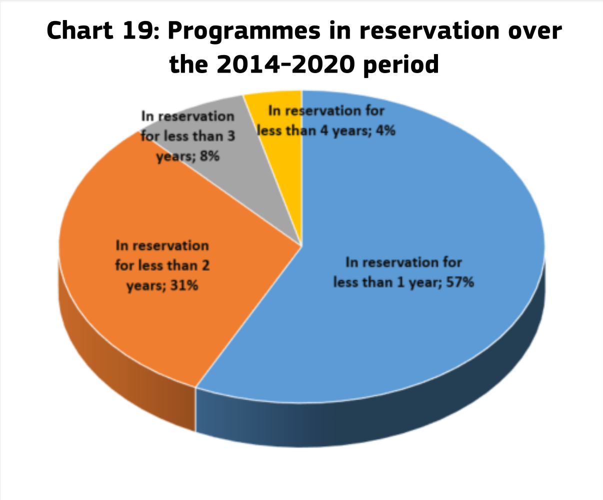
In 2021, **21 ESF/YEI and 1 FEAD programmes** from the 2014-2020 period are in reservation, due to (reasons for reservations can be cumulative): (i) high error rates above 10% demonstrating deficiencies in first level controls by managing authorities (7 cases); (ii) programme residual error rate above 2% (5 cases); (iii) deficiencies in part of the management and control system (7 cases); (iv) in 2 cases due to significant deficiencies in the management and control system and (v) in one case of corruption under investigation by national prosecutor.

Reservations are only lifted once programme authorities have taken sufficient corrective measures. **The fact that 88% of DG EMPL reservations last less than two years shows the effectiveness of corrective measures put in place.**

DG EMPL also systematically transmits suspicions of fraud to OLAF (3 cases in 2021) and applies financial corrections (4 cases in 2021) based on OLAF final case reports received, following a contradictory procedure with the authorities and beneficiaries concerned.

([84]) In Belgium, Germany, Spain, France, Croatia, Italy, Poland, Slovenia, Slovakia and United Kingdom.

([85]) Criteria for reservations and the definition of categories 3 and 4 are explained in annex 5.



DG EMPL has therefore the tools to analyse the individual situation of each programme and to report the specific, individual weaknesses identified in the annual activity report (details are available in annexes 7B for the situation of all programmes, 7C for a list of programmes with identified serious deficiencies and 7D for a list of audit authorities with serious improvements needed).

The multiannual corrective capacity to bring the risk at closure < 2%

Programme authorities withdraw important amounts from the programme accounts each year, when they detect irregularities or when doubts arise concerning expenditure previously declared during the year. A total of EUR 829 million of ESF/YEI expenditure and EUR 8.8 million of FEAD expenditure were deducted during the accounting year in interim payment claims or in the accounts received by 1 March 2022. Some of these deductions concern prudent, temporary withdrawals by programme authorities to allow for further verifications on the legality and regularity of the concerned expenditure ([86]). Such temporary withdrawals may be redeclared (and subject to audits by audit authorities) once the respective managing authorities have ascertained the regularity of the concerned expenditure (otherwise the withdrawn amounts become a definitive correction) ([87]). However, another part of these **withdrawals from the accounts and from payment claims during the year are definitive corrections for a reported amount of EUR 315 million** ([88]) in the 2020-2021 accounts (representing 0.8% of the total expenditure declared). These definitive implemented corrections were the result of audits by audit authorities (EUR 106.6 million), management verifications, or follow up to accepted findings from Commission and ECA audits or OLAF investigations. This considerable corrective capacity of Member States reflects the impact of the legal provision on possible net financial corrections if Member States do not detect, report and

([86]) The regulatory basis does not require Member States to provide separate figures in the accounts for these amounts, apart for definitive corrections stemming from audits. DG EMPL's best estimate is that on average for Cohesion policy, around 59% of withdrawals from the accounts are temporary withdrawals while the rest are definitive corrections.

([87]) As a follow up to an ECA recommendation in their 2020 annual report, DG EMPL has requested information from audit authorities on how much of these temporary withdrawals reported in the 2020 annual activity report were redeclared as eligible expenditure in the accounts submitted by 1 March 2022. This information is being assessed for each programme as part of the assurance package assessment.

([88]) In total expenditure declared (including public –European and national- and private contributions).

correct serious irregularities in first instance. Therefore, despite the strict criteria foreseen in the legal framework for the Commission to implement net financial corrections leading to the absence of such Commission decision so far, the mere existence of this legal provision has led in practice to an increased corrective capacity of Member States, thus reducing the need for the Commission to step in, for example through formal Commission decision for financial corrections.

In any event, **in addition to the Member States' corrective capacity**, if it detects system deficiencies at the level of managing or audit authorities throughout the year, or recalculates an error rate beyond 10% (before corrections) for a programme, **DG EMPL uses the regulatory tools** at its disposal to **stop payments** (interruptions, suspensions, details in annex 7G).

DG EMPL also requests **remedial actions to improve the functioning of the management and control systems** and of the concerned programme authorities with a view to prevent irregularities from recurring. DG EMPL does not resume payments until it has audit evidence that the systems were improved and/or appropriate financial corrections applied.

Through additional financial corrections, DG EMPL has in place an effective mechanism for correcting remaining errors when Member States failed to do it (or do sufficiently) in first instance. During the reporting year **DG EMPL's corrective capacity amounted in total to EUR 30.2 million of additional corrections** ([89]).

As a last step of the assurance process, where DG EMPL recalculated a residual total error rate above 2% for a programme, the **required additional financial corrections are imposed to bring the residual risk down to 2%**, following due contradictory procedures to respect the right of defence of the concerned programmes' authorities. DG EMPL estimates that, for the accounting year 2020-2021 under review, once it will have applied the required additional financial corrections, the **'risk at closure'** (after such additional corrections) will come **down to 1.4%**, well below materiality ([90]).

For previous annual activity reports, this led to **additional corrections accepted of EUR 40.5 million cumulatively** since the start of the programming period (details with applied corrections for each accounting year are available in the table from annex 7H). DG EMPL can thus report that, following corrective measures taken and effectively accepted/implemented additional financial corrections following previous annual activity reports, the risk at closure for previous annual activity reports is indeed now below 2%, as anticipated. **This reflects DG EMPL's multiannual corrective capacity mechanism.**

Annex 7G presents details on the number of payments stopped, warning letters sent and suspension procedures opened, and annex 7H on the financial corrections made in 2021.

([89]) Financial corrections accepted by the Member States in the year, as a result of DG EMPL audits, follow up to ECA audit findings and to OLAF investigations; details are available in annex 7H.

([90]) The amount at risk at closure in the 2021 annual activity report is calculated by applying the estimated risk at closure to the 2021 relevant expenditure.

Actions undertaken in 2021 to improve the programme authorities' administrative capacity and effectiveness of management and control systems

DG EMPL undertakes each year several actions to improve the effectiveness of management and control systems in reducing the error rate (more details and examples of the actions undertaken in 2021 are available in annex 7E):

- **Support to the managing and the audit authorities to improve their administrative capacities** through guidance, targeted support, continuous training and professional development, and transnational networks to simplify and avoid excess of procedures.

Errors and irregularities should be detected and corrected by managing authorities in the first instance. When it is identified that managing authorities missed errors, DG EMPL requires targeted remedial actions to improve the concerned authorities' quality and quantity of verifications carried out before declaring expenditure.

Examples of general administrative capacity building actions

Sharing common audit tools: the Commission audit services share with audit authorities their detailed audit check lists. Audit authorities can thus review and complement / update their own checklists, as needed. In 2021, the Commission audit services have further updated their checklist for audit of operations and shared it with audit authorities. Furthermore, first draft of the audit methodology related to the assessment of the management and control systems and risk-based management verifications for the 2021-2027 period were discussed with the audit authorities.

Tackling the non-detection of errors by audit authorities

When its audits point to errors not detected by an audit authority, the Commission carries out an assessment to verify if the non-detection is punctual or due to a more systemic issue (lack of appropriate check, gap in the audit approach or wrong interpretation of the applicable rules). Recommendations are thus made to the audit authority to strengthen or correct their approach.

Moreover, audit authorities requested to have an overview of all errors found by Commission audits in all Member States and not detected in first instance by the concerned audit authorities, to learn from each other's mistakes. This led to a detailed seminar with all audit authorities in 2020, with detailed presentations and explanations by the Commission on their audit findings and correct approach to public procurement, State aid or eligibility errors (as presented in the 2020 annual activity report). Such a seminar is planned to be repeated in 2022, based on additional Commission audit findings since 2020, as it has proven to be a good basis for mutual learning.

Audit authorities are a second control layer and verify whether managing authorities worked effectively to prevent errors. When DG EMPL identifies that individual audit authorities do not appropriately, exhaustively or timely detect errors, targeted and technical support is provided to them in order to ensure they work up to expected standards and improve their detection capacity. DG EMPL requires that they apply targeted actions to improve their audit methodology and capacities.

- **Promotion of less error-prone simplified cost options** by providing assistance and support to programme authorities to prepare and assess the planned simplified cost options schemes for 2021-2027 programmes.

- Provision to Member States, free of charge, of the **data mining tool Arachne** to increase capacities to detect irregularities or fraud suspicions or possible conflicts of interest.

- **Continuous monitoring and analysis of the root causes of errors** that remained undetected by managing and/or audit authorities, with the results feeding the annual risk assessment for selecting programmes in view of subsequent risk-based audits. DG EMPL also encourages audit authorities to report back and discuss with managing authorities the errors that they missed in order to improve their preventive and detective capacity, for example by putting in place further guidance or targeted trainings for the concerned desk officers.

More details on the most common irregularities reported in 2021 by audit authorities (as not detected by managing authorities) and by DG EMPL (as errors not detected by both audit and managing authorities), following the common typology of errors agreed and shared between the Commission and the Member States, are presented in annex 7I.

B. Shared management – closure of ESF 2007-2013

97% of the 118 operational programmes fully closed (100) or pre closed (14) for the uncontested part. Residual risk rate at closure is **0.61%**

DG EMPL has fully closed or pre-closed 97% of the 118 2007-2013 programmes since 31 March 2017, that was the deadline for submitting closure packages (annex 7J).

In 2021, DG EMPL assessed the additional information provided by Member States for the closure of the remaining 2007-2013 ESF programmes. As a result and following up to the reservations from the 2020 annual activity report, DG EMPL could close in 2021 the remaining programmes except four, including the two programmes in reservation (from Italy and Romania). DG EMPL paid for closed or pre-closed programmes in 2021 an amount of EUR 75 million.

Table 2: Closure of 2007-2013 programmes

Indicator	2021
Number of programmes (pre)closed at 31/12/2021	114
Remaining allocation to settle (RAL) at 1/1/2021 (in EUR million)	346
Remaining allocation to settle (RAL) at 31/12/2021 (in EUR million)	272

For the remaining four ESF programmes in three Member States (Italy, Romania (2) and Slovakia) the Commission considers that serious issues remain and therefore it cannot authorise the closure payment yet. Two programmes are in reservation due to issues related to a closure audit and the review of the closure package (additional information is available in annex 7J).

DG EMPL continues to monitor the process with the Member States in order to (pre)close these programmes as soon as possible. However, the final payment for these programmes will only take place when the required level of financial corrections is accepted and implemented by the Member States (or through a Commission decision). Therefore, no payment was made in 2021 in relation to the four still open programmes.

Following the examination of the closure packages, DG EMPL has either confirmed or further adjusted the reported error rates and residual error rates based on all additional information, including follow up to its own audits. DG EMPL is therefore able to conclude at this advanced stage of closure that **the residual risk rate applied to the**

expenditure certified for the whole programming period 2007-2013 is 0.61%. The list of programmes with error rates/residual risk rates and closure status is available in annex 7J.

This low residual risk at closure confirms the **effective implementation of the programmes' multiannual corrective capacity** and that closure acted as an addition filter to correct any remaining material level of errors.

C. Conclusion on control effectiveness as regards legality and regularity

DG EMPL's portfolio consists of segments with a relatively low error rate, i.e. programmes with reported error rates below 2%, and a few segments with a relatively high error rate, i.e. programmes with reported error rates above 5%. This is, respectively, due to the inherent risk profile of the programmes/beneficiaries, including the complexities of underlying transactions in such programmes, and the respective performance of the related management and control systems, despite the efforts made in the related controls systems.

For those programmes with control weaknesses, the (root) causes of the issues as well as the management actions taken to address these weaknesses are indicated in annexes 7B, 7C and 7D. Through recoveries and financial corrections, Member States and the Commission have in place an effective mechanism for correcting errors (details are available in annex 7H).

DG EMPL's relevant expenditure, its estimated overall risk at payment, estimated future corrections and risk at closure are set out in the table below.

Table 3: Estimated risk at payment and at closure ([91])

DG EMPL 1	'Relevant expenditure' (for 2021; EUR million) 2	Estimated risk at payment (for 2021; EUR million) (min-max) 3			Estimated future corrections and deductions (for 2021; EUR million) (min-max) 4			Estimated risk at closure (for 2021; EUR million) 5
2021-2027 ESF+	0.00	0.00	-	0.00	0.00	-	0.00	0.00
2014-2020 ESF/YEI	17 015.54	294.19	-	420.04	59.44	-	185.28	234.76
2014-2020 FEAD	579.99	3.57	-	4.19	0.84	-	1.46	2.72
2007-2013 ESF	114.42	0.70	-	0.70	0.00	-	0.00	0.70
2000-2006 ESF	0.02	0.00	-	0.00	0.00	-	0.00	0.00
EGF	5.79	0.00	-	0.00	0.00	-	0.00	0.00
IPA	0.00	0.00	-	0.00	0.00	-	0.00	0.00
Centralised	203.85	1.10	-	1.10	0.00	-	0.00	1.10
Agencies	73.77	0.00	-	0.00	0.00	-	0.00	0.00
DG total	**17 993.38**	**299.56**	**-**	**426.02**	**60.28**	**-**	**186.75**	**239.28**

([91]) The full detailed version of the table is provided in annex 9.

The **estimated overall risk at payment** for 2021 expenditure amounts to EUR 426.02 million, representing 2.37% of the DG's total relevant expenditure for 2021. This is the authorising officer by delegation's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will be subject to *ex post* correction in subsequent years, following contradictory procedures. The conservatively **estimated future corrections** for 2021 expenditure amount to EUR 186.75 million.

The difference between those two amounts results in the **estimated overall risk at closure** of EUR 239.28 million, representing 1.33% of the DG's total relevant expenditure for 2021.

In conclusion, DG EMPL has set up internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, considering the multiannual character of programmes as well as the nature of the payments concerned.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the annual management and performance report.

2.1.1.1.2 Fraud prevention, detection and correction

DG EMPL has developed and is implementing its own anti-fraud strategy for direct management since January 2010 on the basis of the methodology provided by OLAF. The last update of this strategy was in January 2020.

DG EMPL has also contributed to the development and implementation of the joint anti-fraud strategy (JAFS) for shared and indirect management, together with DG Regional and Urban Policy and DG Maritime Affairs and Fisheries, since 2008. The last update of this strategy from December 2019 was based on an updated risk assessment and it is aligned with the objectives of the Commission's overarching anti-fraud strategy (CAFS) adopted in 2019. The implementation of the JAFS and of the anti-fraud strategy for direct management is being monitored and reported yearly to the management at the moment of the annual activity report drafting.

During 2021, all actions planned in accordance with these anti-fraud strategies for which DG EMPL is in the lead or associated were successfully implemented or continuously being implemented. More particularly, in 2021, the following key anti-fraud measures were taken, which contributed to the implementation of the JAFS:

- The Commission identified with the audit community new risks of irregularities and possible fraud linked to the additional funding introduced by the 2014–2020 programme amendments to integrate CRII/CRII(+) and REACT-EU measures. Consequently, in May 2021, DG EMPL asked the programme authorities to update their fraud risk assessment and to adapt accordingly their anti-fraud measures. The letter mentioned, in particular, the risks of double financing linked to the performance based additional funding made available via the Recovery and Resilience Facility for thematic objectives partly overlapping with Cohesion programmes.

- The Member States increased their use of the Commission specific data-mining and risk scoring tool developed by DG EMPL (Arachne). This voluntary tool can help the national authorities to identify, among others, the risks of fraud. In 2021, the tool had 6 300 users and their actual number of connections rose from 36 800 in 2020 to 38 500 in 2021. The Arachne team organised continuous technical support and training actions, including: 1 workshop, 14 presentations, 3 participations in financial management and audit seminars, 4 training sessions for Member States and 4 training sessions for Commission auditors. Furthermore, DG EMPL made two awareness raising presentations on anti-fraud.

- The 'EU-funds anti-fraud knowledge & resource centre' is available on the Europa website since the end of May 2021 as per action number 1 of JAFS. It consists of a video based e-learning module and an online capacity building module and provides Member States' authorities and anti-fraud practitioners with tools and materials that can assist them on how to prevent, detect, report and transmit information on fraud and corruption with respect to EU funds for prosecution. Since its opening, the site has already been visited more than 12 000 times. The centre also offers a four-day training course in cooperation with the European Institute of Public Administration on identifying and preventing fraud and corruption in ESI funds. The first course from March attracted more than 50 participants from programme authorities.

With the creation of the Joint Audit Directorate, in collaboration with DG Regional and Urban Policy, DG EMPL will benefit from synergies, will streamline and improve the audit-related activities, including the verification of the presence of effective anti-fraud and anti-corruption procedures and the absence of conflict of interest in programme implementation.

Further measures to protect the EU funds against fraud and irregularities were launched with the Common Provisions Regulation for the 2021-2027 programming period. They are focused on increasing the use of IT tools and achieve a more transparent and interoperable access of the Commission to data about recipients, beneficial owners, contractors and sub-contractors. Under recital 72, the regulation indicates that the Commission should make a single data-mining and risk-scoring tool available to Member States to enhance the protection of Union's budget.

As for the direct management anti-fraud strategy, on 20 May 2021, OLAF provided a training on fraud prevention and detection to 59 staff members of DG EMPL, as foreseen in action 4 'Training and exchanges of experience' of the strategy.

DG EMPL contributed to the Commission anti-fraud strategy and its action plan also by ensuring regular follow up to the financial recommendations from OLAF. As a result, four financial recommendations related to shared management ([92]) were closed in 2021.

In these four cases, the amount recovered by DG EMPL was slightly lower than the amount recommended by OLAF (EUR 4.86 million). The reduced recovery rate was due to lack of a clear breach of the regulation, not providing a sufficient basis for imposing financial corrections. In total, **DG EMPL recovered EUR 4.84 million, corresponding to a recovery rate of 99.6%.** As of end 2021, 36 cases were still open. The most recent cases were still under analysis while the older ones were under contradictory procedure with the Member States.

On the basis of the available information, DG EMPL has ensured that Member States and the DG put in place effective and proportionate anti-fraud measures. However, a more detailed analysis of new emerging risks will be carried out during 2022 or 2023, in particular related to the start of the 2021-2027 programming period for shared management and additional funding instruments made available to Member States.

2.1.1.1.3 Other control objectives: safeguarding of assets and information, reliability of reporting

Safeguarding of assets

The main assets of DG EMPL are its financial instruments, which encompass the EaSI Guarantee Instrument, the Capacity Building Investment Windows and the Funded Instrument. All three instruments are implemented by the European Investment Fund. The Fund manages the assets in accordance with the principles of sound financial management and following appropriate prudential rules, with particular attention at limiting the effect of negative interest generated from the cash in the financial instruments' accounts.

The regular supervision of these instruments did not identify any particular issue that could have a material impact on the assurance and would require reporting in the 2021 annual activity report. Therefore, DG EMPL considers that its safeguarding of assets is effective and appropriate.

Intangible assets

DG EMPL's intangible assets are related to the IT project EUROPASS. It is a system developed by DG EMPL that is running and subject to depreciation. The accounting revision programme of DG EMPL includes a control of the accounting entry of the IT projects assets and a follow up of their status (research, development or production phase). Once

([92]) No recommendations were issued for direct management.

in production a linear depreciation over ten years is applied. The control objectives are fully met for 2021.

EaSI financial instruments

For all EaSI financial instruments, the European Investment Fund provides unaudited and audited financial statements and a standardised reporting package as presented in annex 7K.

Cash and cash equivalents

The cash and cash equivalents of DG EMPL include cash at bank as well as short term deposits, deposits between three months and one year, and related accrued interests for the financial instruments managed by the European Investment Fund (European Progress Microfinance and Employment and Social Innovation).

Current financial liabilities

The current financial liabilities of DG EMPL relate to the financial guarantee contracts of the financial instruments managed by the European Investment Fund (European Progress Microfinance and Employment and Social Innovation). According to the revised European Union accounting rule 11 (effective from 2021), these financial guarantee contracts are measured at the payable leg or at the expected credit losses.

Reliability of reporting

DG EMPL has analysed the data from the latest annual implementation reports for plausibility and coherence and has shared this information with the audit authorities. Where issues were identified, the audit authorities have been requested to verify these. In addition, DG EMPL performed six audits on the reliability of performance data indicators (postponed from 2020 due to the COVID-19 situation) for six ESF programmes from which one in Spain, two in France, one in Italy, one in Greece and one in the UK, to complement the 2017-2019 enquiry, as presented in section 2.1.1.1.1 A. The risk will also be mitigated at programmes' closure/end of the programming period, when reported data for planned indicators will be reviewed. Until then, the audit authorities will have performed sufficient audit work to provide assurance on the reported indicators at programme level.

2.1.1.2 Efficiency of controls

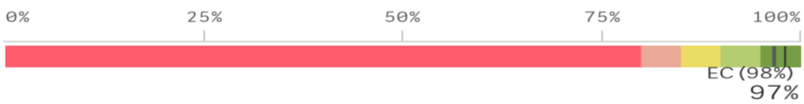
This sub-section outlines the indicators used to monitor the efficiency of the control systems for each of the relevant management modes.

As illustrated in the introduction of part 2, DG EMPL manages funds under several management modes:

Table 4: Share of DG EMPL's budget by management mode

Budget 2021	Share in overall amount of payments
Shared management	98.6%
Direct and indirect management	1.4%
Total	**100.0%**

In terms of payments on time, DG EMPL's performance in 2021 was slightly below the level achieved in 2020 (97% compared to 99% in 2020) and is just below the Commission result as a whole (98%). Most of the delayed payments relate to the funds under shared management and to the European Labour Authority, which gained its administrative autonomy in May 2021. The complex transition between the accounting system of the Commission and the one of the Authority led to invoices being late.

Timely Payments	DG EMPL Score	Commission Score
	**97%**	**98%**

A. Shared management

The table below shows the results registered in 2021 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year. The average time to pay was slightly below the level reached in 2020 (97% compared to 99% in 2020) and was mainly due to IT issues (communication between different tools).

Table 5: Indicators on control efficiency for shared management

Indicator	2021
Budget execution (payments in EUR million)	19 428.2
% of payments on time	97%
Average time to pay (days)	26
% timely interruptions and suspensions of payments notified to Member States (impacted by the time required by Member States to react)	66%

B. Direct and indirect management

The table below shows the results registered in 2021 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year.

Table 6: Indicators on control efficiency for direct and indirect management

Indicator	2021
Budget execution (payments in EUR million)	280.5
Time-to-inform (days) ([93])	212
Time-to-grant (days) ([94])	92
% of Commission payments on time	98%
Average time to pay (days)	26

Time to inform and time to grant indicators exceeded the limits set by the Financial Regulation due to the fact that the complete evaluation procedure had to be organised online and paperless for the first time, due to COVID-19 measures, although the IT tools (SWIM-DEFIS) were not designed for this approach. Furthermore, during the evaluation processes, additional time was granted to applicants to provide administrative documents to take into account the difficulties posed by remote working on their side.

The % of payments on time stood at 98% in 2021, slightly above the level recorded in 2021 (97%) while the average time to pay increased to 26 days compared to 21 days in 2020, mainly due to the complexity and high volume of transactions as well as the use of new IT tools.

To improve efficiency of financial activities, in 2021, all incoming invoices and cost claims were processed electronically within the DG either through the ARES e-signatory system or the new workflow system in RDIS IT tool.

Furthermore, the RDIS approval workflow was used for the approval of the IT invoices, representing around 60% of the total invoices received, and it allowed reducing their payment time by 50%. A contract management module is also being developed through RDIS and has been put in production to manage IT specific contracts. It eases contract generation and reduces the number of IT tools used to generate contracts.

The use of qualified electronic signature has been further developed and the business continuity procedures have been completed to take into account this development. The use of qualified electronic signature either by signatories or in a hybrid manner (partly blue ink and partly electronic) has allowed faster contracts signature.

The initiative taken in 2019 to not analyse the financial capacity of applicants receiving grants of less than EUR 60 000 has been continued in 2021 as no cases of failure in the implementation due to weak financial capacity have been reported.

In 2021, DG EMPL joined the corporate grant management IT system E-grant and used it to launch all its 13 open calls for proposals.

([93]) Average time to inform applicants of the outcome of the evaluation of the application (Article 128(2) of the Financial Regulation – maximum 6 months).

([94]) Average time to grant (Article 128(2) of the Financial Regulation – maximum 3 months).

2.1.1.3 Economy of control

Based on an assessment of the most relevant key indicators and control results, DG EMPL has assessed the cost of controls for each of the relevant control systems (management modes), as detailed in annex 7.

The assessment resulted in a total cost of controls for 2021 of 0.18% (EUR 35.7 million) of the funds managed (EUR 19.7 billion), below the target set in the 2021 management plan ('remains below 0.2% of funds managed').

The sub-sections below present the outcomes per management mode and separately for horizontal functions:

A. Shared management

The cost of controls for shared management for 2021 stands at 0.11% (EUR 21.8 million), which is slightly below the level observed in 2020 (0.13%), mainly due to the increase in budget managed by DG EMPL under shared management in 2021 compared to 2020 (EUR 19.4 billion compared to EUR 15.2 billion).

B. Direct and indirect management

The cost of controls during the reporting year stands at 4.00% (EUR 11.2 million), which is slightly above the level observed in 2020 (3.57%), partly due to the decrease in budget managed (EUR 280.5 million in 2021 compared to EUR 300 million in 2020).

C. Horizontal

The cost of controls of the horizontal tasks which are not attributable to a single relevant control system is 0.01% (EUR 2.7 million).

The figures reported above for DG EMPL are the best estimates at the time of reporting.

2.1.1.4 Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG EMPL has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

2.1.2. Audit observations and recommendations

This sub-section sets out the observations, opinions and conclusions reported by auditors, including the limited conclusion of the internal auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

DG EMPL is audited by both external and internal independent auditors: the European

Court of Auditors and the Commission Internal Audit Service.

A. European Court of Auditors

ECA Annual report for 2020

The **Statement of Assurance** concerning cohesion policy (DG EMPL and DG Regional and Urban Policy funds together) **in ECA's annual report for 2020** was based for the fourth year on the approach focused on the audit work already performed at national level in assessing and testing management and control systems (but before the Commission could complete its own audit work). This is a step that builds on the reinforced control and assurance framework for the 2014-2020 period.

The ECA reviewed 29 assurance packages for 2014-2020 programmes (26) and 2007-2013 closures (3). Audit authorities had reported 64 quantifiable errors in the assurance/closure packages for the 227 transactions the ECA sampled, which mainly concerned ineligible costs and infringements of internal market rules.

In the sample examined, the ECA identified and quantified 23 additional errors that had not been detected by the audit authorities. Taking account of the errors previously found by the audit authorities and corrections applied by programme authorities (total of EUR 834 million for both programming periods), **the ECA estimated the level of error to be 3.5%** (down from 4.4% in 2019 and 5.0% in 2018).

The Commission notes that the error rate it reported in the 2020 annual activity report (1.4% with a maximum rate of 1.9% for DG EMPL) is fully within the ECA error range for Cohesion (0.9%-6.1%) for the second year. DG EMPL thus considers that the error rate it disclosed in its 2020 annual activity report reflects a fair estimate of the level of risk.

DG EMPL systematically follows up the accepted recommendations issued by the ECA in its annual reports and ensures for all cases that corrective measures take place, including financial corrections, or that appropriate remedial action plans are implemented in the concerned systems in order to prevent errors in the future. In its 2020 annual report, the ECA assessed that the recommendations issued in 2017, 2018 and 2019, with an expired expected implementation date, have been implemented either fully or in most/some respects, except one recommendation on the VAT eligibility in Cohesion policy, issued in 2017 ([95]).

The ECA's assessment of the work of audit authorities: in 2021, the ECA assessed the work of 21 out of the total number of 116 audit authorities for Cohesion, in 17 Member States.

The additional errors the ECA detected in its sample of transactions already examined by the audit authorities led them to conclude that the residual rate for 12 of the 26 assurance packages (46%) for the 2014-2020 period was actually above 2% (although it

([95]) The Commission considers, however, that it has addressed the Court's concern on this issue through an alternative proposal on VAT eligibility for post-2020.

was reported to be below). The Commission had also reported a residual error rate above 2% for 11 of these 12 assurance packages. The Court concluded that the weaknesses found in the work of several audit authorities currently limits the reliance that can be placed on their work.

The Commission noted in its replies that most of the irregularities identified by audit authorities and the Commission concern the same main categories, as identified by the ECA. This shows that audit authorities appropriately detect the different types of irregularities contributing to the error rate, but not entirely in all cases, due to complex projects and rules. The Commission also agrees with the ECA that management verifications, the first line of defence against errors, should be more effective in preventing and detecting errors in the first instance.

The ECA also published a special report on the work of the Commission to supervise the work of audit authorities. ECA concluded that the Commission only provides a minimum estimate of the level of error that is not final. The Commission partially accepted two recommendations and rejected other two.

Annex 7M presents further details on the ECA's annual report for 2020 and the results of **other ECA's audits and reports published in 2021**, involving Cohesion policy and its funding.

B. Internal Audit Service

Audit on monitoring the implementation and performance of 2014-2020 operational programmes by DGs Regional and Urban Policy, EMPL and Maritime Affairs and Fisheries

The objective of the audit was to assess whether the three DGs effectively monitor the implementation and performance of their 2014-2020 operational programmes and whether they were well prepared for the 2019 performance review. Reference is made to the 2019 annual activity reports for the audit conclusions.

DG EMPL agreed an action plan with the IAS, which is currently being implemented. Two recommendations have already been closed by the IAS. The third recommendation (very important) will be implemented in accordance with the time limits (end 2022) indicated in the action plan.

Audit on interruptions, suspensions and financial corrections for ESIF 2014-2020 by DGs Regional and Urban Policy, EMPL and Maritime Affairs and Fisheries (2021)

The objective of the audit is to assess the adequacy of the design and the effective implementation of (i) interruptions and suspensions mechanisms and (ii) financial correction measures used by the three DGs to protect the EU budget. The IAS concluded that there are significant weaknesses, which have an impact on the effective implementation of the DGs' processes for interruptions, suspensions and financial corrections in the areas of preventive and corrective measures.

The IAS acknowledged that the DGs are operating under the constraints of a very challenging legal framework where, in particular, the conditions for the application of net financial corrections are stricter than the Commission's original proposal. Consequently, the audit findings need to be seen in this context.

DG EMPL and DG Regional and Urban Policy should, for example, update the guidance note on interruptions and explain more clearly the impact and use of the 10% payment retention threshold to interrupt payments, its link with the acceptance of accounts exercise and with the subsequent potential financial correction procedure in case the deficiencies/irregularities remain uncorrected. The vademecum (operating procedures for application of preventive and corrective measures) should be updated respectively.

Finally, the annual activity report should also explain the constraints for net financial corrections leading to the absence of such cases so far. In addition, the DG should provide an analysis of the impact of the provisions on net financial corrections on DG EMPL's corrective capacity.

Audit on preparation for the 2021-2027 programming period by DGs Regional and Urban Policy, EMPL and Maritime Affairs and Fisheries (2021)

The objective of the audit is to assess whether the three DGs have designed and put in place an effective internal control system in support of their preparations for the start of the 2021-2027 programming period.

The IAS concludes that, although the three DGs have, up to audit date, designed and implemented adequate processes to support the start of the 2021-2027 programming period, there remain a number of significant weaknesses affecting their effectiveness and efficiency, notably as regards the support to Member States and delays in the preparation and operational start of the programming period.

DG EMPL agreed an action plan with the IAS. All important recommendations have been implemented, including improvement of (i) the communication and coordination between the IT team working on SFC IT tool and the DGs and of (ii) the internal reporting system to the senior management and the production of financial checklists. The important recommendation on clear procedures for 'non guidance documents' will be implemented in accordance with the time limits (end June 2022) indicated in the action plan.

Emphases of matter

The IAS placed emphasis in its overall opinion on the implementation of the EU budget in the context of the crisis related to the COVID-19 pandemic, the need for a continuous monitoring and assessment of (new/emerging) risks and for the definition and implementation of corresponding mitigating measures, all followed by DG EMPL.

On the emphasis placed by the IAS in its overall opinion on the supervision strategies by the DGs regarding third parties implementing policies and programmes (e.g. executive agencies or other entrusted entities such as EU decentralised agencies), the efforts continued to identify and assess the risks involved in delegating tasks to third parties and pursue effective and efficient supervisory activities by further developing the relevant control strategies.

Conclusion

In its note of 14 February 2022 ([96]), the internal auditor concluded that the internal control systems in place for the audited processes are effective, except for the very important recommendations of (i) the audit on interruptions, suspensions and financial corrections for the 2014-2020 ESI funds by DGs Regional and Urban Policy, EMPL and Maritime Affairs and Fisheries, and (ii) the audit on preparation for the 2021-2027 programming period by DGs Regional and Urban Policy, EMPL and Maritime Affairs and Fisheries.

In February 2022 ([97]), the internal auditor concluded that the action plans for these audits are satisfactory to mitigate the risks identified during the audits.

DG EMPL considers that the necessary improvements and reinforcements are being made and that the above findings will not impact on the assurance provided in the annual activity report.

2.1.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an internal control framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG EMPL uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

To assess the effectiveness of the internal control principles, the DG has followed the methodology established in the 'Implementation Guide of the Internal Control Framework of the Commission'.

A survey through the Internal Control Self-Assessment Tool (ICAT) was conducted in October 2021. DG EMPL had defined indicators for each of the internal control principles in its working group for internal control, which is composed of representatives of each directorate. The working group selected a series of questions for the survey. All managers as well as 100 staff members, who were selected on a representative and random basis,

([96]) Internal reference: Ares(2022)1092519.
([97]) Internal reference: Ares(2022)1290647 and Ares(2022)1357377.

were invited to participate in the survey. The results of the survey were analysed by the working group taking into consideration other factors, including audits and exceptions.

DG EMPL has a centralised recording of all cases within the financial unit. The number of exceptions in 2021 compared to the previous year was lower (13 versus 16 in 2020) and the number of non-compliance cases continued decreasing from 3 in 2020 to 2 in 2021.

The follow up actions, which had been proposed for 2021 for selected internal control principles, have been implemented.

DG EMPL has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to job descriptions and trainings on anti-fraud and document management IT tool (ARES).

Based on this wide-ranging analysis and comparison with the target values, suggestions for improvements were developed. The following actions are planned in this respect: update of job descriptions, continue to systematically inform all newcomers about the possibility of taking anti-fraud training and provide a short introductory training to ARES to newly appointed heads of unit in DG EMPL.

2.1.4. Conclusions on the assurance

This section reviews the assessment of the elements in sections 2.1.1, 2.1.2 and 2.1.3 reported above and the relevant conclusions in these sections. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

For **shared management**, the risk 'at payment' is calculated by applying the residual total error rate of the previous accounting year (2019-2020 in the current annual activity report), as confirmed by the Commission once the control cycle was completed (KPI4) ([98]), to the 'relevant expenditure' of the Commission in the reporting year ([99]).

The risk 'at closure' indicates the remaining risk to the 2021 relevant expenditure once the Commission will have applied the necessary additional financial corrections to bring the total residual error rates for all programmes down to 2%. By using the confirmed residual total error rate for accounting year 2019-2020 by programme, as detailed in annex 7B, DG EMPL identified for which programmes additional financial corrections are required upon finalisation of the ongoing audit contradictory procedures.

([98]) After neutralising the impact of the advances paid into financial instruments and included in the sample of audit authorities based on declared expenditure (in line with Article 127 of the Common Provisions Regulation).

([99]) Payments made in the 2021 reporting year, excluding new pre-financing, including the 10% retained and the cleared pre-financing, minus the retentions released and any deductions applied in the 2020-2021 accounts.

For the **2014-2020** period, the estimated risk at payment linked to the 2021 relevant expenditure is calculated at **1.7% - 2.4%**, considering the financial corrections already made and taking a prudent approach for the maximum risk due to possible additional risks undetected [100].

Table 7: Overall conclusion

Reservation title	Financial impact (EUR million)		Residual error rate 2021	Evolution
	2020	2021		
Reservation concerning ESF/YEI and FEAD management and control systems for **22** programmes of the **2014-2020** programming period in **10** Member States and the United Kingdom.	77.34	79.65	The individual programmes are presented in annex 9.	Maintained
Reservation concerning ESF management and control systems for **2** programmes of the **2007-2013** programming period in 2 Member States.	0	0	The individual programmes are presented in annex 9.	Maintained

In conclusion, based on the above elements, management has reasonable assurance that, (i) overall, suitable controls are in place and working as intended; (ii) risks are being appropriately monitored and mitigated; and (iii) necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by reservations concerning 21 ESF/YEI and 1 FEAD programmes of the 2014-2020 period and 2 ESF programmes for 2007-2013.

For direct management, the assessment described above and the estimated overall error rate for centralised direct management under the materiality threshold (0.54%) provides reasonable assurance to DG EMPL.

For EGF, the error rate of 0% provides reasonable assurance on the legality and regularity of the expenditure.

(100) There are 48 programmes for which evidence or indications at this stage point to a confirmed residual total error rate for 2019-2020 above 2% and the need for additional corrections. DG EMPL will ensure that the required additional financial corrections are carried out, following appropriate contradictory procedures. The risk at closure for DG EMPL's 2014-2020 programmes is calculated at 1.4% after estimating such future corrections still required to bring down to 2% the residual total error rates for all programmes.

2.1.5. Declaration of assurance and reservations

I, the undersigned, Joost KORTE, Director-General of the Directorate-General for Employment, Social Affairs and Inclusion

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view ([101]).

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex post controls, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

However, the examination of the management and control systems of the Member States highlights the following elements:

- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulations 1303/2013 and 223/2014 (2014-2020 programming period) for identified 21 ESF/YEI and 1 FEAD programmes in Belgium, Germany, Spain, France, Croatia, Italy, Hungary, Poland, Romania, Slovenia and the United Kingdom.

- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulation 1083/2006 (2007-2013 programming period) for identified 2 ESF programmes in Italy and Romania, which have not been subject to sufficient control and corrective measures by the national authorities for the closure.

Brussels, 25 April 2022

(e-signed)

Joost KORTE

([101]) True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2. Modern and efficient administration – other aspects

Besides the six general objectives set in the political guidelines of President von der Leyen to which DG EMPL contributes as presented in part 1 above, the Commission also targets to adjust its internal procedures and processes towards a more 'modern, high-performing and sustainable' institution, which constitutes the seventh general objective of the Commission. Below is a presentation of the progress made by DG EMPL in this regard in 2021.

2.2.1. Human resource management ([102])

Building on the results of the Staff Survey and the staff consultation process during 2019 and 2020, a **re-organisation** took place mid-2021 to better align resources to the political priorities of the new Commission and core business, and to enhance the DG's efficiency. As part of the re-organisation, DG EMPL created a **new unit dedicated to fair transitions and research**, acknowledging its new role and responsibility under Horizon Europe programme.

In parallel, the establishment of the **new Joint Audit Directorate for Cohesion**, by merging the audit directorates of DG EMPL and DG Regional and Urban Policy also contributed to the creation of synergies and efficiency gains. To ensure an optimal resource allocation, the thorough **screening of all vacant posts** continued as well throughout the year.

In addition to the provision of a **series of internal learning events** (trainings, info sessions, staff fora), a **management seminar** and **staff events** for the new Joint Audit Directorate for Cohesion were organised to enrich knowledge and competences, to boost engagement and to facilitate working together in the new organisation structure.

While having **already reached the first female appointment targets** in the previous year, with the appointment of **two additional female middle managers** in 2021, DG EMPL continued to substantially contribute to gender equality in management. During the year, **three female colleagues benefited from an individual coaching package** to develop their management skills.

With the aim of identifying the key issues that DG EMPL's **local HR Strategy** shall address, a brainstorming session took place with a limited number of representative staff members.

Based on the staff survey conducted in 2021, the **staff engagement index** for DG EMPL is 70%, slightly below the Commission average (72%) and its target (at least 3% above

([102]) The relevant performance table can be found in the annex (page 168-169).

the Commission average). The difference can be mainly attributed to the COVID-19 circumstances and therefore the result is not fully comparable with the target.

2.2.2. Digital transformation and information management ([103])

On the side of the **digital transformation**, DG EMPL continued to participate in the joint plenary sessions on process automation and paperless cluster of the European Commission Digital Strategy (ECDS). The Digital Solutions Modernisation Plan (DSMP) aims to provide order and direction for the further development of the Commission's digital landscape in support of business requirements and improved processes, and in line with the ECDS principles. DSMP is a collective effort whereby all DGs reflect on ways to modernise the systems that support their business functions, this being the main input for the basis of the DSMP. It is planned that DG EMPL becomes a customer of Compass Corporate.

The degree of implementation of the digital strategy principles by the most expensive IT solutions that the DG owns (SFC, EURES and EESSI) increased to 69% in 2021, slightly below the target of 72% ([104]).

DG EMPL made a significant progress in the digital transformation of its activities in 2021, especially on:

- End-to-end streamlining of its processes;
- Accommodating user needs and experiences with IT ecosystem;
- Leveraging the value of data with analytics and insights;
- Building digital solutions by co-financing or co-development.

In the field of social security, the roll-out of EESSI system in Member States continued and there was an increase of messages exchanged of 220%. The Commission released a very stable and solid version of the Reference Implementation for a National Application, which will be fully handed over to the Member States. Also, the pilot project ESSPASS progressed.

In the fields of jobs and skills, EURES project ownership was transferred to the European Labour Authority and EUROPASS was consolidated as one of the most visited sites of the Commission.

In the area of shared management with the Member States, DG EMPL advanced in the preparation of the new 2021-2027 multiannual financial period, mainly in relation to the delivery of the two new flagship systems (RDIS2/MyWorkplace and SFC2021) but also the adaptation of the audit applications (ARACHNE and MAPAR).

([103]) The relevant performance table can be found in the annex (page 169-172).

([104]) The slight under-achievement of the indicator is due to rounding as the calculations are theoretical and take into account 33 judgements presented as %.

The COVID-19 pandemic brought in challenges in terms of IT, pressuring the DG to re-organise its IT teams in teleworking mode and requiring important modifications in some of the IT systems. Also, it is worth to mention the re-organisation of the DG that took place in July and involved important adaptations and changes in some of the systems, particularly to cover the requirements of the newly created Joint Audit Directorate for Cohesions with DG Regional and Urban Policy.

In 2021, DG EMPL updated its **data inventory** so that the ownership of the key data assets would mirror the new organization structure of the DG. Additionally, DG EMPL continued the application of the Commission data governance and data policy principles on its key data assets (in a proportion of 31.25%) aiming to reach the interim milestone (50%) by the end of 2022 and the target (80%) by the end of 2024. In 2021, this work covered the key data assets related to the management of DG EMPL's shared management funds, namely the data assets in SFC2007, SFC2014, SFC2021, RDIS2 and the Data Warehouse.

The relevance of **data-security** has been growing in the last few years. DG EMPL is following closely the situation and ensuring that the systems which are under its responsibility adhere to the requirements and recommendations put forward by the Directorate-Generals for Human Resources and Informatics. By the end of 2021, all DG EMPL IT systems have a security plan and most of them have their plans reviewed according to the new internal ITSRM methodology (this process will be completed in the first quarter of 2022 for all systems). DG EMPL has kept internally the local informatics security officer role and will dedicate the full time of a specialist to support and monitor the actions required in each system. This strategic decision is the start of building in-house capabilities and knowledge while at the same time following-up the recommendations from the corporate departments. This is a continuous effort, which is materialised in the regular updates of the security plans for each system involving both business and IT teams and integrating in a holistic way a sound risk assessment to decide adequate mitigation measures to be put in place.

By the end of 2021, the recommendation from the Information Technology and Cybersecurity Board to have the EU Login ([105]) implemented in all DG EMPL's systems has been achieved and all the systems that are accessible directly from internet have implemented a two-factor authentication ensuring a higher protection (except for EUROPASS where the implementation will take place in the first quarter of 2022).

As regards **document management**, DG EMPL continued to reduce the accumulated pre-edomec paper archives. Electronic archiving, access and sharing of electronc files to support the transition to a paperless Commission have been promoted and facilitated. This was done through (i) the regular use of Hermes Preservation System functionalities, (ii) the implementation of public procurement management tools, the e-grants and e-expert IT tools in direct managent of grants, and (iii) the integration of IT systems with HermesAresNomcom – HAN, such as SFC2021 for the exchange of documents related to

([105]) Corporate authentication system.

the programmes under Common Provisions Regulation Funds 2021-2027 and RDIS-DM for contract management, which will enable electronic documents to be registered and filed automatically in HermesAresNomCom.

In relation to **internal communication**, the work on continuous improvements to MyEMPLnet as DG's main collaborative platform continued in 2021. The focus remained on keeping staff informed and engaged on the latest developments at both DG and corporate levels. Staff engagement campaigns, in particular during the summer and before the Christmas holidays, were effective in attracting staff to MyEMPLnet. The overall numbers of page views and intranet visits increased from 513 846 and 223 000 in 2020 to 630 137 (+23%) and 259 000 (+16%) in 2021 respectively, making DG EMPL one of the DGs with most viewed intranets. DG EMPL kept promoting the collaborative sites of the units on MyIntraComm collab and SharePoint as digital collaboration tools within the DG. At the end of 2021, 80% of units (33 units out of 41) were using collaborative sites.

Regarding **information and knowledge management**, in 2021, DG EMPL took the first steps towards a basic knowledge management strategy with the creation of a guidance document with current best practices at the Commission and a discussion at DG EMPL's management seminar in September, further to which a working group on information and knowledge management, internal communication and briefings was established. The working group, which includes both managers and non-managers, will bring forward a basic knowledge management strategy by the end of the second quarter of 2022.

In 2021, the **data protection** coordinator of DG EMPL, with the support of the European Data Protection Supervisor and the Data Protection Officer, organised a variety of trainings for the staff of the DG. The trainings included information sessions for newcomers, general trainings for all DG EMPL staff and specialised trainings for DG EMPL's auditors. DG EMPL's intranet was regularly updated with the latest developments on data protection issues and important information was circulated to all staff.

Following the re-organisation of DG EMPL and the creation of the Joint Audit Directorate for Cohesion in July 2021, a review of all records and privacy statements which fall under the responsibility of DG EMPL was carried out; 11 DG EMPL specific records were reviewed and republished. Two DG EMPL specific records (EURES & EUROPASS) were still under review at the end of 2021 due to the complex nature of the processes and the transfer of some of them to the European Labour Authority. Two new records were created for the Joint Audit Directorate for Cohesion (these were a merge of existing records of DG EMPL and DG Regional and Urban Policy) and other two records were still under review at the end of 2021 (MAPAR and ARACHNE) due to the complex nature of the processes.

DG EMPL replied to four data subject requests in 2021. The data protection coordinator followed up the state of play of each request through an internal monitoring database.

All contracts with external processors were generated using an interface, which has templates with the latest clauses on the Data Protection Regulation, provided by DG Budget, therefore fully compliant.

DG EMPL continues to assess its processing activities in light of the requirements of the Schrems II ruling. In order to minimise risks to data subjects, the data protection coordinator recommended that transfer of personal data is limited to countries which have an adequacy decision.

2.2.3. Sound environmental management ([106])

To **reduce emissions**, the Director-General of DG EMPL scrutinised the internal requests for missions in 2021 to ensure that business travels only take place when the alternative options cannot bring the same outcome (e.g. video-conferences). A consistent approach was applied across the units and resulted in a reduction of 90% in the number of missions performed in 2021 compared to 2019. Besides the increased scrutiny at senior management level, the travel restrictions related to the COVID-19 pandemic that persisted in 2021 positively impacted this achievement.

In 2021, DG EMPL also aimed to **use less paper** within its buildings. While the very ambitious target of 80% reduction was not achieved, a significant improvement was noticed in one of its two buildings (26% reduction) as regards paper ordering, which is the best proxy available to consumption. As tracking the use of paper is difficult, this indicator was already adapted in the 2022 management plan.

Recycling more paper was one of DG EMPL's targets for 2021 and was achieved through, for instance, production of posters for internal communication purposes from recycled paper.

In September 2021, DG EMPL invited the Office for Infrastructure and Logistics of the Commission to its management meeting to discuss, among others, initiatives to **limit the carbon footprint**. The lessons learnt were later shared with the rest of the staff, who also benefited from several sessions on the green transition such as 'Triple A Talk on fair climate policies: possible options and perceptions', 'Regions providing skills and jobs for a green society' and 'Fit for 55' ([107]). In addition, DG EMPL actively participated in consultations on the new HR and environment strategies of the Commission, involving staff at all levels. Once the Commission adopts its Greening strategy, which has been postponed to 2022, dedicated workshops will be organised with all staff.

Following the initiative of the Office for Infrastructure and Logistics, DG EMPL switched off the heating and the air ventilation in half of its buildings, which contributed to maintain the **decrease of the energy use** achieved in 2020.

The **catalogue of green stationary** was promoted among all the units.

([106]) The relevant performance table can be found in the annex (page 172).

([107]) All 27 Member States committed to turning the EU into the first climate neutral continent by 2050. To get there, they pledged to reduce emmissions by at least 55% by 2030, compared to 1990 levels.