



# Annual Activity Report 2023

DIRECTORATE-GENERAL EMPLOYMENT,  
SOCIAL AFFAIRS AND INCLUSION

**Contents**

- DG EMPL IN BRIEF ..... 4
- Executive Summary ..... 5
  - A. Key results and progress towards achieving the Commission’s general objectives and DG EMPL’s specific objectives ..... 5
  - B. Key performance indicators ..... 11
  - C. Key conclusions on internal control and financial management..... 12
  - D. Provision of information to the Commissioner(s)..... 14
- 1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION’S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT ..... 15
  - General objective 1: A European Green Deal ..... 16
  - General objective 2: A Europe fit for the digital age ..... 17
    - Specific objective 2.1: A digitally skilled workforce ..... 17
  - General objective 3: An economy that works for people ..... 19
    - Specific objective 3.1: Effective support to Member States in their structural reforms and investments in the context of the European Semester ..... 19
    - Specific objective 3.2: Stronger social dialogue ..... 22
    - Specific objective 3.3: Decent and safe working conditions for all ..... 24
    - Specific objective 3.4: Better functioning labour markets ..... 26
    - Specific objective 3.5: Greater social fairness and more effective social protection..... 28
    - Specific objective 3.6: Enhanced labour mobility ..... 30
    - Specific objective 3.7: More jobs created and sustained in micro- and social enterprises ..... 32
  - General objective 4: A stronger Europe in the world..... 33
  - General objective 5: Promoting our European way of life ..... 35
    - Specific objective 5.1: A skilled workforce to master the green and digital transition .... 35
    - Specific objective 5.2: Vocational education and training effectively addresses the labour market needs and prepares people for the green and digital transition ..... 37
  - General objective 6: A new push for European democracy ..... 39
    - Specific objective 6.1: Equality ..... 39
- Managing the 2014-2020 ESF towards delivery of policy results..... 41
  - Implementation of 2014-2020 ESF..... 41
  - Assessment of programmes’ performance..... 41
  - Status of programme implementation and key achievements..... 42

Managing the 2021-2027 ESF+ towards delivery of policy results .....	43
Enabling conditions .....	45
Reporting on performance.....	47
2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT.....	48
2.1. Control results .....	49
2.1.1. Effectiveness of controls.....	51
2.1.2. Efficiency of controls.....	66
2.1.3. Economy of controls.....	68
2.1.4. Conclusion on the cost-effectiveness of controls.....	69
Audit observations and recommendations .....	69
2.2. Assessment of the effectiveness of internal control systems.....	72
2.3. Conclusions on the assurance.....	72
2.4. Declaration of Assurance and reservations .....	75
3. MODERNISING THE ADMINISTRATION.....	76
3.1. Human resource management.....	76
3.2. Digital transformation and information management.....	77
3.3. Sound environmental management.....	79
3.4. Examples of economy and efficiency.....	79

### List of charts

Chart 1: Assurance building process for programme accounts submitted and accepted in 2023 (annual accounts 2021-2022) .....	52
Chart 2: Assessment of the management and control systems, number of programmes and % of expenditure in accounts.....	56
Chart 3: Reservations per Member State/UK and the year of the Annual Activity Report	57

### List of tables

Table 1: Overview of the implementation of the ESF+ by specific objective .....	44
Table 2: Overview of ESF+ investments by policy area .....	45
Table 3: Expenditure Overview in 2023 per type of activities .....	49
Table 4: Overview of non-expenditure items.....	50
Table 5: Estimated risk at payment and at closure.....	63
Table 6: Preventive and corrective measures.....	64
Table 7: Share of DG EMPL's budget by management mode .....	66
Table 8: Indicators on control efficiency for shared management .....	67
Table 9: Indicators on control efficiency for direct and indirect management.....	67
Table 10: Overall conclusion.....	73

## DG EMPL IN BRIEF

The Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) pursues policy, legislative and financial initiatives designed to build a highly competitive social market economy in the European Union. The **European Pillar of Social Rights** <sup>(1)</sup> 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 workplace, as well as uphold the rights of persons with disabilities.

*DG EMPL's mission statement, 2020-2024 strategic plan*

DG EMPL is in charge of implementing actions that seek to: (i) improve job opportunities for workers in the internal market, (ii) help raise workers' standard of living (Article 162 of the Treaty on the Functioning of the European Union (TFEU)) and (iii) develop actions to strengthen the EU's economic, social and territorial cohesion (Article 174 of the TFEU).

DG EMPL's **principal areas of action** to achieve its objectives are:

- ✓ 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 as well as further integrating the UN Sustainable Development Goals into EU policies.
- ✓ 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, most notably the **European Social Fund Plus – ESF+**. DG EMPL is responsible **for approximately 6% of the EU budget** with a total budget **of EUR 116.8** billion for the 2021-2027 programming period <sup>(2)</sup>, in addition to the amounts remaining from previous programming periods.

---

<sup>(1)</sup> [The European Pillar of Social Rights](#).

<sup>(2)</sup> 116.8 billion includes 96.2 billion for the ESF+ and 20.6 billion for the REACT-EU. For more information, please see the ESF+ Programme Performance Statement.

# Executive Summary

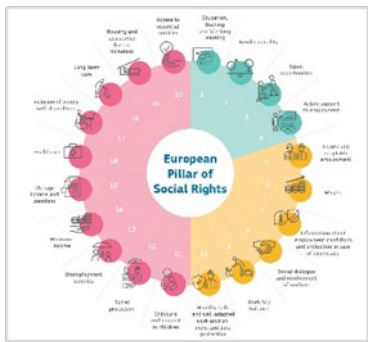
This annual activity report is a management report by the Director-General of DG EMPL to the College of Commissioners. Annual activity reports are the main instrument of management accountability in the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the treaties <sup>(3)</sup>.

## A. Key results and progress towards achieving the Commission’s general objectives and DG EMPL’s specific objectives

In 2023, DG EMPL implemented initiatives planned in the Commission work programme and DG EMPL’s 2023 management plan, contributing to the fulfilment of the ambitions set in President von der Leyen’s political guidelines. These initiatives also help to implement the European Pillar of Social Rights and to achieve the EU 2030 headline targets set by the Pillar action plan <sup>(4)</sup>, as well as the UN Sustainable Development Goals.

To that end, DG EMPL continued to focus its efforts on three main areas of action: policy, legislation, and the management of a broad range of funding instruments.

### Policy



The implementation of the European Pillar of Social Rights action plan continued to progress. By the end of 2023, **74 of the 75 initiatives announced** for this Commission’s mandate had already been adopted or put forward <sup>(5)</sup>. The single remaining initiative is the review of the action plan itself (planned for 2025 under the mandate of the next Commission).

The Portuguese government held its first **Porto Social Forum on 26-27 May 2023**. This high-level event co-financed by the European Commission allowed EU institutions, Member States, social partners, and civil society organisations to take

<sup>(3)</sup> Article 17(1) of the Treaty on European Union (TFEU)

<sup>(4)</sup> The action plan sets three headline targets for the EU to be achieved by 2030:

1. At least 78% of people aged 20 to 64 should be in employment.
2. At least 60% of all adults should participate in training every year.
3. The number of people at risk of poverty or social exclusion should be reduced by at least 15 million.

<sup>(5)</sup> On 22 April 2024, 66 initiatives are completed, 8 ongoing, and 1 announced. DG EMPL is in the lead for 30 initiatives, the rest is by other DGs.

stock of the European Pillar of Social Rights' state of implementation, as well as of areas where further action is needed.



The **European Year of Skills** was announced by President von der Leyen in her 2022 State of the Union address, and it was launched on 9 May (Europe Day) 2023. This initiative aims to provide a new momentum to reach two EU 2030 headline targets of at least 60% of adults in training every year, and at least 78% in employment. By the end of 2023, DG EMPL's communication campaign had reached 68 million people on social media in all EU Member States, 1.37 million people at local events across 23 Member States, and generated 2.3 million page views on the [campaign website](#) as well as 127 million combined video views. The first communication survey showed that people's understanding of EU action on skills increased from 53% to 87% thanks to the campaign.



Building on the **action plan for the social economy**, the Commission presented on 13 June 2023 a proposal for a Council Recommendation on developing social economy framework conditions. The Recommendation was adopted by the Council on 27 November 2023.

On 25 January 2023, the Commission adopted a **social dialogue initiative** as announced in the European Pillar of Social Rights action plan. The initiative consisted of (i) a Communication titled "Strengthening social dialogue in the European Union: harnessing its full potential for managing fair transitions" and (ii) a proposal for a Council Recommendation on strengthening social dialogue in the European Union. The latter was adopted by EPSCO ministers <sup>(6)</sup> on 12 June 2023. Furthermore, as part of this initiative and as announced by the President in her State of the Union speech of September 2023, DG EMPL together with the Belgian Presidency organised a Social Partners Summit in Val Duchesse on 31 January 2024.

DG EMPL has also proposed concrete steps to further digitalise the coordination of social security systems in Europe. It presented a Communication on the subject, which was adopted by the Commission on 6 September 2023. [The Communication](#) sets out actions to **make access to social security services quicker and simpler across borders** by making full use of digital tools, reducing administrative burden for individuals and businesses alike.

[A Communication on a comprehensive approach to mental health](#), co-led by the Directorate-General for Health and Food Safety (DG SANTE) and DG EMPL was adopted on 7 June 2023.

---

<sup>(6)</sup> The Employment, Social Policy, Health, and Consumer Affairs Council (EPSCO) is a configuration of the Council of the European Union that meets four times a year.



The second edition of the **European Employment and Social Rights Forum** took place in November 2023. The event focused on the impact of artificial intelligence (AI) on the world of work, looking at regulation of AI, skills in the age of AI, and the future of work. The event increased the visibility of DG EMPL's portfolio, surpassing the results of the 2022 event with **2900 people registered** (+56% more than 2022) and **2407 people participating** (+61% more than 2022). In terms of brand recognition, **more than 26 million people were reached** through the paid advertising

campaign on social media.

In the context of the European Semester, DG EMPL managed to deliver the **employment guidelines** adopted by the Council in Q4 2023.

In December 2023, DG EMPL published its annual review on **labour market and wage developments in Europe**.

DG EMPL published the report on the implementation of the **Council recommendation on access to social protection for workers and the self-employed** in January 2023. The report of the **High-level group on the future of social protection and the welfare state in the EU** was presented at a high-level conference in February 2023.



DG EMPL continued its support for people fleeing **Russia's war of aggression against Ukraine**, particularly to support their integration into the EU labour market and society. DG EMPL assisted the Special Adviser to Commissioner Nicolas Schmit, Lodewijk Asscher, in promoting the social integration of Ukrainian refugees in terms of work, housing, education and healthcare in the Member States.

Mr Asscher's recommendations were shared with Commissioners Schmit and Johansson in June 2023.

Regarding **communication activities** in 2023, DG EMPL focused on the launch of the **European Year of Skills** – including through the launch of the multi-annual '**Make it Work**' **campaign**, which aims to promote the broad themes of DG EMPL's portfolio to targeted audiences via various assets. In addition to this, press and social media activities were employed to announce new initiatives as well as developments in existing initiatives such as the proposal for a European Disability Card and European Parking Card, the Social Economy proposal, a comprehensive approach to Mental Health, the Directive for lead and

diisocyanates <sup>(7)</sup> and skills-related topics such as the evaluation of the Quality framework for traineeships and the results of the Pact for Skills.

The press team produced a total of **272 news items** and showcased priority files such as the minimum income and minimum wage initiatives, the Asbestos at Work Directive, the long-term care strategy, the action plan for the social economy, and the European Year of Skills on Euronews and Real Economy magazine. The Real Economy series reached 12.9 million TV viewers across the EU and generated 609 000 page views and 3.4 million video views – a significant increase compared to the previous years.

The number of followers of EU Social on X increased to nearly 110 000, making it **among the fastest growing Commission accounts**. The account also has the third highest engagement in absolute terms. The number of Facebook followers reached nearly 170 000 and DG EMPL launched its LinkedIn presence.

## Legislation



As announced in the Commission work programme, DG EMPL presented a [legislative proposal introducing a European Disability Card and an updated European Parking Card for persons with disabilities](#) on 6 September 2023. A general approach was agreed by the Council on 27 November 2023. Prior to this, a proposal to extend the

Cards to non-EU nationals legally residing in a Member State was presented on 31 October 2023.

On 13 February 2023, the Commission took action to further improve the protection of workers from the **health risks linked to the exposure to dangerous chemicals, namely lead and diisocyanates**. The Commission has proposed to amend two Directives, supported by an impact assessment: (i) for lead, the Directive on the protection of workers from the risks related to exposure to carcinogens, mutagens and reprotoxic substances at work, and for lead and diisocyanates (ii), the Directive on the protection of workers from the risks related to chemical agents at work. On 14 November 2023, a political agreement was reached between the European Parliament and the Council. The amending Directive was adopted by the Council on 26 February 2024, and entered into force on 9 April. Member States now have two years to transpose the new provisions into their national legislations.

On 15 March 2023, the Commission presented a package on the **Working Time Directive 2003/88/EC** consisting of (i) an update of the 2017 Interpretative Communication; and (ii) reports on the implementation of the Directive.

---

(7) A group of chemicals that are widely used in industry, i.e., as hardeners in industrial paints, glues, varnishes, and resins.



The **revision of the Regulations on social security coordination** has been a legislative priority since 2016, and it was included as a priority pending proposal in the 2023 Commission work programme. However, despite the two provisional agreements reached between the European Parliament and the Council (as ‘co-legislators’) on this file (in March 2019 and December 2021), the Council was not able to endorse either. Nevertheless, considerable progress has been made and only three issues remain open in the unemployment and applicable legislation chapter. The willingness of co-legislators to continue discussions on the file is essential to finalise the deal and allow clear, fair, and enforceable rules on the coordination of social security.

DG EMPL followed and actively assisted the interinstitutional negotiations on the proposal for a directive on **improving working conditions in platform work**. The aim is to ensure that people working through platforms have working conditions and rights in line with their employment status, while enabling the sustainable development of digital labour platforms in the EU.

## Funds



Despite the slow start of the implementation of the 2021-2027 ESF+ programmes, a smooth transition **between the 2014-2020 programmes and the new programmes** was ensured. In addition to the recovery assistance for cohesion and the territories of Europe programme (REACT-EU), which was adopted in 2021 to support Member States’ recovery from the economic and social consequences of the COVID-19 crisis, three other

amendments to the Common Provisions Regulation were adopted in 2022 and one in 2023. These enhanced the flexibility of the 2014-2020 cohesion policy rules that were necessary to quickly respond to the crises caused by the Russian war of aggression against Ukraine.

DG EMPL also continued to promote the use of **simplified cost options (SCOs) and financing not linked to costs (FNLC)** <sup>(8)</sup>, through (i) a delegated act providing legal certainty for Member States using them in the 2021-2027 programmes and (ii) mutual learning opportunities organised for ESF+ managing authorities in Member States and regions.



### **The Fund for European Aid to the most Deprived (FEAD)**

helped alleviate the worst forms of poverty in the EU by assisting some of the most vulnerable people with food, basic goods, and social inclusion support. The annual implementation reports from the Member States show that, in 2022 (latest figure available), approximately 14.2 million people received FEAD food assistance.

<sup>(8)</sup> [Commission Delegated Regulation \(EU\) 2023/1676 of 7 July 2023.](#)

While led by other Directorates-General of the Commission, the following programmes also supported DG EMPL's policy priorities in 2023: **InvestEU, Horizon, Erasmus+** and the programme for **Citizens, Equality, Rights and Values**.



In 2023, implementation started on **ALMA**, an initiative that provides young people who are not in employment, education or training with supervised work experience in another EU Member State for a period of 2-6 months. Under shared management, three managing authorities launched ALMA calls, while one managing authority entrusted its Public Employment Service to run the initiative <sup>(9)</sup>.

The reflections on the **future multiannual financial framework (MFF)** post-2027 have gained pace. In this context, DG EMPL and DG REGIO have set up a reflection group of high-level specialists on the future of cohesion policy. DG EMPL has also set up various internal working groups and launched several studies to gather evidence for any future decisions.

### **Audit, evaluation, and better Regulation**



The Joint Audit Directorate for Cohesion of DG EMPL and REGIO (**DAC**) was successful in delivering on its objectives and on providing **assurance in its second full calendar year of activity**. The processes of the DAC were completed and stabilised and this led to further harmonisation of certain audit and reporting related processes between the parent Directorates general to ensure efficient inter-action with the DAC. Further workarounds were identified with the help of HR Corporate to handle the management of large-scale put-at-disposal posts in the corporate system SYSPER II, which is not

designed to such a new cross-department reality. The transformation of the DAC IT audit tool, MAPAR, to make it Compass Corporate proof, to expand it to other CPR directorates general as well (HOME, MARE) and to integrate all remaining audit processes, continued. The IAS audit on the set-up of the DAC in 2023 was also useful to take stock, in particular the staff survey carried as part of this audit that provided useful and positive insight on the sense of belonging, ownership and professional efficiency already felt by the DAC staff for the new directorate.

The **evaluation of four of DG EMPL's decentralised agencies** <sup>(10)</sup> progressed well during 2023 and a public consultation was carried out. The supporting study was completed by the end of the year, providing evidence for the drafting of the Commission evaluation report (taking the form of a staff working document) SWD.

<sup>(9)</sup> Denmark, Spain, and Czech Republic launched ALMA calls. Belgium entrusted its PES to run the initiative.

<sup>(10)</sup> The European Agency for Safety and Health at Work (EU-OSHA), the European Centre for the Development of Vocational Training (Cedefop), the European Foundation for the Improvement of Living and Working Conditions (Eurofound), and the European Training Foundation (ETF).

The first evaluation of the **European Labour Authority (ELA)** was launched, as announced in the action plan for 2024. Preliminary steps included a consultation of stakeholders and the public, and an analytical report. The report is expected to be finalized in September 2024.

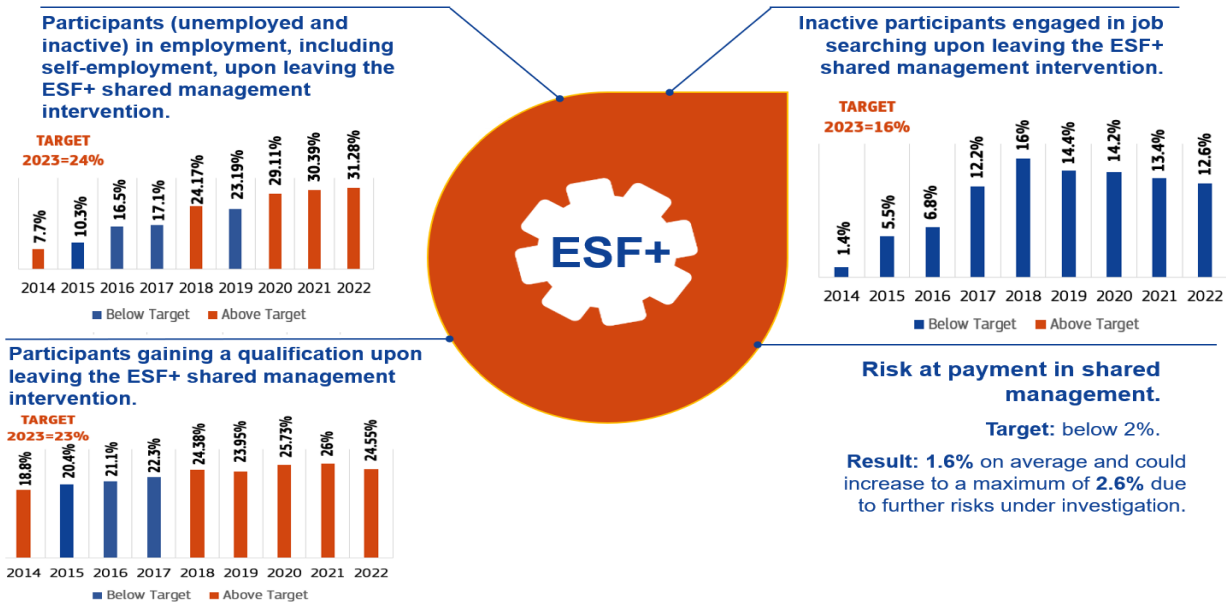
The **preliminary evaluation of ESF and FEAD support under Coronavirus Response Investment Initiatives (CRII and CRII+)** was published in July 2023. Its findings show that CRII and CRII+ facilitated an efficient process for using remaining funds to respond to the COVID-19 pandemic. As well as simplifying and accelerating the programming process, these initiatives helped Member States redirect and reallocate resources, which enabled them to maintain and improve contracting and expenditure.

During 2023, DG EMPL started the **evaluation work on funds** (*ex-post* evaluation of the FEAD, *ex-post* evaluation of the 2014-2020 ESF, and mid-term evaluation of the ESF+). The findings will provide evidence for the proposal for the post-2027 MFF.

DG EMPL’s diligent implementation of the **Commission’s better regulation guidelines** ensured that its priorities could be supported with good quality evaluations and impact assessments.

## B. Key performance indicators (<sup>11</sup>)

This graph shows the key performance indicators as set out in the DG EMPL strategic plan for 2020-2024:



(<sup>11</sup>) KPIs from the 2020-2024 Strategic Plan refer to ESF+. However, we are currently seeing only initial results (please see Annex 2) due to the late adoption of the 2021-2027 ESF+ operational programmes and the recent start of the implementation. Consequently, the data reported in the KPIs refers to the results achieved by the ESF 2014-2020 programmes, which were still operational in the reported year 2023. Likewise, KPI 4 is based on the 2014-2020 programmes as there are no confirmed error rates for the 2021-2027 programming period. Please see Annex 7A for details on KPI 4 and its calculation.

## C. Key conclusions on internal control and financial management

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 2.3. for further details.

In addition, DG EMPL has systematically examined the available control results and indicators, as well as 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.

For each programme under shared management <sup>(12)</sup>, DG EMPL carried out an individual assessment on the effectiveness of the 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 report a differentiated situation on the assurance obtained and individual risk rates confirmed for each programme, by identifying which programmes function well, which still present deficiencies and what type of remedial actions are needed, and for which programmes further financial corrections are necessary or likely based on possible additional risks under assessment.

Based on a review of all available audit results and a programme-by-programme analysis, Directorate General concludes that:

All **2007-2013 ESF programmes** are closed or pre-closed. For pre-closed programmes, the contested expenditure under correction procedures launched by the Commission or in litigation at national level is under control and will not be reimbursed as long as no final decision is taken.

### **For shared management 2014-2020:**

- DG EMPL has robust audit evidence showing a differentiated situation for its 215 ESF/YEI and FEAD programmes: the confirmed individual residual error rate (at this stage of the audit cycle) is below materiality for 179 programmes, but still above for 36, despite the different control layers and corrections applied at Member States' level. For these programmes DG EMPL will apply additional financial corrections so that ultimately the 'risk at closure' for all 2014-2020 programmes is below 2%. Currently, the estimated 'risk at closure' is 1.3%. For all previous accounting years, based on the additional audit work and additional financial corrections requested by the Commission and accepted by the concerned programme authorities (and implemented or being implemented), the risk at closure is confirmed to be below 2%,

---

<sup>(12)</sup> 98.3% of the relevant expenditure in the reporting year.

as per the estimate. This reflects cohesion policy's multiannual corrective capacity mechanism.

- Based on this, the residual total error rate (risk at payment - **KPI 4**) is **1.6%** for the 2023 expenditure for shared management, at this stage of the control cycle (national and European Commission audits carried out, audit conclusions finalised or under contradictory and resulting financial corrections applied at national level in some cases), **with a maximum of 2.6%** due to further risks under investigation. 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 2023. The improved KPI4 compared to last year (1.9%-2.8%) reflects the fact that appropriate corrective measures were taken for a number of programmes for which issues were raised last year and that thus do not affect the error rate this year.
- Currently, the estimated '**risk at closure**' is **1.3%**. For all previous accounting years, based on the additional audit work and additional financial corrections requested by the Commission and accepted by the concerned programme authorities (and implemented or being implemented), the risk at closure is confirmed to be below 2%, as per the estimate. This reflects cohesion policy's multiannual corrective capacity mechanism.
- Moreover, based on all available audit results, DG EMPL has reasonable assurance that the **management and control systems function (sufficiently) well for 203 programmes** (representing 96% of expenditure certified in the 2022-2023 accounts). The situation is thus positive for 94% of programmes where errors were prevented or detected through the effective functioning of existing management and control systems. Some errors continued however to remain undetected at Member State level for programmes with systems assessed as presenting weaknesses (4% of expenditure certified in the accounts). These system deficiencies or weaknesses occurred mainly in managing authorities or their intermediate bodies (deficiencies in management verifications, the first level controls) and in some audit authorities (second level of controls), in particular at the level of **four audit authorities in charge of auditing 6,5% of ESF/YEI and FEAD expenditure** where identified weaknesses question the reliability of the reported audit results. Annexes 7C and 7D present the programmes and authorities concerned by the identified weaknesses.

**For the 2021-2027 programmes**, DG EMPL reimbursed expenditure in 2023 to 32 programmes, for which it assessed that management and control systems functioned effectively, except for three programmes (for two programmes deficiencies concern only part of the system). The risk of underlying transactions (estimated at flat rate when no audit result was yet available) was under 5% in all cases (and therefore covered by the 5% payment retention foreseen in the CPR). Deficiencies identified in the functioning of 2014-2020 management and control systems carried over in the 2021-2027 period (independently from whether expenditure was already declared and paid in 2023 or not) are closely

monitored until the obtention of complete audit opinions and error rates in 2025 (letters of corrective measures and need for special attention were sent to 2 concerned programmes).

For **other management modes** the risk at payment is overall below materiality.

Based on its anti-fraud strategy, DG EMPL applies **a zero tolerance to fraud and corruption**. It verifies the functioning of anti-fraud measures and measures to prevent conflicts of interest in the programmes it supports and takes conservatory measures (payments interruption) each time fraud suspicions are reported / are under investigation (active cooperation with OLAF and EPPO, see section 2.1.1.b).

In conclusion, DG EMPL management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and tools are in place to apply additional financial corrections to protect the EU budget during the multi-annual programming period, as needed.

The Deputy Director-General, in her capacity as acting Director-General and Authorising Officer by Delegation, has signed the Declaration of Assurance, *albeit qualified by one reservation*:

- a **reservation** concerning management and control systems of the **2014-2020** period for **14 ESF/YEI programmes and 1 FEAD programme** in 7 Member States.

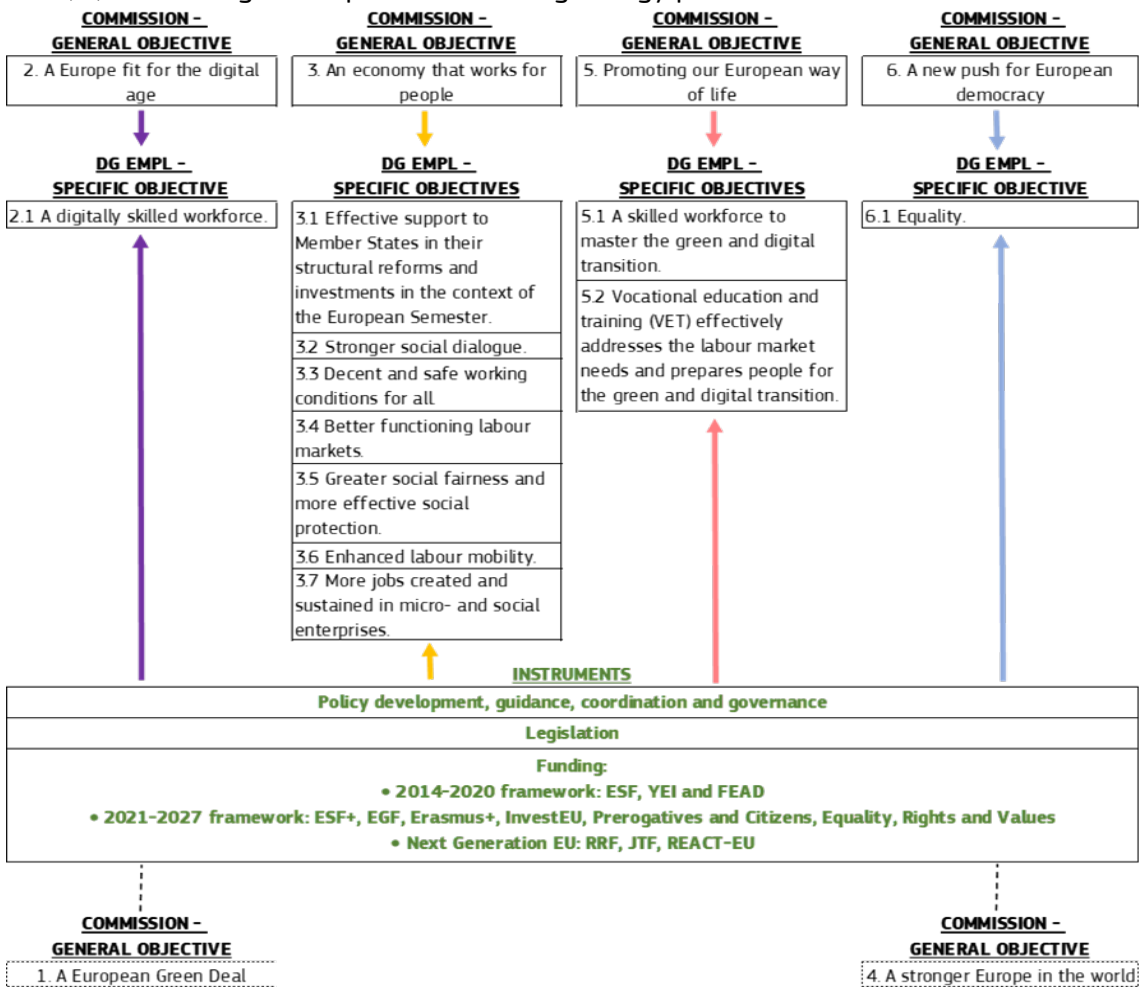
Improvements are necessary concerning the programmes at stake, namely improvements in the effective functioning of their management and control systems, at the level of managing authorities or their intermediate bodies or of the audit authorities, and in the corrective capacity of certain programmes. The following actions are being taken in this respect: each time deficiencies are identified, DG EMPL requires remedial actions to improve the functioning of the (part of the) system with a view to prevent irregularities from reoccurring and requests additional financial corrections for past expenditure declared, including to bring the level of residual error to below 2%, where necessary, to protect the EU budget. Reservations in this report are made in line with applicable criteria (presented in Annex 5) and are only lifted once sufficient corrective measures have been taken (*84% of DG EMPL reservations are upheld for less than two years following active corrective measures put in place*). Please refer to section 2.1 for further details.

## **D. Provision of information to the Commissioner(s)**

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 SPECIFIC OBJECTIVES OF THE DEPARTMENT

In 2023, given the current socio-economic challenges, DG EMPL focused on (i) fostering quality job creation and inclusive growth, (ii) ensuring that the green and digital transitions are socially fair, (iii) supporting people fleeing Russia's war of aggression against Ukraine, and (iv) cushioning the impact of the rising energy prices.



## General objective 1: A European Green Deal

DG EMPL supported the objective of 'A European Green Deal' in various ways, including by contributing to other DGs' legislative initiatives, assessing the national energy and climate plans, performing the first review of Council Recommendation on fair transition towards climate neutrality, promoting just transitions at international level, and developing projects and conducting analysis on the fair green transition.

DG EMPL contributed to several **Green Deal initiatives**, such as the impact assessment for the 2040 climate target, the evaluation of the Energy Union and Climate Action Governance Regulation, the State of the Energy Union report, EU strategy on adaptation to climate change, and the EU wind power package. Moreover, DG EMPL participated in the preparatory work of the **Social Climate Fund**, and is supporting the discussions on its implementation, including on the use of related monitoring indicators. The final results of a dedicated DG EMPL study on transport poverty will be published in May 2024.

In terms of monitoring, DG EMPL co-drafted the **Commission's assessment on the update of the national energy and climate plans** related to the sections on just transition, skills, and energy poverty. It contributed to the EU-wide and specific national recommendations to Member States, particularly focusing on the just transition aspects.

In addition, in October 2023 the Employment and Social Protection Committee conducted the first partial **review of implementation of the Council Recommendation on fair transition towards climate neutrality**. The findings of the review were summarised in key messages endorsed by EPSCO in November.

In terms of **analyses and projects**, DG EMPL continued to monitor and evaluate the employment and distributional impacts of the green transition. New studies on the definition of green jobs in Europe and on carbon footprint inequalities have been launched with the support of the Joint Research Centre (JRC). Moreover, DG EMPL continued its work on the call for proposals on 'Social innovations for a fair green and digital transition', launching and monitoring 17 projects on designing, piloting and testing innovative actions to promote fair transitions on the ground. The projects will be implemented between 2023 and 2025 with an allocated budget of approximately EUR 12 million.

**At the international level**, DG EMPL organised and co-hosted the Just Transition Pavilion at the annual UN climate conference COP-28 in Dubai with the International Labour Organization (ILO). DG EMPL launched a new cooperation agreement with the ILO, covering analyses on just transition and capacity-building activities. In addition, the Commission, together with Canada, the United States and the International Energy Agency (IEA), continued to implement the **Clean Energy Ministerial initiative** 'Empowering people: skills and inclusivity for just transitions', including a toolkit for policymakers.



---

*The Belgian ESF+ project “J.O.B. Verts” pioneers sustainable jobs for a greener future. Addressing the challenges of an evolving labour market, the project provides participants with the skills they need to succeed in the emerging green economy. The projects targets job seekers aged 18 to 29 and provides them with comprehensive training in organic farming and landscape gardening. It aims to create a shared space outside of school, where young people can gather, share ideas, and explore new opportunities. The project provides participants with practical experience as they work alongside experienced trainers. They can choose to work in either an organic market garden or in a private garden, where they learn ecological-gardening techniques and use them to plant and take care of vegetable and ornamental gardens throughout the seasons. In addition to gaining knowledge about plants and vegetables, participants learn about biodiversity preservation, and the ecological principles underlining sustainable gardening practices. Lastly, the project includes workshops, around topics such as energy consumption, quality jobs, debt mediation, international solidarity, responsible consumption, knowledge-sharing and environmental preservation, to help participants become well-informed and engaged citizens.*

---

## General objective 2: A Europe fit for the digital age <sup>(13)</sup>

### Specific objective 2.1: A digitally skilled workforce <sup>(14)</sup>



To support Member States in achieving the target of at least 80% of people aged 16-74 having at least basic digital skills by 2030 <sup>(15)</sup>, DG EMPL implemented or contributed to several actions under the European Skills Agenda and the digital education action plan (DEAP) aimed specifically at initiatives that help people acquire and develop digital skills.

The **European Year of Skills** was launched on 9 May (Europe Day) 2023, as announced by President von der Leyen in her 2022 State of the Union speech. This initiative is designed to give a new momentum to the efforts to reach two of the EU 2030 headline targets to reach at least 60% of adults in training every year, and at least 78% in employment. As the lead

---

<sup>(13)</sup> The relevant performance table for this objective can be found in Annex 2 (page 4).

<sup>(14)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 4-6).

<sup>(15)</sup> [European Pillar of Social Rights action plan](#).

DG, DG EMPL coordinated the communication efforts around the European Year of Skills among Commission departments and other communication partners such as other EU institutions and stakeholders, providing a toolkit, regular communication updates, and a corporate website. By the end of 2023, the communication campaign had reached 1.37 million people through local events in 23 Member States and 68 million people through social media. The campaign attracted 127 million video views and 2.3 million page views on the [campaign website](#). The Year's programme consisted of almost 2 000 events, initiatives, and deliverables at the European and national levels.

In the context of the [European Year of Skills](#) in 2023, DG EMPL actively contributed to the Commission's adoption of two proposals for Council Recommendations on key enabling factors for a successful digital education, and on improving the provision of digital skills in education and training. Their aim is to support Member States and the education and training sector in providing high-quality, inclusive, and accessible digital education and training to develop people's digital skills in the EU. The proposals reflect the outcome of the structured dialogue <sup>(16)</sup> on digital education and skills to encourage Member States to be more ambitious in this area. The Council adopted the proposals on 23 November 2023.

In spring 2023, a pilot on a [European digital skills certificate](#) was launched with five Member States (Spain, France, Austria, Romania, Finland) to discuss its key building blocks. In parallel, throughout 2023, the JRC carried out a feasibility study on the initiative, including stakeholder consultations, and concluding with a final event on 7 December under the umbrella of the European Year of Skills.

In cooperation with the JRC, DG EMPL started new research and analysis work on digital skills gaps in the labour market and continued to promote the use of the updated [Digital Competence Framework](#) (DigComp 2.2). DigComp facilitates the assessment and monitoring of digital skills and the development of curricula and learning goals, taking into account emerging technologies such as artificial intelligence (AI). DigComp is now used, at least as a reference in digital skills and education policies in all 27 Member States and in several non-EU countries. So far, 30 general digital skills certification schemes have been aligned with DigComp, to a greater or lesser extent.

Moreover, DG EMPL in cooperation with the JRC launched a [worker-oriented survey](#) to collect representative data on the extent and implications of the use of AI-driven tools, including algorithmic management in the workplace. The data will be used to inform policy discussions and decisions related to the future of work.

In addition, an [EMPL-JRC project](#) was set up to assess the synergies between the green and digital transitions, taking account of dimensions such as gender, demographic change, urbanisation, and income distribution.

In the field of research and innovation, DG EMPL continued to mainstream employment, skills, social and distributional aspects in Horizon Europe Cluster 4 'Digital, industry, space', and related knowledge and innovation communities, and to implement the research and

---

<sup>(16)</sup> DG EAC, CNECT and EMPL were the core services involved under the coordination of SG D.1.

innovation actions on 'AI and working conditions' under Cluster 2. Moreover, DG EMPL finalised the 'ERA4FutureWork' research and innovation policy action and contributed to the '**Strategic Research and Innovation Agenda**' on research and innovation gaps, priorities, and funding opportunities for the future of work.

Project example: [Robo CO, Finland](#)

---

*The Finnish ESF+ project 'Robo CO' supports students in acquiring skills in robotics and artificial intelligence. As these technologies redefine industries, reshape job roles and create new opportunities across professions, the project focuses on empowering participants by providing them with the skills required for the AI-powered future of work. It is increasingly clear that the transformation of work will affect every sector, automating routine tasks, increasing productivity, and opening new possibilities for creative, AI-supported thinking. A basic understanding of robotics and AI will therefore be a fundamental skill in almost every job. The project is not limited by geographical boundaries. It explores the potential of a virtual learning environment, fostering international collaborations to amplify its impact. Partnerships with industry players provide participants with invaluable hands-on experience, allowing them to bridge the gap between theoretical knowledge and practical application and connect with the world of work. A collaborative effort between the City of Riihimäki, Häme University of Applied Sciences, and Hyria Education in Finland, the project is a standout example of how the ESF+ can be harnessed to advance expertise in robotics and AI within a changing workforce.*

---

## **General objective 3: An economy that works for people <sup>(17)</sup>**

### **Specific objective 3.1: Effective support to Member States in their structural reforms and investments in the context of the European Semester <sup>(18)</sup>**

In 2023, DG EMPL contributed to the **European Semester** cycle in line with Article 148 TFEU on employment governance. In this context, DG EMPL proposed an update of the recitals to the **employment guidelines** (adopted by the Commission in May 2023 and subsequently by the Council in October 2023). It also contributed to the **overall steering** of the Semester, providing input for the **country reports** (including two annexes) and co-drafting **country-specific recommendations**. The process of identifying of country-specific challenges was supported by headline indicators from the **revised Social Scoreboard** and evidence collected via the **European Centre of Expertise** through ad hoc requests. Thematic reviews

---

<sup>(17)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 6-7).

<sup>(18)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 8-10).

also helped build a country-specific knowledge base. DG EMPL also contributed to the ‘Annual Sustainable Growth Survey 2024’.

The proposal for a **joint employment report 2024**, adopted in November 2023, maintains a strong focus on the European Pillar of Social Rights. It includes a thorough country-specific analysis based on the aspects of the **Social Convergence Framework**, as described in the related key messages of the Employment Committee and the Social Protection Committee (EMCO-SPC) and the underlying report from the EMCO-SPC joint working group (see below).

DG EMPL organised consultations with **social partners and civil society organisations**, to exchange views on relevant policy issues and take account of stakeholders’ views when drafting key documents. A multilateral state-of-play review of the social dialogue in Member States was organised in November 2023 at a designated EMCO meeting. Furthermore, DG EMPL supported a special tripartite EMCO meeting aimed at discussing labour shortages in the EU with EU-level and national social partners from all Member States.

Two events connected to the **Mutual-Leaning Programme** were organised in 2023: (i) peer learning event on establishing an ecosystem for the support of social enterprises, hosted by the Cypriot Authority of Cooperative Societies and (ii) a peer review event on the effective labour market integration of displaced persons from Ukraine, hosted by the Polish Ministry of Family and Social Policy.

DG EMPL continued to assist the Recovery and Resilience Task Force in assessing the **revised national recovery and resilience plans**, including REPowerEU chapters, and incoming payment requests. Overall, Member States allocated around 28% of expenditure under the plans to employment, skills and social policies.

DG EMPL supported DG REFORM in the assessment of Member States’ requests under the **2024 Technical Support Instrument** call<sup>(19)</sup> to ensure complementarity with actions financed with employment and social related funds.

In 2023, DG EMPL also supported the work of EMCO and SPC in developing and running a pilot of a **framework to better identify risks to upward social convergence** in Member States and the EU, based on existing instruments within the European Semester. A technical report summarising the pilot and its outcomes fed into the European Semester policy debate in the June 2023 meeting of EPSCO ministers.<sup>(20)</sup>

DG EMPL engaged with the Spanish and Belgian Presidencies of the Council<sup>(21)</sup> and fostered debates at EU level on the **added value of social investment policies**. In this context, DG EMPL supported and actively participated in the informal working group on social investment

---

<sup>(19)</sup> The call included three flagship technical support projects with particular DG EMPL relevance: Support to the Social Climate Fund, Fostering skills development systems better adapted to the labour market and migration: Enhancing reception and accommodation capacity).

<sup>(20)</sup> The findings of the pilot were included in a [report prepared by the working group](#). The report was annexed to a set of [Key Messages](#) formulated by EMCO and SPC on the possible introduction of the Social Convergence Framework in the European Semester.

<sup>(21)</sup> The 2023 Spanish Presidency and the 2024 Belgian Presidency.

that was set up by the two Presidencies and contributed to a related working document, multiple Presidency steering notes and an EMCO-SPC opinion <sup>(22)</sup>. These documents were the basis for a Ministerial discussion at the November EPSCO Council and were used to prepare the joint ECOFIN-EPSCO Council meeting in March 2024.

DG EMPL also contributed to the **economic governance review** led by DG ECFIN. The Commission tabled related legislative proposals on 26 April 2023, and the European Parliament and the Council (the ‘co-legislators’) reached a provisional agreement on 9-10 February 2024.

DG EMPL produced two flagship reports on employment, skills and social affairs. July 2023 saw the publication of the **annual review of employment and social developments in Europe** with a thematic focus on labour and skills shortages. In November 2023, DG EMPL published its **2023 annual review of labour market and wage developments in Europe**. The report discusses the situation and prospects for the EU labour market, which has continued to perform well despite the difficult economic situation. It analyses recent wage developments and the impact of high inflation on the purchasing power of workers and examines trends in working time across the EU.

As part of the Commission-wide **Strategic Foresight Network**, DG EMPL ensured that employment and social elements are fully integrated into the 2023 strategic foresight report on social and economic choices in sustainability transitions. It contributed to the development of the sustainable and inclusive wellbeing to be delivered as a legacy to the next Commission.

Under the **Social Situation Monitor**, research notes were drafted on wages, housing affordability and minimum income and regular seminars were organised on topics such as labour and skills shortages. Analytical reports were published, including a **joint analytical paper with the Organization for Economic Cooperation and Development (OECD)** on uneven impacts of inflation.

In cooperation with Eurostat (DG ESTAT), DG EMPL continued to improve the coordination and collection of social and labour market statistics. DG EMPL maintained and updated the **Social Scoreboard and Joint Assessment Framework** as well as other data frameworks, such as the labour market policy database. DG EMPL contributed to reviewing and strengthening the Sustainable Development Goals (SDG) indicator set and the annual SDG report by ESTAT.

Furthermore, DG EMPL continued to mainstream **employment and social aspects in the Horizon Europe programme**.

Project example: [Creating and implementing integrated community services, Romania](#)

---

<sup>(22)</sup> The [EMCO-SPC Opinion](#) was endorsed by the EPSCO Council on 28 November 2023.

The project 'Creating and implementing integrated community services to combat poverty and social exclusion', funded by the Romanian Human Capital Operational Programme, helped expand the coverage and improve the quality of social services by supporting the setup and functioning of integrated community services (with teams of social assistants, community nurses and school counsellors or mediators) in 116 marginalised rural communities. It was implemented as part of measures implementing one of the country-specific recommendations received by Romania under the European Semester. The main objective of the project was to create a mechanism for integrated services at local level, focusing on areas identified as relevant for the fight against social exclusion and poverty. The project (EUR 22 million) was implemented by the Ministry of Labour and Social Solidarity, the Ministry of Health and the Ministry of Education. The ESF+ will contribute to further increase access to social and support services. 2,000 rural communities will benefit from social services provided by specialised staff in the scale-up of this project (EUR 661 million).

### Specific objective 3.2: Stronger social dialogue <sup>(23)</sup>



On 25 January 2023, the Commission adopted **a social dialogue initiative**, as announced in the European Pillar of Social Rights action plan. It consists of the Communication 'Strengthening social dialogue in the European Union: harnessing its full potential for managing fair transitions and a proposal for a Council Recommendation on strengthening social dialogue in the European Union. The initiative was generally welcomed by social partners. EPSCO Ministers adopted the **Council Recommendation on 12 June 2023**.

Throughout 2023, the Commission started to implement the various actions announced in the Communication. In July, a network of social dialogue coordinators led by DG EMPL was set up and the newly appointed social dialogue coordinators in all relevant Commission departments met for the first time. In July, the Commission set up a new sectoral social dialogue committee on social services. In October, **Commission Executive Vice-President Dombrovskis and Commissioner Schmit** held for the first time an exchange with cross-industry social partners ahead of the adoption of the 2024 Commission work programme. The Commission agreed with social partners on a new approach for organising the meetings

<sup>(23)</sup> The relevant performance table for this objective can be found in Annex 2 (page 11).

of the cross-industry and sectoral social dialogue committees. From 2025 onwards, all committee meetings will be organised with the help of an external service provider contracted by the Commission.

Following the announcement by President von der Leyen of a new Val Duchesse Social Partners Summit together with the Belgian Presidency, the Commission started preparing the summit with the close involvement of European social partners.

DG EMPL further strengthened social partners' involvement in EU policy and law-making by organising two dedicated hearings to discuss the planned initiatives on learning mobility for all and the EU Talent Pool. From January to November, the Commission supported the European cross-sectoral social partners by organising their negotiations on the review and update of their 2002 Autonomous Agreement on Telework. The Commission also supported the negotiations, launched in July 2023, for a new social partner agreement on transitions in the gas sector. In 2023, the cross-industry and sectoral social dialogue committees negotiated **19 joint outcomes (agreements, statements, toolkits etc.)**.

After the European Parliament resolution under Article 225 TFEU of February 2023 calling on the Commission to revise **Directive on European Works Councils**, the Commission carried out in 2023 preparatory work for a legislative initiative to revise the Directive. This included a two-stage consultation of European social partners under Article 154 TFEU, targeted consultations of key stakeholders, as well the preparation of the draft Impact Assessment.

The Commission also contributed to strengthening social dialogue at national level by analysing related challenges through the European Semester process. At regular meetings of the cross-industry and sectoral social dialogue committees and at the **Tripartite Social Summit** the Commission discussed its response to the economic recovery.

In 2023, DG EMPL provided logistical and content assistance for **161 social dialogue committee meetings** and organised various consultation hearings on initiatives from DG EMPL and other Commission departments. In addition, two calls for proposals were published on support for social dialogue and information and training measures for workers' organisations.

## Specific objective 3.3: Decent and safe working conditions for all <sup>(24)</sup>



### A. Decent working conditions for all

As regards **Directive 2003/88/EC on working time**, the Commission presented a package on 15 March 2023 <sup>(25)</sup> consisting of an update of the 2017 Interpretative Communication and reports on implementation of the Directive. The package provides an opportunity to examine the impact of recent judgments by the Court of Justice of the EU and to help Member States in interpretation to avoid enforcement problems.

Checks on the transposition of **Directive 2019/1152 on transparent and predictable working conditions** into national laws continued in 2023. 19 Member States received letters of formal notice for non-notification or incomplete notification of transposing measures in September 2022. The Commission sent a reasoned opinion to Spain and Luxembourg in June 2023, as they had not communicated any transposition measures for the Directive.

DG EMPL has continued to update information on national labour law and EU and national jurisprudence on labour law through the reports issued by the European labour law expert network, and the group for industrial relations. More specifically, DG EMPL updated the webpage on **Directive 2003/88/EC on working time**.

In January 2023, DG EMPL set up an expert group on the transposition of the **Directive on adequate minimum wages in the EU** to advise and support DG EMPL in monitoring the correct and timely transposition of the Directive by Member States. The group, chaired by DG EMPL, met eight times to discuss the provisions of the Directive, especially those that may pose specific challenges when being transposed into national law. The group's final report <sup>(26)</sup> was adopted on 29 November 2023 and will serve as guidance for the transposition of the Directive due by 15 November 2024.

### B. Safe working conditions for all

<sup>(24)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 12-13).

<sup>(25)</sup> COM(2023)72, SWD(2023)40, C(2023)969.

<sup>(26)</sup> [Report of the Expert Group on the Transposition of Directive \(EU\) 2022/2041](#)



In February 2023, the Commission adopted a proposal, supported by an impact assessment, significantly **reducing limit values for lead** (a major occupational reprotoxicant) under the CMRD and setting new limit values for diisocyanates (occupational asthmogen) under the Chemical Agents Directive 98/24/EC (CAD). The proposal was adopted by the Council on 26 February 2024, and entered into force on 9 April.

Furthermore, in 2023, the Commission successfully supported the co-legislators' negotiations on the proposal amending the Asbestos at Work Directive 2009/148/EC through an impact assessment leading to its adoption in autumn (as Directive (EU) 2023/2668).

In 2023, as announced in the EU's 2021-2027 Occupational Safety and Health (OSH) Strategic Framework, the Commission also continued work on updating EU rules on hazardous substances to combat cancer and reproductive and respiratory disease. Specifically, it carried out a consultation of social partners on addressing welding fumes and setting new limit values for cobalt, polycyclic aromatic hydrocarbons, isoprene, and 1,4-dioxane under the sixth amendment of the Carcinogens, Mutagens and Reprotoxic Substances Directive 2004/37/EC (CMRD).

**The OSH stocktaking summit**, co-organised by the European Commission and the Swedish Presidency, took place in Stockholm on 15-16 May 2023. The summit reviewed progress on the **EU OSH Strategic Framework**. Key themes discussed at the summit included mental health at work, the Vision Zero approach to work-related deaths, national OSH strategies and the impact of climate change on occupational safety and health. The OSH summit confirmed that the EU OSH Strategic Framework had successfully identified the key objectives and actions for the period to ensure the workplace remains a healthy environment in the midst of rapid change, due to the digital and green transitions and the impact of the pandemic, amongst other things. It was acknowledged that significant progress has been made in the implementation of the EU OSH Strategic Framework.

**A Communication on a comprehensive approach to mental health**, co-led by DG EMPL and the Directorate-General for Health and Food Safety (SANTE), was adopted in June 2023. The overall aim of the comprehensive EU approach is to integrate mental health into all relevant EU policies and to maximise the added value of EU policies in national and local efforts.

## Specific objective 3.4: Better functioning labour markets (27)



After reaching record low levels in the second quarter of 2023, youth unemployment started to rise again. The rate is persistently higher than general unemployment rates. DG EMPL continued to facilitate structural reforms and activation strategies for young people across the EU by supporting the implementation of the reinforced **Youth Guarantee**. The aim of the Youth Guarantee is to reach out to young people, encourage them to play an active role in the job market and help them develop the skills needed in a changing world of work. In 2023, EMCO carried out the two-yearly review on the implementation of the reinforced Youth Guarantee, this time focusing on challenges relating to young people not in employment, education, or training (NEETs).

The Commission monitors the implementation of the **Council Recommendation on the Quality Framework for Traineeships**, adopted in 2014. Consequently, DG EMPL published an evaluation of the Recommendation, based on a study and several stakeholder consultations, including a public consultation (28). The evaluation, together with the results of a Eurobarometer (29), an EU-level social partners' consultation, an impact assessment and a study supporting the impact assessment have fed into the reinforced Quality framework for traineeships as announced in the 2023 Commission work programme and adopted in March 2024. The reinforced Quality framework for traineeships is the Commission's response to the European Parliament's legislative own-initiative resolution on quality traineeships in the EU adopted in June 2023.

In relation to **telework and the right to disconnect**, DG EMPL launched an exploratory study on the legal, economic, and social context and trends in teleworking and the right to disconnect during and beyond the COVID-19 pandemic, published in the first quarter of 2024. The study forms part of the Commission's follow-up to the European Parliament's resolution on the right to disconnect, adopted in January 2021. The Commission's follow-up includes the launch of a consultation of social partners on a potential EU initiative on telework and right to disconnect planned for the second quarter of 2024.

DG EMPL followed and actively assisted the interinstitutional negotiations on the proposal for a directive on **improving working conditions in platform work**. The aim is to ensure

(27) The relevant performance table for this objective can be found in Annex 2 (pp. 13-15).

(28) [Traineeships: Commission evaluation analyses impact of European quality framework - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](#)

(29) [Integration of young people into the labour market with particular focus on traineeships - April 2023 - - Eurobarometer survey \(europa.eu\)](#)

that people working through platforms have working conditions and rights in line with their employment status, while enabling the sustainable development of digital labour platforms in the EU.

DG EMPL also took an active part in the debate on the future of work in a digital world. The use of **artificial intelligence**, and **algorithmic management** in particular, present opportunities and challenges in the world of work beyond the platform economy. The discussion continued in 2023 to identify possible EU policy responses. DG EMPL conducted an exploratory study on this issue and organised the annual Employment and Social Rights Forum around this topic in November 2023.

By supporting the European Network of **public employment services** (PES), DG EMPL helped services from across Europe to build their capacity, improve their performance and work together to find solutions to persisting issues and new challenges. In 2023, its priorities included attracting skills and talents from non-EU countries, working towards a common measurement of labour shortages, contributing to the European Year of Skills and upskilling jobseekers for the green and digital transitions. The network also advanced PES' efforts to further digitalise and personalise their services, and to support the labour market integration of persons fleeing the war in Ukraine. Sharing experiences was key: the network was able to implement 16 mutual-learning activities leading to 18 learning resources as well as 6 in-depth thematic learning dialogues on strategic issues. Benchmarking activities also focused on preparing a new round of site visits, which started in 2024.

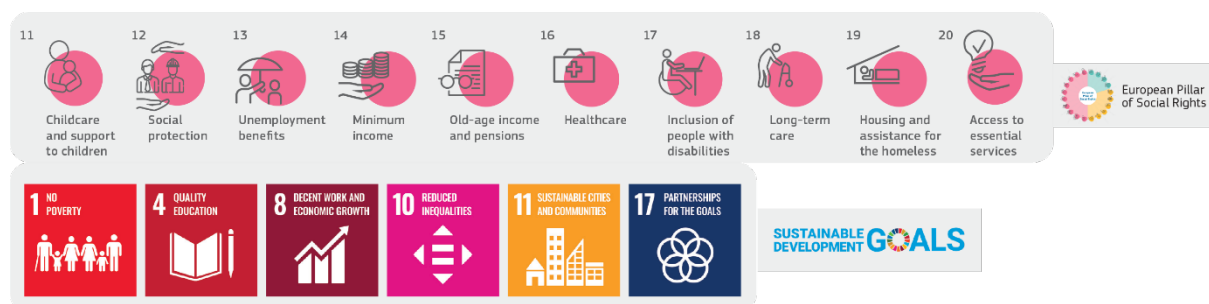
Project example: EGF supports workers made redundant in Finland

---

*EGF co-funded measures were instrumental in helping workers to re-train and prepare for new employment opportunities through mentoring, career guidance and job search assistance, or to set up their own business. The national authorities acknowledge the importance of the EU support reinforcing national resources to help redundant workers transition to new jobs. Through its funding for targeted training and other support measures for the reintegration of dismissed workers, the EGF contributes to the EU's efforts to support skills development, especially as part of the European Year of Skills. For example, the EGF provided EUR 1.75 million in 2023 to support 508 workers made redundant by the airline Finnair. At the time of submission of the final report on the intervention, 76% of participants were back in employment or self-employment and 4% were still in education and training, highlighting the EGF's value in supporting displaced workers.*

---

## Specific objective 3.5: Greater social fairness and more effective social protection <sup>(30)</sup>



In January 2023, the Commission's proposal for a **recommendation on adequate minimum income ensuring active inclusion** was adopted by the Council. The initiative supports and complements Member States' minimum income policies, lifting people out of poverty while promoting labour market integration of those who can work.

DG EMPL published a report on the implementation of the **Council Recommendation on access to social protection for workers and the self-employed** in January 2023, and organised mutual-learning events to support Member States in implementing it.

In February 2023, a report by the **high-level group on the future of social protection and the welfare state in the EU** was presented at a high-level conference. The report puts forward 21 recommendations on adapting social protection systems in the face of demographic change, the changing world of work and the digital and climate transitions, and has been extensively discussed with decision-makers, social partners, civil society and experts at national and EU level.

To support implementation of the **European care strategy** and the **Council Recommendation on access to affordable high-quality long-term care**, DG EMPL organised two mutual learning seminars for national long-term care (LTC) coordinators with a focus on LTC quality and social protection for LTC. It implemented further actions under the strategy with a focus on workforce (e.g., launch of a dedicated long-term partnership under the Pact for Skills, setting up of a sectoral social dialogue committee for social services, strategic partnership with World Health Organization and OECD on integrated care and social protection for LTC).

The Commission provided Member States with support in implementing the **European Child Guarantee**. By the end of 2023, all national action plans had been sent to the Commission. Regular meetings of European Child Guarantee coordinators are organised, serving as a platform for exchange of information and best practices in the areas covered by the relevant Recommendation. The Commission also provided its observations on the action plans received (except for those received towards the end of 2023) and is organising bilateral meetings to support Member States in rolling out and monitoring the measures. The Commission produced a guidance on the submission of national implementation reports. A

<sup>(30)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 15-17).

monitoring framework at EU level was adopted based on the Commission's work in the Social Protection Committee.

DG EMPL continued to support the **European Platform on Combating Homelessness** and to deliver on concrete actions under its three work strands: (i) mutual-learning; (ii) strengthening evidence on homelessness and (iii) access to finance. In 2023, DG EMPL launched three calls on homelessness and organised three mutual-learning events on related topics. It co-organised, with the Council of Europe Development Bank, four meetings of the Platform sub-group on access to finance, which aims to map funding options and to support the development of projects to combat homelessness. The work with the OECD on data mapping, a monitoring framework and a policy toolkit continued throughout 2023.

The Commission organised several mutual learning events as part of the follow-up to the Communication on better assessing the **distributional impact of Member States' policies**. This initiative is instrumental in supporting the transparency and fairness of the green and digital transitions.

DG EMPL, together with the JRC, organised a **high-level conference on loneliness** in June 2023 to present the main findings of the European Parliament pilot project on loneliness, with particular focus on mental health, loneliness and youth, and the social impacts of loneliness.

The Commission supported the meetings of the **Social Protection Committee (SPC)** and its sub-groups (Indicators sub-group, Minimum Income network, and the working group on pension adequacy). DG EMPL in cooperation with the SPC worked on the preparation of the 2024 **Pension Adequacy Report** and updated the pension adequacy benchmarking framework. In cooperation with the SPC, DG EMPL further developed the monitoring frameworks underpinning the implementation of the recommendations on access to social protection and on LTC.

DG EMPL contributed to the implementation of the **2020-2030 EU Roma strategic framework** for equality, inclusion, and participation, notably through: (i) continuation of the implementation of the **ROMACT** capacity-building programme for Roma inclusion in Romania and Bulgaria; (ii) work on the **BIG** (Basic Income Guarantee) pilot project.

The Commission supported several **European networks** of non-governmental organisations (NGOs) active in the field of **social inclusion** with which it has signed a framework partnership agreement. This partnership strengthens the capacity of these networks to contribute to evidence-based and effective policymaking.

DG EMPL played a central role in the preparation and adoption of the **skills and talent mobility package**, aimed at making the EU more attractive to talent from outside the EU and is currently directly involved in legislative negotiations on the EU Talent Pool Regulation.

Building on the 2022 Communication on guidance for access to the labour market, vocational education, and adult learning of 2022, DG EMPL continued its **activities supporting the**

**integration of people fleeing the war in Ukraine, covered by the Temporary Protection Directive, into the EU labour market and society.** DG EMPL assisted Lodewijk Asscher, Special Adviser to Commissioner Nicolas Schmit, in promoting the social integration of Ukrainian refugees in the Member States in terms of work, housing, education, and healthcare. His recommendations were shared with Commissioners Schmit and Johansson in June 2023.

### Specific objective 3.6: Enhanced labour mobility <sup>(31)</sup>



Following up on the European Pillar of Social Rights action plan and the 2023 Commission work programme, in September 2023 DG EMPL presented a **Communication on the further digitalisation of social security coordination** (COM(2023) 501) aimed at improving the interaction between companies, people who move to a different country and the institutions responsible. The Communication builds on the European Social-Security Pass (ESSPASS) and presents the overall landscape as well as forthcoming initiatives in this policy field. A high-level conference was held in March in preparation for the Communication.

DG EMPL also worked on ensuring that the **electronic system for exchanging social security information** (EESSI) becomes fully operational. By the end of 2023, all 32 participating countries were exchanging and digitally processing social-security cases for millions of people. Some 15 Member States were fully operational at the end of 2023, while the remaining Member States informed the Commission that they expect to complete implementation of all their business cases in 2024-2025.

DG EMPL helped advance the **negotiations between the co-legislators on the revision of the social security coordination rules**. DG EMPL worked with the Administrative Commission to organise a further update of measures and draw up a guidance for social-security institutions to build a common understanding and adopt coordinated measures to benefit people who have moved to other countries and those teleworking from their place of residence.

DG EMPL, together with DG GROW, continued to work with the Member States to develop a **common electronic form for the declaration of posting of workers** in accordance with the Communication 'Updating the 2020 New EU industrial strategy (COM(2021) 350 final)

<sup>(31)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 18-19).

and the 2024 Commission work programme. DG EMPL jointly organised with DG GROW 10 working group meetings with Member States. The working group focused on two topics: (i) elaborating a common form for the prior declaration and (ii) investigating options for a common portal.

DG EMPL pursued **infringement proceedings** against Greece, Italy, and Germany in the field of family benefits for children residing permanently in another Member State.

It also continued infringement proceedings against 17 Member States by sending reasoned opinions requesting them to bring their national provisions in line with the Enforcement Directive on posting of workers (Directive 2014/67/EU). Out of the 24 Member States, that received a letter of formal notice, seven Member States have committed to bringing their national laws into line with EU rules. After receiving the reasoned opinion, a further 9 Member States indicated their readiness to address the grievances raised by the Commission.

DG EMPL continued analysing the measures transposing the Amending Directive on posting of workers (Directive 2018/957) and based on that, prepared the draft report on implementation and application of the Directive, to be adopted in 2024 <sup>(32)</sup>.

DG EMPL started the **first evaluation of the functioning of the European Labour Authority** (ELA), by launching a wide-ranging consultation of stakeholders and the public, and an analytical report <sup>(33)</sup>. DG EMPL continually supported ELA's work and guided the Authority to ensure that its actions are in line with the provisions of ELA's founding regulation.

In terms of **external communication**, considering that the social-security coordination rules directly affect millions of people (e.g. 242 million people hold a European Health Insurance Card), DG EMPL used various tools such as studies, legal and statistical reports, seminars, Q&A sessions, databases, websites, animation, videos, etc. to ensure that the rules and their implications are communicated properly to the public and to the responsible authorities.

DG EMPL continued its regular monitoring and analytical work to improve its understanding of mobile workers throughout the EU. It published its annual **report on intra-EU mobility** and finalised studies on topics related to the posting of workers and on a holistic approach to tackling undeclared work.

---

<sup>(32)</sup> Expected to be adopted in the first quarter of 2024.

<sup>(33)</sup> The evaluation will be finalised in the second semester of 2024.

## Specific objective 3.7: More jobs created and sustained in micro- and social enterprises <sup>(34)</sup>



Led by DG EMPL, the implementation of the measures announced in **the action plan for the social economy** continued in 2023. In close cooperation with other DGs, DG EMPL prepared a proposal for a **Council recommendation on developing social economy framework conditions**, which was adopted by the Commission in June and by the Council on 27 November 2023.

DG EMPL launched the **EU Social Economy Gateway** to provide information on funding and other relevant resources for social economy stakeholders. Since its launch, the website has been updated with new content, which has also been developed in collaboration with social economy stakeholders.

DG EMPL continued its communication activities to promote the social economy action plan, giving presentations at a variety of meetings and events, including the European Week of Regions and Cities, the European Employment and Social Rights Forum, the Social economy conference organised by the Spanish presidency and the Just transition pavilion at COP28 in Dubai.

In cooperation with the OECD, DG EMPL launched a **Youth Entrepreneurship Policy Academy** to improve policymaking and hence prospects for young entrepreneurs, with a special focus on social entrepreneurs.

DG EMPL implemented the first series of mutual-learning workshops on the topic of State aid for public officials to improve their knowledge and capacity on social-economy-related matters. In cooperation with the OECD, DG EMPL worked on a study on social impact measurement and management for the social economy. Together with the OECD, DG EMPL launched the **2023 Missing Entrepreneurs Report**, the seventh edition in a series of two-yearly reports examining how government policies can promote entrepreneurship in under-represented parts of the population. In cooperation with the Directorate-General for Competition (DG COMP), DG EMPL launched a study to analyse the use of State aid measures to improve access to finance for social enterprises and to aid the recruitment of disadvantaged workers through wage subsidies.

---

<sup>(34)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 19-20).



Furthermore, DG EMPL provided policy steer for the implementation of the **Social Investment and Skills Window** of the InvestEU programme. This aims, together with other priorities, to improve access to finance for micro- and social enterprises, helping them to start and expand their businesses, thereby creating and sustaining jobs, generating a positive social impact, and supporting social and inclusive entrepreneurship. InvestEU financial instruments supporting microfinance, social enterprises and impact-driven enterprises met high demand on the market and their deployment progressed swiftly in 2023. DG EMPL contributed to the work carried out by DG ECFIN for the mid-term evaluation of the programme.

DG EMPL complemented these financial instruments with grants: under the EaSI strand of the ESF+, a call for proposals to support the development of the social finance markets led to **the selection of nine new projects** that will facilitate access to finance for social enterprises through grants to lower the transaction cost of intermediaries.

DG EMPL carried out a study to assess the current state of play of sustainable finance for social impact in the EU and explore ways to strengthen the framework for private investments in the social area.

## **General objective 4: A stronger Europe in the world**

In 2023, DG EMPL contributed to this Commission objective by working with international organisations and multilateral forums, as well as with bilateral partners on the **future of work and implementation of the UN Sustainable Development Goals**. DG EMPL continued implementing the 2022 **Communication on Decent Work Worldwide** by actively promoting internationally recognised labour rights as part of the EU's external action and within multilateral forums and other EU policy areas. It continued to promote the applicable ILO conventions in policy and human rights dialogue with non-EU countries.

Under the coordination of DG EMPL, the EU maintained a crucial and effective role in shaping the adoption of a new international labour standard and addressing key labour issues at the ILO. At the 111th International Labour Conference, the EU and its Member States negotiated the first-ever **International Recommendation on Quality Apprenticeships** (No 208), and **two resolutions on just transition and labour protection for all workers**. The EU and its Member States supported the adoption of a resolution to secure compliance of Belarus with core labour standards. The EU supported the creation of a **Global Coalition for Social Justice** and the ILO Governing Body's decision to refer to the International Court of Justice the long-standing question of whether ILO Convention 87 provides for the right to strike.

Within **the Group of 7 (G7) and Group of 20 (G20)**, DG EMPL promoted the EU's priorities on decent work, including in the final outcome documents. In the Kurashiki Ministerial Declaration, **the G7 members reaffirmed their commitment to inclusive labour markets** and to combatting all forms of discrimination on employment and agreed on an action plan to address career development in a context of structural changes. Within the G20,

members agreed on several shared policy principles on tackling global skills gaps, adequate social protection for gig, and platform workers and sustainable financing of social protection.

The EU continued to ensure that **labour rights form an integral part of the EU's trade relations**. DG EMPL contributed to ongoing **negotiations on free trade agreements** with Chile, India, Indonesia, Kenya, and Thailand, ensuring that these agreements include, among other things, commitments on fundamental principles and rights at work as well as ratification and effective implementation of the ILO's fundamental conventions. DG EMPL also monitored the implementation of labour commitments in existing free trade agreements and under the 'Everything but Arms' scheme and the 'Generalised Scheme of Preferences'.

Following the withdrawal of the United Kingdom from the EU, DG EMPL continued to monitor the **implementation and enforcement** of aspects of both the **Withdrawal Agreement and the Trade and Cooperation Agreement** under its remit and participated in the negotiations for an **agreement on Gibraltar**.

As regards enlargement policy, DG EMPL contributed to the **2023 enlargement package**, assessing the progress made by the candidate countries and potential candidates, including for the first time Georgia, Moldova and Ukraine. With its enlargement partners, DG EMPL also continued promoting the principles of the European Pillar of Social Rights, to which Moldova committed by signing a declaration of adherence in June 2023. DG EMPL engaged with several authorities and social partners from enlargement countries, supporting efforts to make progress on labour and social reforms.

DG EMPL continued to lead the EU's action to support social and economic reforms in the **Western Balkans and Türkiye** by assessing their economic reform programmes, regularly monitoring policy and reforms, and promoting implementation of the European Pillar of Social Rights and its action plan. DG EMPL contributed to the **new growth plan for the Western Balkans** and continued supporting the Western Balkans in drafting and adopting **Youth Guarantee implementation plans** based on the EU model. Furthermore, DG EMPL continued implementing the employment and social affairs platform project for the Western Balkans with particular focus on strengthening social dialogue, occupational safety and health and participation in EU policies. DG EMPL promoted **alignment with EU law** by all candidate countries and potential candidates through the regular subcommittee meetings and bilateral meetings held as part of the screening process under the accession negotiations with Albania and North Macedonia.

DG EMPL developed and strengthened its cooperation with **Southern Neighbourhood partners**, focusing on employment and employability of the most vulnerable, especially young people and women. As part of the sectoral dialogue on employment and labour, DG EMPL successfully organised a high-level meeting on skills in the Mediterranean in July 2023, as well as a social dialogue forum with social partners from both shores of the Mediterranean in November 2023. The **Union for the Mediterranean roadmap 2022-2025** was further implemented via various events and community of practices meetings.

DG EMPL continued to promote **decent work and compliance with international labour standards in the Eastern Partnership and Central Asia countries**, in line with the EU strategies. It also supported the involvement of neighbourhood countries in the European Alliance for Apprenticeships, with Armenia joining the alliance in 2023.

DG EMPL continued promoting international labour standards in **Latin America**. As a follow up to commitments under the Trade and Sustainable Development Board between the EU and Andean countries (Colombia, Ecuador, and Peru), the European Commission organised a conference on labour rights in Colombia, in October 2023.

## General objective 5: Promoting our European way of life <sup>(35)</sup>

### Specific objective 5.1: A skilled workforce to master the green and digital transition <sup>(36)</sup>



In 2023, DG EMPL supported the implementation of the **Council Recommendation on individual learning accounts**, including through a call for proposals and the mutual learning programme.

In 2023, DG EMPL finalised the evaluation of the **2017 Council Recommendation on the European Qualifications Framework (EQF)**, with the completion of an external study and a public consultation to underpin the initiative. DG EMPL prepared the staff working document, released in the first quarter of 2024 <sup>(37)</sup> <sup>(38)</sup>. The results of the evaluation feed into a policy debate about the current and future role of the EQF in facilitating the transparency, comparability and portability of skills and qualifications.

Work continued on expanding and deepening the Pact for Skills, a partnership initiative to mobilise support for upskilling and reskilling. 2023 heralded six new large-scale partnerships:

<sup>(35)</sup> The relevant performance table for this objective can be found in Annex 2 (page 20).

<sup>(36)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 21-22).

<sup>(37)</sup> [SWD\(2024\)141 \(europa.eu\)](#).

<sup>(38)</sup> [SWD\(2024\)142 \(europa.eu\)](#).

(i) two focusing on energy intensive industries, (ii) long-term care, space data, (iii) services and applications, (iv) the health industry, and (v) digitalisation of the energy system. At the end of 2023, there were 20 large-scale partnerships, complemented by 2 partnerships at regional level.

In 2023, DG EMPL supported the implementation of the **Council Recommendation on a European approach to micro-credentials for lifelong learning and employability** through a call for proposals under the 2023 Erasmus+ annual work programme. The aim of the call was to provide funding to transnational projects pursuing innovative approaches in the following three areas: micro-credentials for a more inclusive labour market, micro-credentials for the green transition or the portability of micro-credentials. The call, managed by the European Education and Culture Executive Agency (EACEA) on behalf of DG EMPL, led to 12 projects being selected for implementation in 2024.

In April 2023, the **'Talent for Growth Task Force'** <sup>(39)</sup> was launched under the US-EU Trade and Technology Council to exchange best practices, and to serve as a catalyst for innovative approaches to skills. In 2023, work focused on the following workstreams: training workers to meet business needs, including women and other groups under-represented in technical jobs and skills-based hiring.

In 2023, DG EMPL made a decisive step towards fulfilling the requirements of the 2018 Europass Decision, by making *the Job & Skill Trends* tool available on the **Europass** platform. The tool shows users the occupations and skills that are most in demand in every European country. Europass was made available in Ukrainian to support Ukrainians in finding jobs. As shown by the ongoing Europass evaluation <sup>(40)</sup>, Europass is appreciated by users and stakeholders as a platform bringing together skills, qualifications and labour mobility tools. The number of registered users reached 5.5 million in December 2023.

DG EMPL also contributed to **the proposal on the Strategic Technologies for Europe Platform (STEP)**. On 20 June 2023, the Commission proposed STEP as part of the mid-term revision of the multiannual financial framework (MFF) to support the development and manufacturing of critical technologies and their value chains relevant to the twin transition and EU sovereignty, and to address relevant labour and skills shortages.

**STEP amendments** also concern the Common Provisions Regulations for 2014-2020 and 2021-2027, the ESF+ and FEAD **with the aim of providing additional flexibility**. For 2021-2027, of note are the financial incentives proposed by the Commission in the form of higher pre-financing (30%) and 100% EU financing for STEP projects to encourage Member States to reprioritise their programmes. For the period 2014-2020, the Commission proposed allowing one more year for submission of interim payment requests, and for processing of the closure of the cohesion programmes (from 31 July 2024 to 31 July 2025). This alleviates

---

<sup>(39)</sup> The Task Force is a high-level reflection group comprising leaders from the United States and the European Union from government, business, trade unions, and organisations that support training.

<sup>(40)</sup> To be published in Spring 2024.

the administrative burden for Member States. Negotiations between the co-legislators are expected to be concluded in the first half of 2024.

Project example: “Grøn Omstilling” (Green Transition), Denmark

*The project, supported by the Danish ESF+ with a total contribution of around EUR 2 million, helps the business community to recruit workers with skills that support the green transition. The green value chain is implemented in all teaching activities on an equal footing with the economic value chain. Teachers in vocational education and training lack the skills to support the transition, owing to the rapid pace of change in materials, processes, products, and legislation. Teachers need the requisite knowledge and a better overview of the complex nature of what is involved when decisions are also to be based on climate impact assessment. The project begins by enhancing teachers' skills, in terms of both their general overview and their subject-specific knowledge. The new knowledge is applied when teaching core subjects, thereby improving students' abilities regarding the green transition. The project comprises 22 basic and main courses.*

## Specific objective 5.2: Vocational education and training effectively addresses the labour market needs and prepares people for the green and digital transition <sup>(41)</sup>



As set out in the 2020 Council Recommendation on vocational education and training for sustainable competitiveness, social fairness and resilience, the Commission continued to implement EU actions to support national reforms in vocational education and training (VET). By the end of 2023, 25 EU Member States had submitted their **VET national implementation plans**. Recent data indicated good performance on two out of the three **quantitative objectives** identified in the Council Recommendation, namely: (i) the employment rate for recent VET graduates, and (ii) participation in work-based learning. After a volatile period linked to the pandemic, the employment rate for recent VET graduates is moving nearer to its target of 82% by 2025. In 2022, the relevant employment rate stood at 79.7% and 11 EU countries had reached or exceeded the EU-level target. For work-based learning, the new data showed that, at 60.1%, the participation rate at EU level had reached

<sup>(41)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 23-24).

the target for 2025 (60%), although figures on individual countries show considerable differences.

DG EMPL contributed to the adoption of a proposal for a [Council recommendation](#) '**Europe on the Move**' – **learning mobility opportunities for everyone** in November 2023, adopted as part of the skills and talent mobility package. It aims to make the opportunity for learning mobility an integral part of all education and training pathways and proposes ambitious new EU-level targets, for example, a new 15% target for the proportion of VET students benefiting from learning mobility by 2030. It also includes a comprehensive policy framework to support the mobility of apprentices.

In 2023, DG EMPL organised three peer learning activities on making effective use of **graduate tracking for VET**, and the EQAVET (European Quality Assurance in Vocational Education and Training) Network conducted 11 **peer reviews on quality assurance at VET-system-level**. The peer reviews provided feedback and recommendations to participating countries to help improve their VET systems.

The **European Alliance for Apprenticeships (EAfA)** continued to promote the supply, quality and image of apprenticeships and the mobility of apprentices. In 2023, the EAfA welcomed more than 30 new members and reached 413 pledges and 40 national commitments, with a view to create over 1 million apprenticeship places. In June 2023, a high-level EAfA event marked the five-year anniversary of the **European Framework for Quality and Effective Apprenticeships** and the 10-year anniversary of the European Alliance for Apprenticeships with almost 600 participants.

Progress was made on implementing the **centres of vocational excellence (CoVEs) initiative**. 26 CoVEs projects are already ongoing and an additional 15 were selected as part of the call launched in 2023 under the Erasmus+ programme. Many of the projects focus on key areas for the digital and green transitions such as renewable energy, water technology, urban greening, advanced manufacturing, and AI.

With the objective of promoting VET as an attractive career and learning pathway, the 2022 **European Vocational Skills Week** was embedded in the European Year of Skills and saw 300 events organised at national, regional, and local level. Under 2023 Erasmus+ annual work programme, DG EMPL launched a call for forward-looking projects to improve the attractiveness of VET.

**Cooperation with stakeholders and social partners** continued through the advisory group on vocational training, EAfA, the network of European associations of VET providers and the working group on VET and the green transition. A compendium of inspiring practices on VET and the green transition was published in June 2023.

## General objective 6: A new push for European democracy <sup>(42)</sup>

### Specific objective 6.1: Equality <sup>(43)</sup>



DG EMPL continued to implement the **strategy for the rights of persons with disabilities** for 2021-2030, with the aim of ensuring the economic and social inclusion of people with disabilities, freedom from discrimination and full respect for their rights in the EU. In September 2023, DG EMPL presented a legislative proposal for a directive on the **European disability card** and **European parking card** for persons with disabilities, supported by an impact assessment. This initiative aims to facilitate the free movement of persons with disabilities through the mutual recognition of their disability status. When travelling in the EU, access to benefits and preferential conditions reserved for persons with disabilities should be granted on terms and conditions equivalent to those provided to persons with disabilities in the Member State visited. A general approach was adopted at the EPSCO Council on 27 November 2023. On 31 October, the Commission adopted another proposal extending the scope of the European disability card proposal to nationals of non-EU countries.

In 2023, in cooperation with stakeholders, the Commission started drafting guidance for Member States on improved provision for **independent living** and inclusion in the community.

Two deliverables from the disability employment package were published in 2023: the lifelong guidance for persons with disabilities (CEDEFOP) and the catalogue of positive actions to encourage the hiring of persons with disabilities and combating stereotypes.

A European resource centre on accessibility (**Accessible EU**) was launched, bringing together policy makers, experts, and persons with disabilities in 2023. It provides guidance for the implementation of accessibility standards via training, awareness-raising, and technical publications. Accessible EU has an online library of knowledge about accessibility and collects good practices from the EU Member States. In 2023, 31 workshops were held, with more than 4 400 people attending.

<sup>(42)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 25)

<sup>(43)</sup> The relevant performance table for this objective can be found in Annex 2 (pp. 25-27)

DG EMPL organised three meetings of the **Disability Platform**, bringing together Member States' national focal points for the UN Convention on the Rights of Persons with Disabilities, 14 organisations representing people with disabilities and the Commission. In June 2023, together with the Swedish presidency of the Council of the EU, the Commission organised a seminar on national disability strategies.

During the annual **Conference of State Parties** to the UN Convention on the Rights of Persons with Disabilities between 13 and 15 June 2023, DG EMPL organised a side event on developing skills for employment and participated in several bilateral meetings with key organisations, such as the International Disability Alliance, and experts on disability.

Following a proposal by the Commission, on 29 November 2023 the Member States agreed by consensus to the appointment of **Ms. Inmaculada Placencia Porrero** as a candidate on behalf of the EU at the elections for the **UN Committee on the Rights of Persons with Disabilities** (June 2024). It is the first time the EU is putting forward its own candidate for a UN human rights treaty body.

DG EMPL continued to monitor the transposition and implementation of **Directive (EU) 2019/882 (the European Accessibility Act)** for which the transposition deadline was 28 June 2022. In July 2022, DG EMPL sent letters of formal notice to 24 Member States that had failed to notify full transposition measures. Letters were sent to the remaining three Member States in April 2023 due to an incomplete transposition.

DG EMPL continued to monitor the implementation and enforcement of the **Employment Equality Directive** <sup>(44)</sup> prohibiting discrimination in the field of employment and occupation on the grounds of religion or belief, disability, age, and sexual orientation. DG EMPL supported DG JUST in the negotiations on the proposed **Equal Treatment Directive**, as well as on the proposals for Directives strengthening **Equality Bodies**.

In relation to **gender equality**, DG EMPL continued promoting measures to tackle the gender employment gap and the gender pay gap, to support people with care responsibilities and to improve work-life balance, including through the ESF+.

In terms of external communication, DG EMPL carried out the **'Together for rights'** campaign, an awareness-raising campaign on implementation of the EU's 2021-2030 strategy for the rights of persons with disabilities. It also organised the 14th edition of the **Access City Award**, to which 34 European cities applied to be recognised for their outstanding efforts to become more accessible. The award ceremony was hosted as part of the annual **European Day of Persons with Disabilities** conference, which brought together policymakers, high-level experts, and civil society representatives from Member States to discuss persistent challenges faced by persons with disabilities across the EU.

The Commission supported several European **NGO networks** active in the field of disability that have signed a framework partnership agreement.

---

<sup>(44)</sup> Council Directive 2000/78/EC.



# Managing the 2014-2020 ESF towards delivery of policy results

## Implementation of 2014-2020 ESF

Performance-based reporting on implementation of the ESF programmes is carried out by measuring the progress made on six operational priorities and 39 associated indicators. Under this framework, 32 actions were reported as being on track or completed by the end of 2022 with three experiencing slight delays or awaiting confirmation on pending data, and four operational indicators that were not fully realized by the end of 2022.

In 2023, DG EMPL completed 78% of the ESF and/or multi-fund programme amendments covered by Commission decisions on time (80% in 2022). The ‘cohesion’s action for refugees in Europe’ (CARE) and ‘flexible assistance to territories’ (FAST-CARE) initiatives introduced further flexibility to the rules of the Common Provisions Regulation, enabling Member States to use their 2014-2020 budget allocations more easily to provide emergency assistance to people fleeing Russia’s war of aggression against Ukraine.

DG EMPL enhanced its programme monitoring activities by regularly attending monitoring committee meetings and annual review meetings.

By the end of 2023, Member States had completed 1 562 evaluations of ESF and YEI (Youth Employment Initiative) operations, including multi-fund operations. Most of these evaluations analysed the implementation process and progress towards the targets, while 34% assessed the impacts of operations (37% of ESF and YEI evaluations, excluding multi-fund evaluations).

## Assessment of programmes’ performance

As indicated in DG EMPL’s strategy for a performance-based culture for the 2016-2023 ESF, DG EMPL developed a methodology for assessing the performance of programmes on a yearly basis. This methodology was updated in 2020 to take into account the latest information available when the annual activity report was drafted. The performance assessment is carried out by the geographical units for each programme involving the ESF and focuses on four criteria and one overall assessment. The criteria are as follows:

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

The assessment results fell into the categories 'good', 'acceptable', 'poor' or 'critical'. Overall, the performance of programmes across all Member States at the end of 2022 was satisfactory, with 83% of programmes assessed as good or acceptable (89% in 2021).

Among the four assessment criteria, the main difficulties identified were linked to financial implementation where 19% of programmes were assessed as 'poor' or 'critical' with regard to selected REACT-EU operations and 31% in terms of eligible expenditure declared. In terms of implementing the outputs, 94% 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 92% of the programmes assessed as 'acceptable' or 'good'. However, there is also a slight downward trend in administrative capacity. In 2022, the administrative capacity for 8% of the programmes was assessed as 'poor' or 'critical', up from 6% in 2021.

The main implementation challenges related to the complexity of programming and planning the measures, delays due to consultation of different public administrations, administrative issues related to tender procedures, problems with the payment system, administrative burden for applicants, requirements under the General Data Protection Regulation, and delays at governance level due to a focus on preparing or setting up organisational or programme management, rather than on attracting proposals. In 2023, other significant obstacles to successful implementation of programmes were still high inflation rates, the end of the eligibility period for the expenditure, and preparation for closure.

All these issues faced by the programme authorities have been addressed in cooperation with DG EMPL at regular meetings, such as annual review meetings and monitoring committee meetings. Where necessary, the programmes have also been amended to better address new challenges or changes in the socio-economic context, such as those arising from Russia's war of aggression against Ukraine. Implementation progress and challenges are also discussed in the ESF technical working groups and ESF committee meetings. DG EMPL has taken measures to address implementation issues, such as sending observations to the programme authorities.

## **Status of programme implementation and key achievements**

By the end of 2023, the ESF project selection rate was 108%, due to overbooking. In 2023, nearly EUR 10.3 billion was paid to the 2014-2020 ESF programmes and nearly EUR 6 billion to REACT-EU, increasing the absorption rate to 87% (total payments made compared to allocation, including REACT-EU). The cumulative eligible cost of operations selected for support under the ESF was EUR 159 billion, with EUR 112 billion having been declared by beneficiaries. Around EUR 99.6 billion had been paid to the Member States in relation to the ESF since 2014 (including interim payments and pre-financing, excluding recoveries).

The same level of maturity of implementation was observed for the YEI in 2023, for which the total amount paid was EUR 406.2 million, increasing the absorption rate to 93% (total payments made as a share of the funding allocated). The cumulative eligible cost of operations selected for support under the YEI was EUR 12.8 billion and over EUR 8.6 billion

had been declared by beneficiaries. Nearly EUR 5.1 billion has been paid to the Member States in relation to YEI since 2014 (including interim payments and pre-financing, excluding recoveries).

In terms of simplified cost options (SCOs) under the ESF, at the end of 2023, 19 Member States and the UK used the unit costs or lump sums set out in Delegated Regulation (EU) 2015/2195. Besides Member State-specific SCOs, under this Delegated Regulation, the Commission also provides 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. SCOs can also help reduce the error rate and facilitate access to funding for small beneficiaries.

By the end of 2022 (latest available data), 64.5 million people received support from the ESF and the YEI for the 2014-2020 period, of which:

- 6.8 million people found a job (including self-employment) thanks to the ESF and YEI;
- 10.3 million people gained a qualification thanks to the ESF and YEI;
- 3 million people were in education and training as a result of ESF or YEI support;
- 3.9 million young people benefited from the YEI;
- 4.1 million participants with disabilities received support;
- 9.1 million migrants and participants with a foreign background received support.

## **Managing the 2021-2027 ESF+ towards delivery of policy results**

By the end of December 2022, all ESF+ co-financed programmes had been adopted except for one technical assistance programme containing an ESF+ contribution, which was carried over and adopted in early 2023. However, half of the ESF+ co-financed programmes were adopted in November and December 2022, which led to a delay in their implementation. One of the reasons for this was that the programming for 2021-2027 took place in parallel to the work on closing the 2007-2013 programmes and fully implementing the 2014-2020 programmes as well as Recovery and Resilience Facility programming.

**Table 1: Overview of the implementation of the ESF+ by specific objective (45)**

Specific objective	Total amount planned	Total eligible cost of selected operations	% selected/planned	Total eligible expenditure declared	% spent/planned	Number of operations
<b>ES04.1</b> Access to employment and activation measures for all	29 584 403 566	2 984 171 880	10.1	190 416 613	0.6	7 733
<b>ES04.2</b> Modernising labour market institutions	1 736 186 427	69 025 733	4.0	3 274 758	0.2	86
<b>ES04.3</b> Gender balanced labour market participation	3 628 910 248	1 089 405 028	30.0	11 231 929	0.3	900
<b>ES04.4</b> Adaptation of workers and enterprises to change	9 053 313 123	1 279 049 652	14.1	89 864 467	1.0	23 351
<b>ES04.5</b> Improving education and training systems	9 461 850 691	659 882 011	7.0	58 103 300	0.6	2 428
<b>ES04.6</b> Quality and inclusive education and training systems	21 480 019 026	2 999 878 392	14.0	225 914 316	1.1	18 761
<b>ES04.7</b> Lifelong learning and career transitions	12 432 454 178	1 293 441 727	10.4	91 670 770	0.7	6 889
<b>ES04.8</b> Active inclusion and employability	20 942 828 549	3 404 079 751	16.3	292 001 065	1.4	5 604
<b>ES04.9</b> Integration of non-EU nationals	1 171 163 841	223 454 276	19.1	61 785	0.0	756
<b>ES04.10</b> Integration of marginalised communities such as Roma	947 111 891	83 099 614	8.8	32 028	0.0	267
<b>ES04.11</b> Equal access to quality social and healthcare services	16 739 995 960	1 008 450 064	6.0	63 109 130	0.4	5 064
<b>ES04.12</b> Social integration of people at risk	5 772 356 416	589 791 218	10.2	22 674 326	0.4	549
<b>ES04.13</b> Addressing material deprivation	5 312 477 696	181 701 815	3.4	2 498 826	0.0	223
Total non-TA	138 263 07 612	15 865 431 161	11.5	1 050 853 313	0.8	72 611
TA Technical Assistance	3 803 532 552	554 822 692	14.6	94 341 886	2.5	521
<b>Total ESF+</b>	<b>142 066 604 164</b>	<b>16 420 253 854</b>	<b>11.6</b>	<b>1 145 195 199</b>	<b>0.8</b>	<b>73 132</b>

(45) Provisional reporting currently undergoing plausibility checks, based on Transmission of data at the end of 2023.

Large discrepancies can be observed in the rates of implementation between the different objectives. But these disparities tend to disappear if the specific objectives (SOs) are regrouped by ‘policy areas’, as shown in the table below.

**Table 2: Overview of ESF+ investments by policy area**

Policy areas	% selected vs planned	% declared vs planned
<b>Employment policy</b> (SO 1-4)	12%	0.67%
<b>Education and skills</b> (SO 5-7)	11%	0.87%
<b>Social inclusion</b> (SO 8-11)	12%	0.89%
<b>Material deprivation</b> (SO 12-13)	7%	0.23%

In 2023, DG EMPL continued to work towards simplifying implementation of the ESF+. The Commission adopted a new delegated act on SCOs and financing not linked to cost schemes for operations in the field of social inclusion – **Commission Delegated Regulation (EU) 2023/1676** of 7 July 2023. The act also introduced increased rates for operations in the field of education, employment counselling services and training for employed or unemployed persons to meet the specific needs of third-country nationals or refugees, including people who have fled the Russian war of aggression against Ukraine.

In 2023, implementation of **ALMA** started at different levels. Under shared management, three managing authorities (Czechia, Catalunya – Spain, Germany) launched ALMA calls, while one managing authority (Brussels region – Belgium) entrusted its public employment service with running the initiative.

Moreover, an **ALMA call** was launched at EU level by the Lithuanian European social fund agency (ESFA), which is an entrusted entity under indirect management <sup>(46)</sup>. In 10 Member States (with six more as partners), 29 projects were selected, 26 of which are already up and running.

Furthermore, the ESFA has launched two more calls for proposals under indirect management (with a planned budget of EUR 8 million each): a call supporting the upskilling of vulnerable young people, especially young people not in employment, education or training (NEETs), and a call to further build up and consolidate the capacity of national competence centres for social innovation.

The ESFA is also running five communities of practice and two transnational networks, with more than 500 members representing all 27 EU Member States. In 2023, ESFA organised 37 related events.

## Enabling conditions

For the 2021-2027 period, Member States need to fulfil certain horizontal and (up to sixteen) thematic enabling conditions as laid down in annexes III and IV of the Common Provisions

<sup>(46)</sup> Please see Annex 11 for more details.

Regulation. The enabling conditions are prerequisites for the effective and efficient implementation of the funds. If horizontal or thematic enabling conditions are not met, expenditure for the corresponding specific objectives can be submitted in a payment application to the Commission but they will not be reimbursed. Moreover, the enabling conditions must remain fulfilled for the entire duration of the programming period. This is an important aspect requiring close monitoring, as certain strategies on which the horizontal and thematic enabling conditions rely, may expire in the future, rendering the corresponding enabling condition unfulfilled. The Member States and the Commission monitor the continuous fulfillment of all enabling conditions.

The horizontal enabling conditions for which DG EMPL is responsible are the effective application and implementation of the **Charter of Fundamental Rights and implementation and application of the United Nations Convention on the Rights of Persons with Disabilities** (UNCRPD) <sup>(47)</sup>. Member States had to self-assess in their programmes whether they fulfill the enabling conditions. The Commission reviewed and decided whether it agreed with Member State's own assessment on the fulfilment of enabling conditions. When necessary, DG EMPL provided recommendations to Member States to improve the situation.

All Member States, besides Cyprus, Hungary, and Poland, fulfilled the **horizontal enabling conditions** in 2023 concerning the Charter of Fundamental Rights. At the time of the approval by the Commission of the initial programmes supported by the Asylum, Migration and Integration Fund and the Border Management and Visa Instrument, **Cyprus** considered that the horizontal enabling condition on the EU Charter of Fundamental Rights was not yet met. In January 2024, Cyprus submitted their revised self-assessment considering that the country now fulfils the Charter HEC. In April 2024, the Commission adopted a decision considering that the country now fulfils this enabling condition, which means that the Commission may now reimburse payment applications for all specific objectives for the AMIF and the BMVI programmes.

**Poland** submitted its revised self-assessment of the horizontal enabling condition on the Charter of Fundamental Rights in January 2024. In March 2024, the Commission adopted a decision considering that the country now fulfils this enabling condition, which means that the Commission may now reimburse payment claims for all specific objectives for all the Common Provisions Regulation funds.

**Hungary** submitted its revised self-assessment of the horizontal enabling condition on the Charter of Fundamental Rights in July 2024. In December, Commission adopted a decision considering that the country now fulfils the enabling condition on the Charter as concerns judicial independence. This means that the Commission may now reimburse payment claims for all those specific objectives for all the Commission Provisions Regulation funds that are not blocked because of other issues as the Charter HEC remains unfulfilled regarding the

---

<sup>(47)</sup> The other two horizontal enabling conditions (for which DG REGIO is responsible) concern the effective monitoring mechanisms of the public procurement market, as well as on the tools and capacity for effective application of State aid rules.

provisions of Hungary's law prohibiting access to content that portrays homosexuality or sex reassignment to persons under the age of 18, serious risks to academic freedom, and the right to asylum, contributing (with other thematic enabling conditions not fulfilled) to another EUR 11 billion of funds that cannot be reimbursed to Hungary. As regards specific measures to protect the EU budget against breaches of the principle of **rule of law** (general regime of conditionality), the Commission considered in its Decision in December 2023 that Hungary had not addressed the breaches, and therefore **EUR 6.3 billion** of Cohesion policy commitment credits remain suspended for the ERDF and ESF+ programmes.

## Reporting on performance

DG EMPL draws reasonable assurance on the reliability of performance data indicators from the audit results reported by audit authorities (including on the effectiveness of systems in place to ensure the reliability of performance data, key requirement KR6) and the specific audits it has carried out <sup>(48)</sup>, performing also direct testing during its on-the-spot compliance audits. Since 2019, system audits on KR6 are indeed part of the audit authorities' audit plans and audit authorities also have the obligation to review the reliability of reported performance data as part of their audits of operations based on representative (statistical) samples.

As in previous years, DG EMPL's geographical desks carried out plausibility and consistency checks on output and result indicators reported in the ESF annual implementation reports in line with the quality checklist for the reports <sup>(49)</sup>. Their work is supported by a dedicated report that flags indicator values whose plausibility should be verified and by quick-fix reports that identify inconsistencies in reporting.

The 2014-2020 Closure guidelines adopted in October 2021 and revised in December 2022 contain information about the obligations about performance data reliability at closure and the related reporting expected in the audit authorities' final annual control reports. Dissemination of these guidelines within DG EMPL and in the Member States is conducted through webinars and trainings.

Consistency and completeness checks continue to be carried out automatically by the SFC <sup>(50)</sup> for the 2021-2027 programmes. In addition, the geographical desks carry out plausibility checks to ensure, for instance, that the distribution of participants by indicators depicting their socio-economic characteristics is in line with the specific objective's thematic scope.

The quality assessment is part of an IT-based process, the outcome of which is automatically documented, and where relevant communicated to the MS.

---

<sup>(48)</sup> 22 audits carried out in 13 Member States between 2017 and 2021.

<sup>(49)</sup> Programmes from the 2014-2020 period.

<sup>(50)</sup> System for Fund Management in the European Union.

## 2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports have been considered:

- annual reports by the authorising officers by sub-delegation (AOSD);
- reports from entrusted entities;
- reports on control results from managing and audit authorities (MAs, AAs) in the Member States (assurance packages and in particular annual control reports and audit opinions received by 15 February / 1 March) as well as the results of the Commission activities to supervise these authorities (the audit reports from the Joint audit Directorate for Cohesion, DAC following (mainly risk-based) on-the-spot verifications and *ex post* supervision and controls through exhaustive desk reviews of all available audit results);
- the contribution of the internal control coordinator, including the results of internal control and risk monitoring at DG level;
- reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) of the Financial Regulation);
- limited conclusions of the Internal Audit Service (IAS) on the state of internal control as well as its observations and recommendations;
- observations and recommendations from the European Court of Auditors (ECA); and
- information received from the European Anti-Fraud Office (OLAF), including follow-up by authorising officers by sub-delegation on final case reports.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of Employment, Social Affairs and Inclusion.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Effectiveness of internal control systems and resulting in 2.4. Conclusions on the assurance.



## 2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) <sup>(51)</sup>. DG EMPL's assurance building, and materiality criteria are outlined in annual activity report annex 5. The annual activity report 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 3: Expenditure Overview in 2023 per type of activities <sup>(52)</sup>**

Management mode	Activity	Payments 2023 (EUR million)	% from total
<i>Shared management</i> 2021-2027 programming period	ESF+	1 147.64	6.01%
	EGF	8.21	0.04%
<i>Shared management</i> 2014-2020 programming period	ESF/YEI with REACT-EU	16 982.51	88.90%
	FEAD	675.58	3.54%
<i>Shared management</i> 2007-2013 and prior programming period	ESF	1.30	0.01%
	IPA	0.25	0.00%
<i>Direct management</i>	Grants	92.64	0.48%
	Procurement	68.36	0.36%
	Prizes	0.35	0.00%
	Service level agreements	3.41	0.02%

<sup>(51)</sup> 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 (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

<sup>(52)</sup> In accordance with table 2 on payments and table 4 on assets from annex 3.

<i>Indirect management</i>	International organisations and third countries	3.09	0.02%
	Contribution agreements with decentralized agencies	2.84	0.01%
	Subsidies to agencies	110.77	0.58%
	Financial instruments	6.63	0.03%
<b>Total</b>		<b>19 103.57</b>	<b>100%</b>

**Table 4: Overview of non-expenditure items**

<i>Non-expenditure items</i>	Intangible assets	5.8
	Cash and cash equivalents	88.2
<b>Total</b>		<b>EUR 94 million</b>

In line with the 2018 Financial Regulation, DG EMPL's assessment for the new reporting requirement is as follows:

- No cases of confirmation of instructions were reported in 2023 <sup>(53)</sup>;
- DG EMPL financed one activity not linked to costs in the form of a prize under the Access City Award scheme <sup>(54)</sup>;
- No framework agreement was signed in indirect management mode and therefore, there were no financial framework partnerships > 4 years <sup>(55)</sup>;
- OECD benefits from flat-rate methods for indirect costs above 7% of direct costs <sup>(56)</sup>;
- No cases of non-retroactivity pursuant to Article 193 of the Financial Regulation were reported in 2023 <sup>(57)</sup>.

<sup>(53)</sup> Article 92(3) of the Financial Regulation.

<sup>(54)</sup> Article 125(3) of the Financial Regulation.

<sup>(55)</sup> Article 130(4) of the Financial Regulation.

<sup>(56)</sup> Article 181(6) of the Financial Regulation.

<sup>(57)</sup> Article 193(2) of the Financial Regulation.

## 2.1.1. Effectiveness of controls

### **a) Legality and regularity of the transactions**

#### *1) Control objective*

DG EMPL uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions for the spending programmes it is responsible for, taking account of 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 funds under shared management and in particular cohesion policy funds. A glossary to explain the concepts most commonly used in this report can be found in Annex 7P.

The assurance model and the conclusions on the legality and regularity of expenditure of other funds and management modes is described in Annex 7L.

#### *2) Assessment of the control results*

##### **– Shared management 2021-2027: assurance building process**

The assurance building process for 2021-2027 is similar to 2014-2020 since the legal framework is also largely carried over, as described in Annexes 6 and 7A.

A specific feature of the 2021-2027 period is the need for Member States to **comply with a set of thematic and horizontal enabling conditions**. The possibility to reimburse expenditure to Member States in each specific area and programme at the start of the period and throughout its implementation is conditioned by the continued compliance with these enabling conditions. At the end of 2023, around 86% of the applicable thematic enabling conditions were assessed as fulfilled for adopted ERDF, CF and ESF+ programmes. 17% of the allocation for Jobs and Growth cannot be reimbursed due to the remaining unfulfilled enabling conditions. In addition, until it assessed the horizontal enabling condition related to compliance with the Charter of Fundamental rights as fulfilled, the Commission was not able to process interim payments in 2023 for **Polish and Hungarian programmes** (with the exception of technical assistance or operations contributing to the fulfilment of the enabling conditions). For the updated situation of Polish and Hungarian programmes, see part 1 (pp. 46-48).

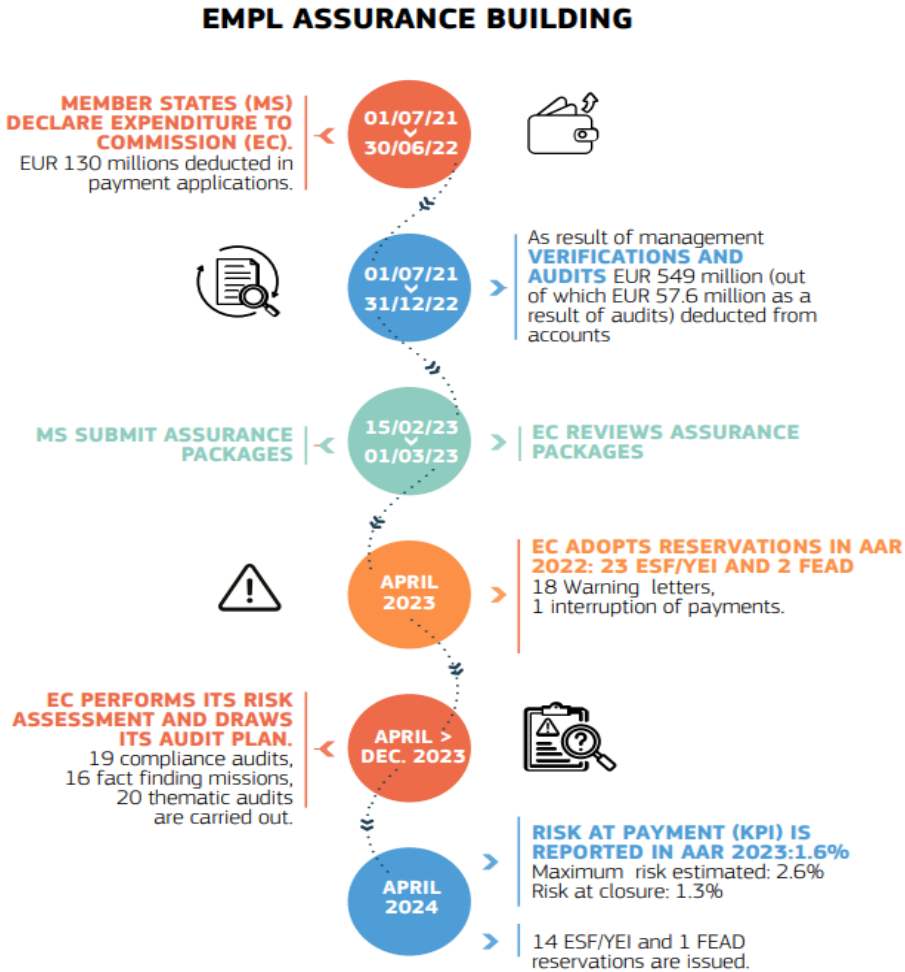
For the 2021-2027 programmes, in 2023 DG EMPL reimbursed expenditure to 32 ESF+ programmes. It received assurance packages including annual accounts and positive (unqualified) audit opinions for 6 of them. For the other programmes with expenditure paid in 2023, based on limited audit results at this stage, management and control systems are

assessed to function effectively to ensure the risk in underlying transactions <sup>(58)</sup> to be under 5% in all cases (and therefore covered by the 5% payment retention foreseen in the CPR). Deficiencies or possible deficiencies in the functioning of these 2021-2027 management and control systems based on predecessor programmes (independently from whether expenditure was already declared and paid in 2023 or not) will continue to be closely monitored until the obtention of complete audit opinions and error rates in 2025 (letters of corrective measures were sent to 2 programmes (for which no expenditure was declared in 2023).

– **Shared management 2014-2020: assurance building process**

The graph below illustrates the assurance building process for programme accounts submitted and accepted in 2023, as a result of the complete audit cycle reported in the 2023 AAR. The process is described in detail in Annex 7A.

**Chart 1: Assurance building process for programme accounts submitted and accepted in 2023 (annual accounts 2021-2022)**



<sup>(58)</sup> Estimated based on the predecessor 2014-2020 programme or at flat rate when no audit result was yet available.

**The residual total error rate for 2014-2020 expenditure KPI 4) for ESF/YEI and FEAD is robust and gives a fair view**

DG EMPL carries out systematic desk reviews to assess the situation for **each programme** and accounts accepted in the reporting year. It discloses **individual error rates for each programme** at this stage of its annual audit cycle; these error rates are based on Member States' reporting in the annual control reports assessed in 2023, that are confirmed (including with necessary adjustments), where contradictory procedures are completed, or adjusted on the basis of audit review and results at this stage of the audit cycle (see next section for details).

**Residual Total Error Rate (RTER) 2021-2022**

**(Before taking account of impact of financial instruments advances)**

**179 programmes with RTER <= 2%**

**36 programmes with RTER >2%**

**KPI 4: 1,6%, max 2,6%**

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 (KPI 4). It is calculated for the previous (2021-2022) accounting year based on the results of the desk reviews by the DAC combined with results from its on-the spot audits and from the ECA when available, after neutralising the impact of advances paid for financial instruments in line with the ECA's 2016 recommendation<sup>(59)</sup>, and with prudent adjustments when necessary. It is the best estimate for the risk on expenditure in the reporting year. For the present report, **KPI 4 is estimated at 1.6%**<sup>(60)</sup> with an estimated prudent **maximum of 2.6%** to take account of potential additional risks, estimated using flat rates for each individual programme depending on their specific

situation. The maximum value of **KPI 4** also includes a conservative approach when only desk review was carried out or when additional audit work is still required under ongoing contradictory procedures; taking also account of previous years' audit results pointing to possible remaining risks. The decrease in the KPI4 compared to last year (1.9%-2.8%) reflects the fact that appropriate corrective measures were taken for a number of programmes for which issues were raised last year (thus not affecting the error rate this year). In addition for two programmes representing a significant share of expenditure (6%), flat rates were applied last year to take into account ECA preliminary audit results that were not confirmed during the contradictory process.

This **KPI 4** and its estimated maximum value reflect a **robust, reasonable, and fair estimate of the overall risk at payment for all programmes taken together, following the programme-by-programme analysis.**

It is therefore concluded based on this range for KPI 4 that, **overall, for ESF/YEI and FEAD, there is a risk that a material level of irregular expenditure remains in the accepted accounts** despite the control layers and corrections already applied at Member State's level.

<sup>(59)</sup> 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).

<sup>(60)</sup> Please see Annex 7A for details on KPI 4 and its calculation.

This is due to **36 programmes in 9 Member States, for which the Directorate General concluded that the individual residual total error rate is still above 2%** (see below). For these programmes as well as for any other risks that may materialise and increase further the error rate following the signature of this AAR, DG EMPL will request additional corrective actions (additional work or financial corrections) to ensure that the error rate is confirmed below 2% for each and every programme and overall for the Funds by the end of the closure and legality/regularity process for the programming period (see above chart 1 for the whole process).

The 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.

**A differentiated situation: identifying and correcting programmes at risk**

DG EMPL bases its assurance on audit results obtained from programme authorities every year for each programme and complements such audit information **by its own audit results**. This allows to calculate KPI 4 (see above), to report on the assurance obtained whether systems functioned effectively during the reporting year for each programme and to issue the necessary reservations when this was not the case.

DG EMPL bases its assurance on audit results from programme authorities every year for each programme and complements such audit information **by its own audits**, carried out once assurance packages are received and assessed.

**Desk review of AA' audit results received from AAs in 2023.**

- **259 system audits**
- Error rates reported in ACRs covering **4 970** (parts of) operations audited through statistical (97%) sampling or non-statistical samples (in relation to certified expenditure); 12% of expenditure audited
- Review of the work of audit authorities through **35 audits that included re-performance of the work carried out:**
  - ✓ **19 compliance audits** covering 22 assurance packages and 28 ESF/YEI or FEAD programmes with a systematic re-performance of at least 8 operations (12 in case of multi-fund programmes) audited by the concerned audit authorities, to assess the reliability of the reported error rates in eight Member States and the UK
  - ✓ **16 fact-finding missions** with certain re-performance carried out covering 15 assurance packages to ascertain the accuracy and reliability of reported audit results
  - ✓ **20 thematic audits** covering various areas

**In 2023**, following the reception of the **assurance packages by 1 March** (accounts from the accounting year 2021-2022 accepted in 2023), the DAC auditors carried out a **desk review of the Annual Control Reports (ACRs)** and assessed the reported total and residual error rates and audit opinions against all cumulative audit information at its disposal in view of deciding on reservations qualifying the assurance declaration in the AAR.

Subsequently, for ESF/YEI and FEAD programmes / audit authorities for which specific risks have been identified during this process, the DAC carried out in 2023 and early 2024 **35 compliance audits**

and fact-finding missions (covering 37 assurance packages) to re-perform the work done by the concerned audit authorities (see box). For details on the DAC audits performed, see Annex 7F.

As a result of its compliance audits, the DAC identified further irregularities to the ones detected by the audit authorities in **13 assurance packages covering 19 programmes**.

This led to re-calculated residual risk **above 2% in one case**, pointing to reasonable assurance for the reliability of the work carried out by the ESF audit authorities.

At programme level, for the accounts accepted in 2023, DG EMPL confirmed a **residual total error rate below materiality for 179 programmes** (83%, including in some cases adjustments without a material impact), and **above materiality for 36 programmes** (17%) as the result of DG EMPL’s re-calculation or re-assessment at flat rate <sup>(61)</sup>. For three cases (covering 19 programmes due to 17 programmes grouped under a single sample <sup>(62)</sup>), DG EMPL prudently considered in the re-calculation ECA preliminary findings identifying errors with financial impact and for which the contradictory procedure is still ongoing. For one programme in IT, the material recalculated residual total error rate has led DG EMPL to conclude on deficiencies at the level of the control body. For the remaining programmes, the recalculation is due to individual errors identified by DAC desk or on spot audit work which do not put in question the overall reliance of the Directorate General can put on the work of the concerned audit authorities.

These results (complemented by risk-based system audits carried out by the DAC) show

**weaknesses in the management verifications** carried out by MAs to prevent and detect irregularities in first instance. But they also demonstrate **weaknesses in the work of a limited number of AAs** which failed to detect all irregularities: DG EMPL requested **improvements for four AAs** out of the 100 ESF/YEI and FEAD AAs, **in charge of auditing 6.7%** of ESF/YEI and FEAD allocations (see Annex 7D).

DG EMPL also used these results to assess the need for adjustments to the reportable error rates for the **next accounting year 2022-2023 (assurance packages received by 1 March 2024)** and for issuing additional reservations in the 2023 AAR, where necessary.

**Commission requests improvements in management verifications in Poland**

In last year’s annual control report, the Audit Authority reported that it identified 47 ineligible participants out of 192 verified in one payment claim in an operation aimed to increase the competences and qualifications of entrepreneurs in the SME sector and their employees. For 10 ineligible participants the employment criterion was not met. For the rest the employment contracts were not legitimate. Under these circumstances, Commission auditors (after a compliance audit for which the contradictory is ongoing) considered the management verifications are ineffective and requested the application of a 100% financial correction as well as improvements of the management verifications.

Following its assessment of the 2024 assurance packages, DG EMPL concludes as of mid-April 2024 that all **accounts with ESF/YEI or FEAD expenditure received by 1 March 2024 can be accepted** <sup>(63)</sup>. Moreover, the DAC assessed the reported total and residual error rates and audit opinions against all

**2022-2023 accounting year 215** programmes in total **202 accounts** with expenditure (ESF, YEI, FEAD)

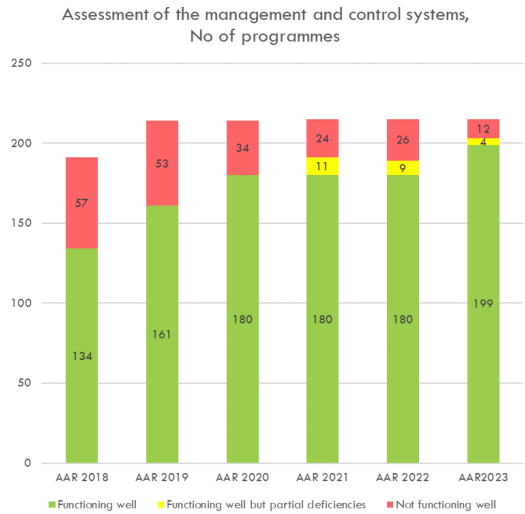
<sup>(61)</sup> Except for Romania, Human Capital programme where the AA reported a residual total error rate above materiality.  
<sup>(62)</sup> 17 Greek programmes covered by a single annual control report.  
<sup>(63)</sup> Acceptance of the accounts is independent from the review of the legality and regularity of expenditure, followed up separately, in line with Article 139(5) CPR.

cumulative audit information at its disposal in view of deciding on reservations qualifying the assurance declaration in the AAR.

Regarding the latest (2024) assurance packages<sup>(64)</sup>, for 70 programmes the audit authorities reported a total error rate<sup>(65)</sup> above 2% and the programme authorities applied financial corrections in 59 cases to bring the residual risk below or equal to 2%. **For the remaining 11 programmes<sup>(66)</sup>**, the accounts **are still affected by material residual total error rates** and DG EMPL will request programme authorities to apply additional financial corrections upon finalisation of the assessment and resulting contradictory procedure. These programmes (except a multi-fund one where issues concern the ERDF, not ESF) are put under reservation as the relevant expenditure in the reporting year is materially affected (see Annex 9), in line with the materiality criteria foreseen in Annex 5.

As in previous years, audit authorities and the Commission auditors paid particular attention to the **risks linked to COVID-19 related expenditure** (flexibilities introduced with the **CRII/CRII+ amendments**, in particular the unjustified use of **emergency public procurement procedures**, additional **REACT-EU funds under NGEU**), the risks of **double funding** the same expenditure from different funds, and the risk of **conflicts of interest**.

These risks materialised in some cases. DG EMPL paid attention in its compliance audits but also in its desk reviews of annual control reports whether such risks were audited, identified by AAs and whether appropriate corrective measures were taken.



**Chart 2: Assessment of the management and control systems, number of programmes**

Based on its assessment of all available audit information from the Member States and EU audits at the date of this report, DG EMPL can conclude by mid-April 2024 that **management and control systems**:

- **function well or sufficiently well for 203 ESF/YEI and FEAD programmes (93%)**, a constant increase compared to previous years, representing 96% of expenditure under assessment<sup>(67)</sup>. This provides assurance that the

underlying transactions and expenditure declared in these accounts, as well as expenditure further declared by these programmes in 2023 under the on-going accounting year 2022-2023, are not affected by a risk of material level of irregularities.

<sup>(64)</sup> Either as reported by the audit authority or following adjustment by the DAC auditors based on the desk review and before audits were carried out on the spot, and therefore considered as 'reportable' for this AAR; for five programmes assurance packages were submitted after 1 March.

<sup>(65)</sup> A measurement of the effectiveness of management and control systems.

<sup>(66)</sup> For one programme (co-financed by ESF and ERDF), the total residual rate above materiality is due to ERDF specifically, therefore the case does not concern DG EMPL.

<sup>(67)</sup> This includes 4 programmes with only partial deficiencies, as shown on the graph. See also Annex 7C. In addition, six multi-fund programmes present serious deficiencies non-related to the ESF part.

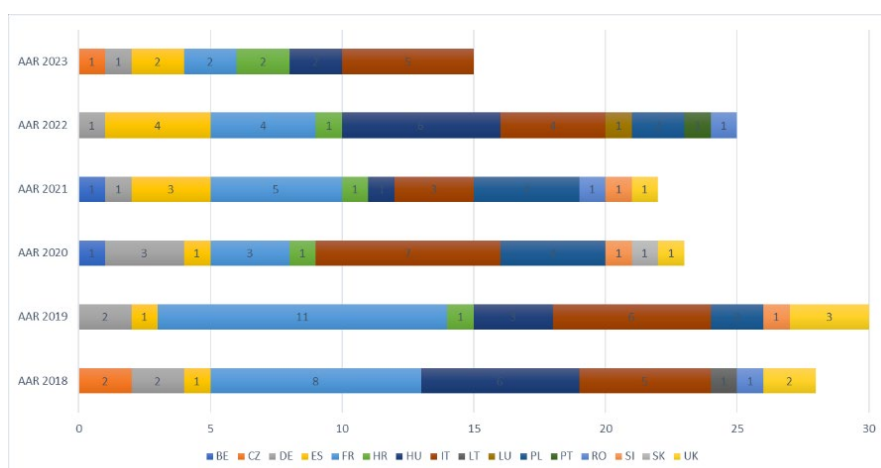


- **present serious deficiencies for 12 programmes**, representing 4% of expenditure certified in the 2022-2023 accounts. For these programmes, the management and control system (or part of this system for a specific priority or intermediate body) works only partially and substantial improvements are needed and were requested.

In line with the materiality criteria, **DG EMPL issues reservations in the annual activity report** for all programmes or part of programmes for which the management and control system is assessed as not functioning sufficiently well <sup>(68)</sup>, and with a risk for the EU budget estimated above the 10% payment retention <sup>(69)</sup>. For those programmes for which the risk of irregular expenditure is covered by the 10% retention no reservations is issued.

As a result, in this AAR, **15 programmes (14 ESF/YEI programmes and 1 FEAD programme)** from the 2014-2020 period are in reservation. The reasons for reservations are: significant deficiencies in the functioning of the management and control system or part of the system (5) (thereof one case with a residual rate above the materiality level of 2%), a residual rate above the materiality level of 2% (10 cases <sup>(70)</sup>, thereof 1 case with error rate above 10% and two cases where implementation of measures requested in previous year are not implemented).

**Chart 3: Reservations per Member State/UK and the year of the Annual Activity Report**



Reservations are only lifted once programme authorities have taken sufficient corrective measures. **84% of DG EMPL reservations of previous years** were lifted during the subsequent year thanks to corrective measures put in place.

In addition, as a result of its audits, DG EMPL also **systematically transmits suspicions of fraud to OLAF and monitors cases when investigations are open** (see section 2.1.1 b) below pp. 69-70 and Annex 7M).

**To conclude, DG EMPL has the tools to analyse the individual situation of each programme and to report in the AAR the specific, individual weaknesses identified** (see Annex 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).

<sup>(68)</sup> Category 3 and 4, see definition in Annex 5.

<sup>(69)</sup> Criteria for reservations are explained in Annex 5.

<sup>(70)</sup> Out of 11 ESF programmes with a RTER above 2%, the ESF expenditure is not at stake for one multi-fund programme.

## The multi-annual corrective capacity to bring the risk at closure < 2%

### Impact of programmes annual accounts (2022-2023)

1. EUR 18 billion certified in annual accounts submitted
2. **EUR 311 million ESF/YEI/FEAD contribution** prudently withdrawn from accounts (temporarily or definitively based on managing authorities' work and follow up to EC requests for corrections)
3. Including **EUR 39 million ESF/YEI/FEAD** contribution at least as definitive corrections (audit authorities' work)

**Programme authorities withdraw important amounts from the programme accounts each year** when they detect irregularities or when doubts arise on expenditure previously declared during the year. In the accounts received in 2024 for 2014-2020 programmes, **EUR 305.5 million of ESF/YEI and EUR 5.4 million of FEAD contribution (EUR 311 million in total) have been withdrawn.** Some of these deductions are prudent, temporary withdrawals pending further verifications<sup>(71)</sup>. Part of these temporary withdrawals may be re-declared (and subject to audits by audit authorities who were requested to carefully monitor and report in their annual control reports the follow-up given to such temporary

withdrawals) once the managing authorities have ascertained the regularity of the expenditure; otherwise, the withdrawn expenditure becomes a definitive correction. Definitive implemented corrections are the result of management verifications, **audits by audit authorities (EUR 39.3 million** of EU contribution) or follow-up to accepted findings from Commission and ECA audits or OLAF investigations.

This considerable corrective capacity of Member States reflects the deterrent effect of the legal provision on possible net financial corrections if Member States do not detect, report and correct serious irregularities in first instance. Therefore, despite the strict criteria foreseen in the legal framework for the Commission to implement net financial corrections causing the absence of such Commission decision so far, **the mere existence of this legal provision has, in practice, increased the corrective actions by Member States**, thus reducing the need for the Commission to step in.

**In addition to the Member States' corrective capacity**, if the Commission detects system deficiencies at the level of managing or audit authorities or confirms an error rate above 10% for a programme<sup>(72)</sup>, **DG EMPL uses the regulatory tools** at its disposal to **protect the EU budget** by stopping its payments (interruptions, suspensions, see details in Annex 7G) and requests **remedial actions**: financial corrections for declared expenditure, in the on-going or previous accounting years if needed (for corrections applied in 2023 see Annex 7H) and **measures to improve the functioning of the management and control systems** and authorities with a view to prevent future irregularities<sup>(73)</sup>. DG EMPL does not resume payments until it has sufficient and appropriate audit evidence that the systems were improved and/or appropriate financial corrections applied. DG EMPL will monitor these proceedings and action plans as long as necessary, until the **closure of the 2014-2020 programmes and after. Legality and regularity** proceedings may continue after the

<sup>(71)</sup> DG EMPL cannot establish an estimate since the regulatory basis does not require Member States to provide separate figures in the accounts, apart for definitive corrections stemming from audits.

<sup>(72)</sup> Or 5% in 2021-2027.

<sup>(73)</sup> This includes the follow-up to agreed ECA findings on individual operations, which may point to the need for system improvements for the audited programmes. See in particular ECA recommendations in their 2021 and previous Annual Reports, which are systematically followed up (see ECA section below).

payment of the final balance of the last accounting year, given that assurance on the legality and regularity can only be confirmed once DG EMPL has assurance that the estimated residual total error rate (RTER) per programme does not exceed 2% for each accounting year and that all identified irregularities and risks were appropriately addressed by the programme authorities. This may entail compliance audits on expenditure of the last accounting year and/or following-up on any open issues such as prior payment interruptions, suspensions or financial corrections, stemming from previous audit work.

At this stage, since the beginning of the 2014-2020 period, **DG EMPL's corrective capacity amounts in total to EUR 762.2 million of additional corrections** (EU contributions) <sup>(74)</sup>.

Where DG EMPL re-calculates a residual total error rate above 2% for a programme, it **requests additional corrective actions, including financial corrections** to bring the programme's residual risk below 2%, following due contradictory procedures (right of defence). For the accounting year 2022-2023 under review, DG EMPL estimates that, once the required additional financial corrections will have been applied, the **'risk at closure'** will come **down to 1.3%**, *well below materiality*. Since the start of the programming period, for previous AARs, additional **corrections of EUR 150.7million cumulatively** (in EU contribution) were accepted or accepted and implemented to bring the residual risks of the concerned programmes below 2% (see table with applied corrections for each accounting year in Annex 7H).

DG EMPL can thus confirm that, following corrective measures taken and additional financial corrections effectively accepted / implemented following previous annual activity reports, **the risk at closure is now effectively below 2% for all previous accounting years** based on evidence, as it was estimated in previous years' annual activity reports. **The Commission's multiannual corrective capacity mechanism is therefore effective.**

See Annex 7G for further details on the number of payments interrupted, warning letters sent, suspension procedures opened and Annex 7H for the financial corrections in 2023.

---

<sup>(74)</sup> Financial corrections accepted by the Member States for the 2014-20 period, as a result of DG EMPL audits (EUR 152 million), follow up to ECA audit findings (EUR 598.9 million) and to OLAF investigations (EUR 11.3million); details are available in annex 7H.

## Actions undertaken in 2023 to improve the programme authorities' administrative capacity and effectiveness of management and control systems

Each year, DG EMPL (the DAC in particular) undertakes actions to improve the effectiveness of management and control systems in reducing the error rate (see more details and examples for 2023 in Annex 7E):

- **Supporting the MAs and audit authorities to improve their administrative capacities** through guidance, targeted support, continuous training and professional development, and transnational networks to simplify procedures and avoid gold-plating.

- **Promotion of less error-prone SCO and FNLC** by providing

assistance and support to programme authorities to prepare and assess the SCOs and FNLCs in 2021-2027 programmes as well as to understand the requirements in terms of control. SCOs facilitate access to funding particularly for small beneficiaries by reducing the administrative burden of implementation as well as of audits and verifications and also help reduce the error rate.

- Providing the **data mining and risk-scoring tool Arachne to Member States** free of charge, which enhances the capacity to detect irregularities, fraud suspicions or possible conflicts of interest. REGIO and EMPL further promoted the tool's use in 2023 among reluctant Member States and developed additional functionalities (e.g. linked to the new data on beneficial owners available for 2021-2027 programmes).

### Sharing audit know-how

The DAC shared and discussed with audit and managing authorities their audit findings. Programme authorities can thus benefit from the experience and improve their understanding, detection capacity and audit and control work.

In 2023, the Commission shared with managing and audit authorities five methodological notes on: risk-based management verifications, assessment of the management and control systems, preparation, submission, examination and audit of Accounts, Annual Control Report, audit opinion and treatment of errors. These tools will help them in their work for the 2021-2027 period and will provide a harmonised methodology for audit opinions allowing comparing and using reported audit results.

### **Tackling the non-detection of errors by some audit authorities**

When DAC identifies errors not detected by an audit authority, it carries out an assessment to verify if the non-detection is punctual or due to a more systemic issue (lack of appropriate checks, gap in the audit approach or wrong interpretation of the applicable rules). Recommendations to strengthen or correct their approach are addressed to the audit authority and dedicated work sessions are organised, as needed.

For example, following an ECA and a DAC audit, **France improved its controls** on the status of NEETs (participants Not in Education, Employment, or Training). The French organisations for the collection of social security and family benefit contributions now transmit the necessary data to the AA to obtain the assurance that NEETs are indeed unemployed persons (instead on relying solely on self-declarations).

- **Continuous monitoring and analysis of the root causes of errors** that remained undetected by MAs and/or AA with the results of this analysis feeding back 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 un-detected errors** to improve their preventive and detective capacity, e.g. by putting in place further guidance or trainings.

More details on the most common irregularities reported in 2023 by audit authorities (i.e., not detected by managing authorities) and by DG EMPL (i.e. additional errors not detected by AAs and managing authorities) are presented in Annex 7I, in accordance with the common typology of errors agreed and shared between the Commission and the Member States.

### **Other management modes and other Funds assurance building process**

The assurance building processes for other Funds and direct and indirect management are described in detail in Annex 7L.

### *3) Supervision of decentralised agencies <sup>(75)</sup>*

There are five decentralised agencies that fall under DG EMPL's remit, namely CEDEFOP, ELA, ETF, EU-OSHA, and Eurofound <sup>(76)</sup>. While the Director-General of DG EMPL is accountable for the legality and regularity of subsidy payments to the agencies, contribution, and service-level agreements to the agencies, accountability for the regularity and legality of expenditure resides ultimately with the agencies themselves. The European Court of Auditors gave a positive declaration of assurance for 2022 for all five agencies under DG EMPL's remit <sup>(77)</sup>, as for previous years. The comments made by the Court do not call into question DG EMPL's reasonable assurance on the operating budget managed by the agencies.

Although the decentralised agencies have full responsibility for their own management, several monitoring, reporting, and supervising arrangements allow DG EMPL to build assurance concerning their management. The Commission monitors and supervises its

---

<sup>(75)</sup> More details on the supervision and the coordination of decentralised agencies can be found in Annex 13.

<sup>(76)</sup> European Centre for the Development of Vocational Training (CEDEFOP), European Labour Authority (ELA), European Training Foundation (ETF), European Agency for Safety and Health at Work (EU-OSHA), and European Foundation for the Improvement of Living and Working Conditions (Eurofound).

<sup>(77)</sup> [Annual report on EU Agencies for the financial year 2022 \(europa.eu\)](https://european-courtauditors.europa.eu/annual-report-on-eu-agencies-for-the-financial-year-2022).

decentralised agencies through management boards, governing boards and/or executive boards. CEDEFOP, EU-OSHA and Eurofound have tripartite management boards, composed of, among others, representatives from the Commission. In addition, the DG EMPL's Director-General is the Chair of ETF's governing board, and the Commission has two members represented in ELA's Management Board and Stakeholder Group.

From its own monitoring and supervision work as parent DG, including in the context of the risk management exercise, DG EMPL did not become aware of any element that would indicate that the reporting from the agencies would not be reliable. Consequently, in view of DG EMPL's responsibility for the funds paid to the operating budget of the agencies, DG EMPL concludes that there are no control weaknesses affecting the assurance in terms of legality and regularity. As a member of the agencies' executive and management boards, DG EMPL follows up on implementation of recommendations from the IAS and ECA audits. At their respective executive and management board meetings, the agencies report on actions taken to implement the recommendations and on the state of play.

Finally, the agencies ensure the compliance with the updated EC internal control framework and corporate risk management methodology. They also perform regular annual assessment of their internal control framework, which involves monitoring their key performance indicators and ensuring that the agency's rules are aligned with the Financial Regulation.

#### *4) Overview of EMPL risk profile*

The risk profile for shared management 2014-2020 ((ESF, YEI and FEAD) in line with corporate criteria is medium, taking into consideration the maximum risk. However, the individual programmes have different risk profiles: i.e., programmes with reported error rates below 2%, programmes with an error rate between 2% and 5% and a few programmes with a relatively high error rate, reported or confirmed above 5% (see Annex 7B). For shared management 2021-2027 the risk profile is low.

For other management modes the risk profile is low.

#### *5) Table: Estimated risk at payment and at closure*

The **estimated overall risk at payment** for 2023 expenditure, **2.48%**, is the AOD's best conservative estimate of the amount of relevant expenditure during the year that was not in conformity with the contractual and regulatory provisions applicable **at the time the payment was made**. This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years, corresponding to the conservatively **estimated future corrections** for 2023 expenditure, **1.27%**.

The difference between those two results is the **estimated overall risk at closure** <sup>(78)</sup>, **1.21%**. This is a decrease compared to 2022 **1.4%**.

For an overview at Commission level, DG EMPL's estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

**Table 5: Estimated risk at payment and at closure** <sup>(79)</sup>

DG EMPL	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
2021-2027 ESF+ (shared management)	1 147,64	206,47	0,98	0,47%	0,00	0,00%	0,98	0,47%
2014-2020 ESF/YEI (NGEU included) (shared management)	16 982,51	17 637,65	460,68	2,61%	234,38	1,33%	226,30	1,28%
2014-2020 FEAD (NGEU included) (shared management)	675,58	757,82	2,20	0,29%	1,16	0,15%	1,04	0,14%
2007-2013 ESF (shared management)	1,30	1,30	0,02	1,20%	0,02	1,20%	0,00	0,00%
2000-2006 ESF (shared management)	0,00	0,00	0,00	0,00%	0,00	0,00%	0,00	0,00%
EGF (shared management)	8,21	2,56	0,00	0,00%	0,00	0,00%	0,00	0,00%
IPA (indirect management)	0,25	0,25	0,00	0,00%	0,00	0,00%	0,00	0,00%
Centralised (direct and indirect)	174,47	182,91	4,10	2,24%	4,10	2,24%	0,00	0,00%
Decentralised Agencies - subsidies (indirect)	110,77	103,71	0,00	0,00%	0,00	0,00%	0,00	0,00%
Decentralised Agencies - contribution agreements (indirect)	2,84	0,32	0,00	0,50%	0,00	0,50%	0,00	0,00%
<b>DG total</b>	<b>19 103,57</b>	<b>18 892,98</b>	<b>467,97</b>	<b>2,48%</b>	<b>239,66</b>	<b>1,27%</b>	<b>228,31</b>	<b>1,21%</b>

### 6) Preventive and corrective measures

As regards the corrections carried out in 2023, DG EMPL has in place an effective mechanism for correcting errors, through ex-ante and ex-post controls, resulting in preventive and corrective measures, amounting to **EUR 243.8 million** and **EUR 81.6 million** respectively. Member States play an important role in this corrective mechanism and part of the benefit stems from their actions. Please see table below for details:

<sup>(78)</sup> This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.

<sup>(79)</sup> The full detailed version of the table is provided in annex 9.

**Table 6: Preventive and corrective measures**

		Preventive Measures (m EUR)	Corrective measures (m EUR)
<b>Implemented by the Member States</b>		<b>241.4</b>	<b>69.5</b>
	<b><i>of which from Member States controls</i></b>	<b>241.4</b>	<b>56.3</b>
	ESF/YEI 2014-2020	240.2	52.0
	FEAD 2014-2020	1.2	4.2
	<b><i>of which from EU controls <sup>(80)</sup></i></b>	<b>0.0</b>	<b>13.3</b>
	ESF/YEI 2014-2020	0.0	13.3
	FEAD 2014-2020	0.0	0.0
	EGF	0.0	0.0
<b>Implemented by the Commission</b>		<b>2.4</b>	<b>12.1</b>
	<b><i>of which from Member States controls</i></b>	<b>0.7</b>	<b>0.1</b>
	ESF 2007-2013 and previous periods	0.7	0.1
	<b><i>of which from EU controls</i></b>	<b>1.7</b>	<b>12.0</b>
	ESF 2007-2013 and previous periods	0.0	11.8
	EGF	0.0	0.0
	Direct Management	1.7	0.2
	Indirect Management	0.0	0.0
<b>EMPL total</b>		<b>243.8</b>	<b>81.6</b>

### ***b) Fraud prevention, detection, and correction***

REGIO, EMPL and MARE have in place a Joint Anti-Fraud Strategy (JAFS) covering 2020-2025. The JAFS is based on the methodology provided by OLAF and fully aligned with the objectives of the Commission's 2019 over-arching Commission Anti-fraud Strategy (CAFS). DG EMPL also contributed to the revision of the 2023-2026 Action Plan attached to the CAFS, taking into consideration the new emerging risks. The implementation of the JAFS is monitored and reported to the management annually (see Annex 7M for more details).

In line with auditing standards, audits must be vigilant to indications of possible frauds and report accordingly to investigative bodies but are not designed nor equipped to investigate fraud. This requires specific investigative procedures and powers. In 2023 DG EMPL put in place actions under the CAFS and the JAFS to further improve the effective functioning of anti-fraud measures and fraud detection in the programmes (including in relation to the CRII(+)) and REACT-EU crisis response measures to mitigate the socio-economic impact of the pandemic). More specifically, key anti-fraud measures carried out during the year with the help of OLAF aimed to:

<sup>(80)</sup> As a result of Commission controls and audits (including additional corrections to ensure a risk at closure below 2%), OLAF investigations or ECA audits.



1. Review and improve the Arachne risk scoring tool. Continue to promote its use among Member State authorities. Provide technical assistance to Member States through various spending programmes, including the EU Anti-Fraud Programme.
2. Encourage Member States to put in place national anti-fraud strategies, provide advice and support in this respect and, where appropriate and possible, reinforce Member States' obligations throughout the anti-fraud cycle.
3. Continuously promote the better documentation in audit work (check lists) and report (in annual control reports) on the actions taken by auditors to identify fraud red flags.
4. Encourage programme authorities to better report irregularities in IMS, for further analysis.
5. Promote integrity pacts for safeguarding EU funds against fraud and corruption.
6. Closely and regularly follow up with Member States' OLAF's financial recommendations (more details in Annex 7M). During 2023, DG EMPL completed the follow-up and closed 4 OLAF final case reports, recovering EUR 38.4 million (recovery rate of 19%).
7. Closely monitor and swiftly take precautionary measures to protect the EU budget (such as targeted payment interruptions) each time information comes to DG EMPL's attention that a possible fraud or corruption case is being investigated.
8. Develop cooperation with EPPO services to improve the level of information available to the DG so that it can take the required precautionary measures to protect the EU budget and provide the required information, when investigations are open.

In addition, DG EMPL continued to carry out targeted thematic audits to verify the effective implementation of mitigating actions by Member States to prevent conflicts of interest in the implementation of programmes considered at risk. More details on the audits carried out and their results can be found in Annex 7M.

Based on the available information about the effective functioning of Key Requirement 7 ('effective and proportionate anti-fraud measures'), **DG EMPL has reasonable assurance that the anti-fraud measures in place for cohesion policy are overall effective** (except for two ESF programmes <sup>(81)</sup> out of 215 where KR7 was assessed as not functioning sufficiently and remedial actions were requested from the authorities to improve the design and efficiency of their anti-fraud measures).

### ***c) Safeguarding of assets and information***

#### **Safeguarding of assets**

DG EMPL's main assets 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.

Through the regular supervision of these instruments, DG EMPL did not identify any issue that could have a material impact on assurance and would require reporting in the 2023 annual activity report. Therefore, DG EMPL considers that its safeguarding of assets is

---

<sup>(81)</sup> FR Guadeloupe and IT National OP on Systems for Active Employment Policies (Marche, Molise and Sicily)

effective and appropriate.

**Intangible assets**

DG EMPL’s intangible assets are related to the Europass IT project. The system, developed by DG EMPL, is running and subject to depreciation. DG EMPL’s accounting revision programme includes checks on the accounting entry of IT project assets and a follow-up of their status (research, development, or production phase). Once in production, a linear depreciation over 10 years is applied. The control objectives are fully met for 2023.

**EaSI financial instruments**

For all EaSI financial instruments, the European Investment Fund provides unaudited and audited financial statements and a standardised reporting package as set out in Annex 7L.

**Cash and cash equivalents**

The cash and cash equivalents of DG EMPL include cash at bank as well as short term deposits, deposits between 3 months and 1 year, and related accrued interests for the financial instruments managed by the European Investment Fund (European Progress Microfinance and EaSI).

**2.1.2. Efficiency of controls**

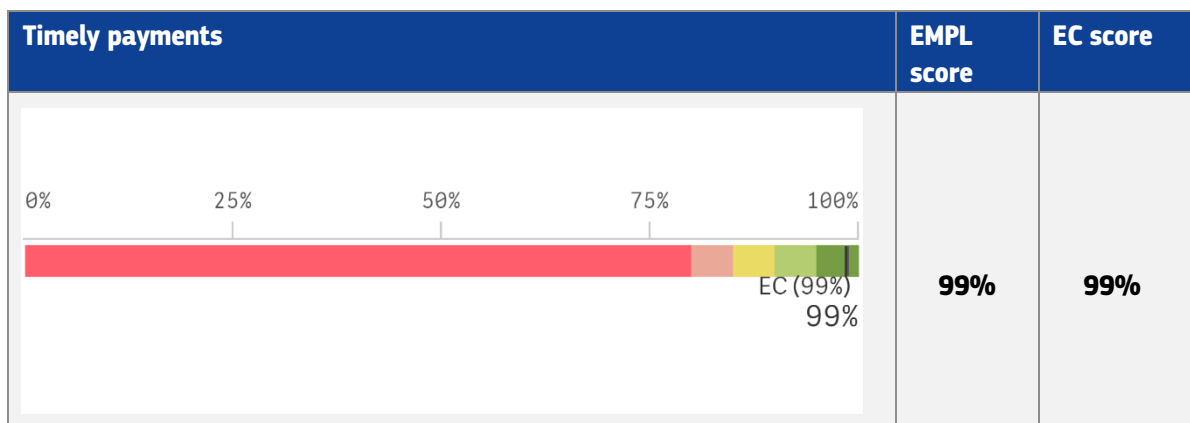
This sub-section outlines the indicators used to monitor the efficiency of the control systems for each management mode. As described in the introduction to Section 2, DG EMPL manages funds under several management modes.

**Table 7: Share of DG EMPL’s budget by management mode**

<b>Budget 2023</b>	<b>Share in overall amount of payments</b>
Shared management	98.6%
Direct and indirect management	1.4%
<b>Total</b>	<b>100.0%</b>

In terms of timely payments, DG EMPL’s performance in 2023 was in line with the overall performance of the Commission and has improved since 2021 and 2022, when respectively, 97% and 96% of payments were made on time. The improvement was particularly marked for the in/direct management.

DG EMPL processed more than 3 000 payments and only four generated late interest amounting to EUR 3 503.45. Although this is below the Commission’s overall performance, it is worth considering that DG EMPL paid out more than **EUR 19 billion**.



### A. Shared management

The table below shows the results recorded in 2023 for the indicators used to assess the efficiency of controls. The percentage of on-time payments was above the level reached in 2022 (99% compared to 97.3% in 2022), but the average time to pay slightly increased to 28 days from 25 days in 2022.

**Table 8: Indicators on control efficiency for shared management**

Indicator	2023
<i>Budget execution (payments in EUR million)</i>	<b>18 834.00</b>
<i>% of payments on time</i>	<b>99%</b>
<i>Average time to pay (days)</i>	<b>28</b>
<i>% timely interruptions and suspensions of payments notified to Member States (impacted by the time required by Member States to react)</i>	<b>100%</b>

### B. Direct and indirect management

The table below shows the results recorded in 2023 for the indicators used to assess the efficiency of controls.

**Table 9: Indicators on control efficiency for direct and indirect management**

Indicator	2023
<i>Budget execution (payments in EUR million)</i>	<b>269.5</b>
<i>Time-to-inform (days) <sup>(82)</sup></i>	<b>150</b>
<i>Time-to-sign (days) <sup>(83)</sup></i>	<b>88</b>
<i>% of Commission payments on time</i>	<b>98%</b>
<i>Average time to pay (days)</i>	<b>15</b>

The time-to-inform slightly up, from 138 to 150 days, but it is still within the time limits set by the Financial Regulation. Time-to-sign was down from 108 to 88 days. The overall average time-to-grant (TTI+TTS) improved year on year. The percentage of on-time payments stood at 98% in 2023, in line with previous year, while the average time-to-pay fell from 18 days

<sup>(82)</sup> Average time to inform applicants of the outcome of the evaluation of the application (Article 128(2) of the Financial Regulation – maximum 6 months).

<sup>(83)</sup> Average-time-to-grant (Article 128(2) of the Financial Regulation – maximum 3 months).

to 15 days.

These good results are mainly due to systematic usage of the RDIS2/COLI2 workflow tool to process, verify and pay all incoming commercial invoices received in DG EMPL.

Furthermore, the RDIS2/COLI2 contract management module is used for all of DG EMPL's framework and specific contracts. This makes it possible to generate, approve and store contracts seamlessly and efficiently. The standard use of qualified electronic signatures has also significantly reduced time-to-sign.

### 2.1.3. Economy of controls

Based on assessing the most relevant key indicators and control results, DG EMPL has assessed the cost of controls for shared management, direct and indirect management, and horizontal tasks <sup>(84)</sup> as detailed in Annex 7.

The assessment resulted in a total cost of controls for 2023 of 0.2% (EUR 38.5 million) of the funds managed (EUR 19.1 billion), meeting the target set in the 2023 management plan ('remains below the 0.2% of the funds managed'). Despite the increase in the diversity of activities managed by DG EMPL, the total cost of controls only slightly increased compared to the previous year. The increase in the total cost of controls (0.8 million) can be attributed to inflation, which increased the average cost of personnel.

The figures reported below for DG EMPL (by management mode) are the best estimates at the time of reporting.

#### **A. Shared management**

The cost of controls for shared management for 2023 stands at 0.13% (EUR 23.7 million), which is slightly above the level observed in 2022 (0.12%), mainly due to the increase in the average cost of personnel.

#### **B. Direct and indirect management**

The cost of controls for (in)direct management was 4.46% (EUR 12 million), which is a slight increase compared to the 3.59% (EUR 11.7 million in 2021). The percentage increase is due to the lower budget in 2023 compared to 2022 (EUR 269 million in 2023 compared to EUR 327 million in 2022), while the actual cost of controls remained almost the same.

#### **C. Horizontal**

The cost of controls for 'horizontal' (cross-cutting) tasks stands at EUR 2.7 million in 2023 compared to the EUR 3.1 million in 2022. This can be attributed to the lower number of staff assigned to the horizontal roles (applicable to shared and (in)direct management). The ratio of horizontal cost of control cannot be calculated as there is no precise relevant expenditure for horizontal tasks.

---

<sup>(84)</sup> Horizontal tasks refer to the cost of controls that cannot be differentiated per management mode but are rather applicable to all three: shared management, direct and indirect management.

#### 2.1.4. 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.

### Audit observations and recommendations <sup>(85)</sup>

This 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.

#### A. European Court of Auditors

For its **Statement of Assurance** concerning cohesion policy (REGIO and EMPL funds together) **in its annual report ECA** focuses on the audit work already performed at national level to establish the level of error in declared accounts, before the Commission could complete its own audit work described above. The Statement of Assurance for 2023 is on-going. Only partial preliminary results were received at the date of signature of this report that are under contradictory procedure with ECA (and were taken into account in our assessment as indicated in section 2.1 above). The adversarial process is foreseen after the publication of DG EMPL's 2023 annual activity report. DG EMPL therefore refers in this section to the previous, available 2022 annual report of ECA.

For its 2022 annual report, ECA reviewed 35 assurance packages, 34 for 2014-2020 programmes concerning the 2020-2021 accounts received and approved in 2022), and one 2007-2013 closure. Audit authorities had already audited the 226 transactions ECA sampled and had reported 58 quantifiable errors which mainly concerned ineligible costs and infringements of internal market rules (public procurement). The ECA identified and quantified 48 additional errors that it considered had not been detected by the audit authorities. Taking account of the errors previously found by the audit authorities and corrections already applied (EUR 458 million for both programming periods), **the ECA estimated its level of error for Cohesion policy to be 6.7%** (compared to 4.1% in 2021, 3.5% in 2020, 4.4% in 2019 and 5.0% in 2018).

The Commission took note of the increase in the error rate estimated by the ECA this year, compared to a relatively stable level of error reported for the last five years. The Commission attributed the difference with the ECA reported error rate to the fact that the ECA reports errors related to any breach of applicable rules. However, for programme authorities and the Commission to impose financial corrections, an error must be an irregularity within the sense of Article 2(36) of the Common Provision Regulation (CPR). Not all errors reported by the ECA fall into this category. It has therefore led the Commission to disagree on 18 out of the 48

---

<sup>(85)</sup> For more details on the ECA and IAS audits, please see Annex 7N and Annex 7O respectively.

errors reported and quantified by the ECA, for which it has assessed that it would not have legal ground to impose financial corrections (15 cases), or higher corrections than those already applied (5 cases). In addition, different audit methodologies applied by the Commission and the ECA due their respective roles and mandates, as well as difference in relation to the quantification of some errors, also explain that the error rates cannot be directly compared.

The Commission is duly following up all (30) cases where it agrees with ECA and has a legal basis to take action and will request additional financial corrections. The Commission will

**Effectively following-up agreed findings reported by ECA under the Statement of Assurance**

In previous statements of assurance for 2021 and 2022, ECA identified in the **Youth Employment programme in Spain** irregular participants in a YEI scheme specifically designed for the temporary employment of young people (see ECA 2021 and 2022 annual reports, box 5.5 and box 6.9 respectively). The Commission agreed this finding was systemic, entering a reservation in the 2021 and 2022 AARs and interrupting payments to the related IB, followed it up with the programme authorities, and carried out a follow-up fact-finding mission in January 2023. The MA was requested to apply an action plan to re-verify the expenditure declared in all previous accounting years in relation to ineligible participants, to make the required financial corrections and to improve the system for the future. In February 2024, EMPL received confirmation by the AA that the necessary corrective measures had been implemented (including **EUR 103 million of corrections** of the 2014-2020 YEI support and discontinuation of the scheme for the 2021-2027 programme).

also recommend remedial actions to the concerned programme authorities to further improve the management and control systems, as necessary.

**DG EMPL systematically follows up the accepted recommendations issued by the ECA** in its Annual Reports. The Commission accepted all the recommendations issued in the 2022 ECA annual report (related to mitigation measures for recurring errors, major project notifications, thematic audits on conflicts of interest, targeted checks on financial corrections for multi-annual operations during closure, reliability of self-declarations, enhancing fraud risk awareness to ensure a more effective reporting on suspected fraud), except one part of the last recommendation aiming at advancing the date for the deployment of the single integrated IT tool for data mining

and risk scoring from 2028 to 2025, as this will be ultimately decided by the co-legislators, based on the Commission’s proposal to recast the Financial Regulation currently under debate. See Annex 7N for further details on the ECA’s annual report for 2022 and the results and recommendations of **other ECA audits and reports** involving cohesion policy and its funding.

## B. Internal Audit Service

### Preparedness for closing the 2014-2020 funds in DGs REGIO, EMPL and MARE

The audit was finished in 2023 and the IAS accepted the action plan on 23/10/2023. The IAS acknowledged the ongoing efforts of DGs REGIO, EMPL and MARE to define and prepare the 2014-2020 closure exercise. Nevertheless, due to weaknesses observed, there are two very important open recommendations: (i) the internal planning of the closure exercise (the DG(s) prepared a roadmap and will monitor the development of the related IT tools); (ii) the financial settlement at closure, (the DG(s) will define what closure involves in terms of legality and regularity and the different steps and responsibilities to complete the related procedure, the implementation of these recommendations is ongoing with deadlines beyond the finalisation

date for the present AAR. The concept of 'risk at closure' is also classified communication in the present AAR).

### **Joint Audit Directorate for Cohesion (DAC) set up and the effectiveness of its operations.**

This audit was finalised in early 2024 and relevant action plan has been accepted by the IAS on 08/03/2024. The audit concluded that the DAC has adequate management and control systems to implement its mandate effectively, but that there remain very important issues impacting its operational efficiency its IT tools, and monitoring and reporting activities, that could impact its operational efficiency. As part of the action plan, REGIO and EMPL will further align their procedures impacting the DAC, discuss the possibilities to further improve HR processes and aim to jointly develop efficient and comprehensive IT tools.

### **Review of the Commission's risk at payment**

DG EMPL was also involved in the IAS review of the Commission's risk at payment (action plan accepted by the IAS on 23/02/2024). On the very important recommendation regarding the documentation of the analysis and (internal) reporting of the root causes of errors and differences in relation to ECA findings, DG EMPL/DAC will strengthen the existing analysis to identify the causes for all ECA findings (not only the ones related to diverging views).

### **Assurance building process**

This is a new ongoing audit that addresses the assurance building processes/audit strategy for 2021-2027 programming period in DG EMPL (REGIO and MARE). The phase I Design started in 2023 and will be finalised in 2024.

### **Conclusion**

In its contribution to the 2023 EMPL AAR, the Internal Audit Service concluded, based on all work undertaken in the period 2019-2023 that **the internal control systems in place for the audited processes are effective, except for the observations giving rise to the very important recommendations**. All relevant very important recommendations are mentioned above and further detailed in Annex 70. They will be addressed in line with the agreed action plans.

In view of the ongoing implementation of actions to address the IAS recommendations, DG EMPL considers that the residual risk related to the above-mentioned very important recommendations by IAS **does not affect in a material way the achievement of the internal control objectives, and therefore the assurance provided in the AAR**.

## 2.2. Assessment of the effectiveness of internal control systems

The Commission has in place an internal control framework based on international standards and good practice, to ensure that its policy and management objectives are met. Compliance with the internal control framework is a compulsory requirement for all Commission's departments.

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

To assess the effectiveness of its internal control system, the DG has followed the methodology set out in the 'Implementation Guide of the Internal Control Framework of the Commission'.

DG EMPL had defined indicators for each of the internal control principles in its working group for internal control, composed of representatives of each directorate. These indicators were duly reviewed in 2023. Since 2022, DG EMPL uses also structured discussions with managers as part of its assessment on the functioning of the IC system in the DG. In 2023, based on an approved sampling method, structured discussions took place with the Deputy Director-General and with managers from directorates A, C, D, F as well as from the DAC.

Finally, concerning exceptions/non-compliance events in 2023, DG EMPL keeps centralised records of all cases within the financial unit. The number of exceptions/non-compliance events in 2023 compared with the previous year was lower (7 versus 8 in 2022) and the number of non-compliance cases was 2.

All this work has led DG EMPL to conclude that its internal control system during the reporting year is effective and that the components and principles are present and functioning as intended. The findings presented above have not affected in a material way the functioning of EMPL's internal control system during the reporting year. There are no reservations caused by an inadequate internal control system in DG EMPL's 2023 AAR. The reservations identified in DG EMPL's declaration of assurance are for Member States' (part of) programmes, in line with the materiality criteria disclosed in Annex 5.

## 2.3. 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 (2021-2022 in the current annual activity report), as confirmed by the Commission once the control cycle was completed including with some



results still in contradictory procedure (KPI4) <sup>(86)</sup>, to the ‘relevant expenditure’ of the Commission in the reporting year <sup>(87)</sup>.

The risk ‘at closure’ indicates the remaining risk to the 2023 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 2021-2022 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.

For the 2014-2020 period under shared management, the **estimated risk at payment linked to the 2023 relevant expenditure** is calculated at **1.6% - 2.6%**, considering the financial corrections already made and taking a prudent approach for the maximum risk due to possible additional risks that are still undetected <sup>(88)</sup>.

For the **2021-2027** period under shared management, the estimated risk at payment is calculated at **0.5%**.

**Table 10: Overall conclusion**

Reservation title	Financial impact (EUR million)		Residual error rate 2022	Evolution
	2022	2023		
Reservation concerning ESF/YEI and FEAD management and control systems for <b>15</b> programmes of the <b>2014-2020</b> programming period in <b>7</b> Member States.	97.02	440.04	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 Deputy Director-General, in her capacity as acting Director-General and Authorising Officer by Delegation, has signed the **Declaration of Assurance** albeit qualified by one reservation **concerning 14 ESF/YEI and 1 FEAD programmes of the 2014-2020** period. For direct management, the assessment described above and the

<sup>(86)</sup> 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).

<sup>(87)</sup> 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.

<sup>(88)</sup> There are 36 programmes for which evidence or indications at this stage point to a confirmed residual total error rate for 2021-2022 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.

estimated overall error rate for centralised direct management under the materiality threshold (1.49%, notwithstanding one grant found to be materially affected by a level of error as identified by ex-ante controls) provides reasonable assurance to DG EMPL. For EGF, the error rate of 0.0% provides reasonable assurance on the legality and regularity of the expenditure.

## 2.4. Declaration of Assurance and reservations

*I, the undersigned,*

*Acting 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 <sup>(89)</sup>.*

*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 work 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 following reservations should be noted:*

- *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 14 ESF/YEI and 1 FEAD programmes in Czech Republic, Germany, Spain, France, Croatia, Hungary, and Italy. More details are provided in Annex 9.*

*Brussels, 25 April 2024*

*(e-signed)*

*Andriana SUKOVA*

---

<sup>(89)</sup> True and fair in this context means a reliable, complete, and correct view on the state of affairs in the DG.

### 3. MODERNISING THE ADMINISTRATION

In addition to the six general objectives set out in President von der Leyen's political guidelines, to which DG EMPL contributes as presented in Section 1, the Commission also aims to adjust its internal procedures and processes in keeping with a more 'modern, high-performing and sustainable' institution. This constitutes the Commission's seventh general objective. Below is a description of the progress made by DG EMPL in this regard in 2023.

#### 3.1. Human resource management



In 2023, DG EMPL continued delivering on a number of high-priority files under considerable constraints on human resources. In this context, the thorough **screening of all vacant posts** continued throughout the year to ensure optimal resource allocation.

To **enhance staff engagement**, an all-staff event (EMPL Day) took place – the first such in-person event since the COVID-19 pandemic, followed by an online staff forum on the future move to dynamic collaborative workspaces.

DG EMPL continued to provide a **rich internal learning offer**, including the European Semester training series, regular staff forums, a considerable number of training and info sessions, as well as a new series of modular sessions for newcomers. These were complemented by a series of team-building events both at directorate and unit levels, to boost cooperation between colleagues. Implementation of the 2021 staff survey **follow-up action plan** also continued throughout the year.

DG EMPL continues to make a major contribution to **gender equality** in management across the Commission. Over the year, three female colleagues received an individual coaching package to further develop their management skills.

Measures to achieve a truly diverse and inclusive organisation continued throughout the year with implementation of the local **equality mainstreaming** work plan and an action to make DG EMPL's premises more accessible. In this context, a standard reference to equality was introduced into the DG's the vacancy notices.

In relation to **internal communication**, DG EMPL achieved a significant increase in the staff survey response rate compared to previous years. EMPL's 2023 participation rate was 75%, higher than the Commission-wide average of 68%, and significantly higher than EMPL's 38% participation rate in 2021. DG EMPL published a series of three 'You said, we did' articles on MyEMPLnet during the survey, each highlighting the actions that DG EMPL had taken since the 2021 survey, focusing on wellbeing, measures for newcomers, and two-way dialogue with senior management.

Work on improving MyEMPLnet picked up in the second half of 2023. The **migration of EMPL's intranet** from SharePoint on Premise to SharePoint Online (SPO) progressed rapidly in November and December with the migration of content from EMPL's collaborative sites to SPO and Teams as part of the European Commission's future intranet project. Migration of EMPL's communication sites will continue in 2024.

MyEMPLnet continues to serve as DG EMPL's main collaborative platform. In 2023, the focus remained on keeping staff informed about, and engaged with, the latest developments across the DG and the Commission. In 2023, **300 news items were published on MyEMPLnet** and the number of **page views reached 593 105**. In 2023, the most-viewed news items were 'EMPL on the move' (1 321 views), which details EMPL's **relocation to new premises in 2024**, and the **European Year of Skills** (1 273 views). This shows that practical posts that affect people at work continue to attract the most readers. In addition, three messages from the Director-General to all staff were published on the intranet in the course of the year, in January, July and September.

In 2023, in anticipation of DG EMPL's move to a new building scheduled for 2024, a series of proactive measures were undertaken. **The consultation process** for the move to C046 was guided by a comprehensive strategy designed to prepare staff and help them navigate the forthcoming change. Various communication avenues were used, including **meetings, workshops, and interactive Q&A sessions involving DG EMPL staff**. To facilitate information dissemination and address questions, a **dedicated Intranet page** titled "EMPL on the Move" was created, featuring updates and a comprehensive **FAQ section**. Staff engagement was further enhanced through structured **consultations**, encompassing **surveys** on office design preferences, floor plans, and feedback gathering for public meeting spaces. **A functional mailbox** was set up to enable staff to ask for and receive assistance, while **EMPL Move Ambassadors** played an important role in organising coordination meetings and ensuring regular staff briefings. Complementing these efforts, **flexible working open days** provided opportunities for colleagues to explore existing Commission workspaces, fostering familiarity with potential future flexible working environments.

### 3.2. Digital transformation and information management



DG EMPL has accelerated the pace of its **digital transformation** in 2023. First, the Digital Transformation Office was set up and started providing business and policy units with support in assessing the digital angle of upcoming social-security policy initiatives. It also delivered digital awareness sessions on AI-related topics and on collaboration tools for all DG EMPL staff, with the aim of instilling a digital culture. Secondly, DG EMPL cleared the 'technical debt' affecting its overall IT landscape (no new IT systems were delivered during 2023). EUROPASS is undergoing a technical assessment to determine whether it can be migrated to the cloud. Finally, work has started in 2023 on transitioning from local IT systems like RDIS2, FINAP, COLI2 and MAPAR to corporate IT solutions like Compass, My Workplace, eProcurement, as well as a corporate planning tool.

Targeted action has been taken on DG EMPL's three most expensive IT systems - EESSI, SFC Front-Office (System for Fund Management in the EU), and EUROPASS to reduce their operational costs (for example, cloud costs were cut by 20% for EESSI), streamline the technological stack to the IT standards recommended by DG Digital Services (for example by reusing Kafka events and Kubernetes in both SFC and EESSI) and foster the reuse of corporate components (such as reuse of eUI and eSignature).

As a follow-up to **cybersecurity** measures already taken in 2022, all IT systems owned by DG EMPL are covered by a security plan and associated declaration in the Governance Risk and Compliance tool (GRC). DG EMPL has kept the role of local informatics security officer and will dedicate one full-time specialist to supporting and monitoring the actions required in each system. This strategic decision is the first step in building in-house capabilities and knowledge, while following up on the recommendations from other Commission departments.

For data management and more specifically management of data assets at rest or in transit within IT systems owned by DG EMPL, it remains a priority to apply the following corporate data principles properly:

- Data assets will be created or collected only once.
- Access to sensitive non-classified data assets remains restricted. Processes for requesting access to such data assets are defined by the data owners together with the data protection coordinator.
- Data assets are stored, preserved, or deleted in accordance with applicable legislation, regulations, and guidelines.
- Data assets will be created, collected, or acquired, managed and made available using open data standards.

In terms of **document management**, DG EMPL finalised the treatment of pre-edomec paper archives stored in units' archives. Action is being taken to treat and reduce the amount of paper in central official paper archives, in preparation for the move to new premises. This entails: (i) completing elimination of chronological series, (ii) completing preparation of financial files with an administrative retention period (ARP) ending in 2024 to 2028 so that they can be transferred to the historical archives for elimination at the end of the ARP, (iii) getting rid of the old paper ESF files, when fully available in electronic format, and (iv) treating files with an expired ARP.

DG EMPL also promoted and facilitated electronic archiving, access and sharing of electronic files to support the transition to a paperless Commission. It did so by: (i) making regular use of Hermes Preservation System functionalities, (ii) implementing public procurement management tools, the 'e-grant' and 'e-expert' tools, in the direct management of grants and (iii) integrating IT systems with HermesAresNomCom (HAN), such as SFC2021 for the exchange of documents relating to programmes under Common Provisions Regulation Funds 2021-2027 and RDIS-DM for contract management, which enables electronic documents to be registered and filed automatically in HAN.

In 2023, DG EMPL's Data Protection Coordinator (DPC), organised a series of training courses and awareness-raising sessions for DG EMPL staff. These included one general training

course for all DG EMPL staff, two information sessions for newcomers, and specialised information sessions for colleagues working on the European Year of Skills, Europass and IT procurement. The DPC provided colleagues with daily feedback and support and attended meetings organised by EMPL with stakeholders, giving advice on data protection issues.

DG EMPL replied to 13 data subject requests in 2023. For internal monitoring purposes, the DPC created an excel database to track the state of play of each request. All contracts with external processors were generated on the basis of templates using the latest clauses in the Data Protection Regulation, as provided by DG BUDG, thus ensuring full compliance.

### 3.3. Sound environmental management



To **reduce emissions**, the Director-General of DG EMPL scrutinised internal requests for business trips in 2023 to ensure that business travel takes place only if the alternative options available (for example, video conferences) cannot achieve the same outcome. The DG applied a consistent approach to all units, resulting in a 52% reduction in the number of business trips undertaken in 2023 compared with 2019.

Following the initiative of the Office for Infrastructure and Logistics, DG EMPL optimised the heating and the air ventilation in its buildings throughout the year. Moreover, DG EMPL participated in the BEST campaign over the summer and Christmas periods, which helped it to maintain the overall **reduction in energy use** achieved in 2022.

In 2023, DG EMPL **used much less paper** in its buildings. It achieved a significant **87% reduction** compared with 2022. As tracking paper usage is difficult, this indicator is based on the number of pages printed by DG EMPL users.

### 3.4. Examples of economy and efficiency



From 1 February 2023, DG EMPL began to apply a streamlined approach to drafting and approving briefings, aiming at reducing the administrative and bureaucratic burdens for desk officers and other staff by streamlining the validation chains. The new working arrangements have given staff more time to prepare briefings and made it easier to respect deadlines: around two thirds of briefings were delivered on time in 2023, compared to approximately half in 2022. To further improve the quality of briefings, four trainings sessions were organized for DG EMPL staff on 'Writing effective briefings', with a wide participation (100+) and high levels of satisfaction. To improve awareness of who does what in the DG, an DG EMPL attribution index has been made available to all colleagues, listing units responsible by key file or policy topic.