



2019

Annual Activity Report

**DG Employment, Social
Affairs and Inclusion**

Table of Contents

THE DG IN BRIEF	7
EXECUTIVE SUMMARY	9
A) KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG.....	9
B) KEY PERFORMANCE INDICATORS (KPIs).....	12
C) KEY CONCLUSIONS ON FINANCIAL MANAGEMENT AND INTERNAL CONTROL.....	12
D) PROVISION OF INFORMATION TO THE COMMISSIONER.....	14
1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG	15
1.1. THE EMPLOYMENT AND SOCIAL SITUATION IN THE EU	15
1.2. PROGRESS TOWARDS POLICY PRIORITIES	20
GENERAL OBJECTIVE 1: A NEW BOOST FOR JOBS, GROWTH AND INVESTMENT	22
<i>Specific Objective 1.1. Effective support to Member States in their structural reforms in the context of the European Semester</i>	22
<i>Specific Objective 1.2. Stronger social dialogue</i>	24
<i>Specific Objective 1.3. Better functioning labour markets</i>	25
<i>Specific Objective 1.4. Decent and safe working conditions for all</i>	26
<i>Specific Objective 1.5. A Skilled and More Entrepreneurial Workforce</i>	27
<i>Specific Objective 1.6. Greater Social Inclusion and Effective Social Protection</i>	29
GENERAL OBJECTIVE 2: A DEEPER AND FAIRER INTERNAL MARKET WITH A STRENGTHENED INDUSTRIAL BASE	30
<i>Specific Objective 2.1. Improved conditions for geographic and professional mobility whilst tackling risks of distortions and abuses</i>	30
GENERAL OBJECTIVE 3: A DEEPER AND FAIRER ECONOMIC AND MONETARY UNION.....	31
<i>Specific Objective 3.1. Strengthened social dimension of the EMU</i>	31
1.3. MANAGING FUNDS TOWARDS DELIVERY OF POLICY RESULTS (FOCUSING ON ESF 2014-2020)	32
1.3.1. IMPLEMENTATION OF 2019 OPERATIONAL PRIORITIES	32
1.3.2. ASSESSMENT OF THE PERFORMANCE OF PROGRAMMES	32
1.3.3. STATUS OF PROGRAMME IMPLEMENTATION AND KEY PROGRAMME ACHIEVEMENTS TO DATE.....	35
2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL	37
2.1. FINANCIAL MANAGEMENT AND INTERNAL CONTROL.....	37
2.1.1. CONTROL RESULTS	38
2.1.1.1. CONTROL EFFECTIVENESS AS REGARDS LEGALITY AND REGULARITY	38
A. <i>Shared Management</i>	39
B. <i>IPA</i>	47
C. <i>EGF</i>	47
D. <i>Direct management</i>	48
E. <i>Budget implementation tasks entrusted to other services and entities</i>	50
F. <i>Conclusion on control effectiveness as regards legality and regularity</i>	51
2.1.1.2. FRAUD PREVENTION, DETECTION AND CORRECTION	52
2.1.1.3. OTHER CONTROL OBJECTIVES	54
2.1.1.4. EFFICIENCY	55
A. <i>Shared Management</i>	55
B. <i>Direct and Indirect management</i>	56
2.1.1.5. ECONOMY (COST OF CONTROLS)	56
A. <i>Shared Management</i>	56
B. <i>Direct and Indirect management</i>	57
C. <i>Initiatives to improve economy and efficiency of financial and non-financial activities</i>	57
2.1.1.6. CONCLUSION ON THE COST-EFFECTIVENESS OF CONTROLS	57
2.1.2. AUDIT OBSERVATIONS AND RECOMMENDATIONS	57
A. <i>European Court of Auditors</i>	57
B. <i>Internal Audit Service</i>	60
2.1.3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM.....	61

2.1.4. CONCLUSIONS ON THE IMPACT AS REGARDS ASSURANCE.....	62
2.1.5. DECLARATION OF ASSURANCE AND RESERVATIONS	63
2.2. OTHER ORGANISATIONAL MANAGEMENT DIMENSIONS	66
2.2.1. HUMAN RESOURCE MANAGEMENT.....	66
2.2.2. BETTER REGULATION	66
2.2.3. INFORMATION MANAGEMENT ASPECTS	67
2.2.4. EXTERNAL COMMUNICATION ACTIVITIES	68

List of tables

TABLE 1: TOTAL COMMITMENT AND PAYMENT APPROPRIATIONS AUTHORISED IN 2019.....	8
TABLE 2: KEY PERFORMANCE INDICATORS.....	12
TABLE 3: SYNTHESIS OF THE CONTROL RESULTS.....	38
TABLE 4: ERROR CATEGORIES FOUND IN AUDIT OF OPERATIONS.....	41
TABLE 5: FINAL ASSESSMENT OF MANAGEMENT AND CONTROL SYSTEMS IN THE ANNUAL MANAGEMENT OPINION: ESF/YEI + FEAD.....	44
TABLE 6: EU CONTRIBUTION TO AGENCIES IN 2019.....	50
TABLE 7: ESTIMATED OVERALL AMOUNT AT RISK.....	51
TABLE 8: RESERVATIONS 2014-2020 PROGRAMMING PERIOD.....	64
TABLE 9: RESERVATIONS 2007-2013 PROGRAMMING PERIOD.....	65

List of charts

CHART 1: EMPLOYMENT RATE (20-64) IN THE EU MEMBER STATES, 2019Q3.....	16
CHART 2: UNEMPLOYMENT RATE AND YOUTH UNEMPLOYMENT RATE - EU AND EURO AREA.....	16
CHART 3: UNEMPLOYMENT, LONG-TERM UNEMPLOYMENT AND VERY LONG-TERM UNEMPLOYMENT RATES IN THE EU.....	17
CHART 4: EARLY LEAVERS FROM EDUCATION AND TRAINING AND TERTIARY EDUCATIONAL ATTAINMENT.....	17
CHART 5: PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION.....	18
CHART 6: SHARE OF EU CITIZENS WORKING IN ANOTHER EU COUNTRY THAN THEIR COUNTRY OF CITIZENSHIP.....	18
CHART 7: CUMULATED GROWTH RATES OF GROSS DISPOSABLE HOUSEHOLDS INCOME, GDP PER CAPITA AND REAL WAGES.....	19
CHART 8: DG EMPL'S INITIATIVES AS DEFINED IN THE STRATEGIC PLAN 2016-2020.....	20
CHART 9: OVERALL ASSESSMENT.....	33
CHART 10: ASSESSMENT OF THE PERFORMANCE OF PROGRAMMES BY CRITERIA.....	34
CHART 11: AUDIT MISSIONS.....	39
CHART 12: FINDINGS OF DG EMPL'S AUDITS BY KEY REQUIREMENTS.....	40

List of acronyms

AAR	Annual Activity Report
AA	Audit Authority
AIR	Annual Implementation Report
ALMP	Active Labour Market Policies
AMPR	Annual Management and Performance Report
AMR	Alert Mechanism Report
AOSD	Authorising Officer by Sub-delegation
ASGS	Annual Sustainable Growth Strategy
BUDG	Budget Directorate-General
CdF	Chef de File (lead DG)
CEDEFOP	European Centre for the Development of Vocational Training
CMD	Carcinogens and Mutagens Directive
CPR	Common Provision Regulation
CR	Country Report
CSR	Country Specific Recommendation
DG	Directorate-General
DPC	Data Protection Coordinator
EAFRD	European Agricultural Fund for Rural Development
EaSI	EU Programme for Employment and Social Innovation
ECA	European Court of Auditors
ECFIN	Economic and Financial Affairs Directorate-General
EEA	European Economic Area
EESSI	Electronic Exchange of Social Security Information
EGF	European Globalisation Adjustment Fund
EIF	European Investment Fund
ELA	European Labour Authority
EMCO	Employment Committee
EMFF	European Maritime and Fisheries Fund
EMPL	Employment, Social Affairs and Inclusion
EMU	Economic and Monetary Union
EPSA	Early Preventive System Audits
EPSCO	Employment and Social Affairs Council
EPSU	European Public Service Union
EQF	European Qualifications Framework
ERDF	European Regional Development Fund
ESCO	European Skills, Competences, Qualifications and Occupations
ESDE	Employment and Social Developments in Europe
ESF	European Social Fund
ESF+	European Social Fund for the period 2021-2027, including the current ESF, YEI, FEAD, EaSI and the EU Health programme
ESIF	European Structural and Investment Funds
ESSN	European Social Security Number
ETF	European Training Foundation
EU-OSHA	European Agency for Safety and Health at Work
EURES	European Employment Services
EUROFOUND	European Foundation for the Improvement of Living and Working Conditions
FEAD	Fund for European Aid to the Most Deprived
FR	Financial Regulation
G7	Group of the 7 largest advanced economies in the world
G20	Group of the 20 strongest economies in the world (19 countries + EU)
IAS	Internal Audit Service
ICAT	Internal Control Self-Assessment Tool
ICP	Internal Control Principles
ILO	International labour organization
IPA	Instrument for Pre-accession
ISFC	Interruptions, Suspensions and Financial Corrections

JAFS	Joint Anti-fraud Strategy
JAP	Joint Action Plan
JER	Joint Employment Report
JUST	Justice and Consumers Directorate-General
LFS	Labour Force Survey
LMWD	Labour Market and Wage Developments
LTU	Long-term unemployed
MARE	Maritime Affairs and Fisheries Directorate-General
MS	Member States
NEAR	Neighbourhood and Enlargement Negotiations Directorate-General
NEET	Not in employment, education or training
NRP	National Reform Programmes
OECD	Organisation for Economic Cooperation and Development
OEL	Occupational Exposure Limit
OP	Operational Programme
PES	Public Employment Services
PMO	Office for the Administration and Payment of Individual Entitlements
REC	Rights, Equality and Citizenship
REGIO	Regional and Urban Policy Directorate-General
RRR	Residual Risk Rate
RTER	Residual Total Error Rates
SCOs	Simplified Cost Options
SME	Small and medium-sized enterprises
SPC	Social Protection Committee
SWD	Staff Working Document
TFEU	Treaty on the Functioning of the European Union
TPER	Total Projected Error Rate
VET	Vocational and educational training
YEI	Youth Employment Initiative

THE DG IN BRIEF

The Employment, Social Affairs and Inclusion DG pursues policy, legislative and financial initiatives to build a highly competitive social market economy in the European Union. Through the implementation of the Europe 2020 Strategy, it aims to create more and better jobs, promote skills and entrepreneurship, improve the functioning of the labour markets, confront poverty and social exclusion, modernise social protection systems including pensions, health and long-term care, facilitate the free movement of workers, promote workers' rights, health and safety at work, and protect against discrimination in the work place, as well as the rights of persons with disabilities.

Mission Statement Strategic Plan 2016-2020

The **Treaty** provides that in determining and implementing its policies and activities, the EU has to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health (Article 9 TFEU). Other specific responsibilities of DG EMPL enshrined in the Treaty include the implementation of the fundamental right of 'Free Movement of Workers', the coordination of social security systems and the promotion of social dialogue and of improved living and working conditions. DG EMPL is also in charge of the implementation of the European Social Fund in order to improve employment opportunities for workers in the internal market and to contribute to raising the living standards, as well as to develop actions for strengthening the Union economic, social and territorial cohesion. DG EMPL also promotes the external dimension of these policies and contributes to the employment and social dimension in enlargement, neighbourhood and trade policies.

DG EMPL's policies are framed by the **Europe 2020 Strategy**, whose objectives are to generate smart, inclusive and sustainable growth. The strategy sets out a framework for reforming labour markets, creating job opportunities, ensuring adequate and sustainable social protection systems and social inclusion, and fostering economic competitiveness. Furthermore, the **European Pillar of Social Rights** promotes convergence towards better living and working conditions and strengthens the social dimension of European integration. It sets out 20 principles to serve as a policy compass for fair and dynamic labour markets, and for well-functioning and sustainable welfare systems.

Guided by the Treaty, DG EMPL's mission and political priorities for 2019 were further defined on the basis of **President Juncker's political guidelines**¹ set for the Commission 2014-2019 and its translation in Commissioner Thyssen's mission letter².

The responsibility for fulfilling the above-mentioned objectives, as well as for policy setting in the field of employment, social affairs and inclusion, is shared between the EU and its Member States (MS).

DG EMPL's main **areas of intervention** towards the attainment of those objectives are:

- (1) Policy activities of guidance, coordination and governance towards employment and social policies reforms;
- (2) Legislation in the areas of working conditions, health & safety, workers' rights and free movement of workers and the equal treatment in employment and occupation;
- (3) Management of funding instruments under different management modes:
 - **Shared management:** European Social Fund (ESF), including the Youth Employment Initiative (YEI), European Globalisation Adjustment Fund (EGF) and Fund for European Aid to the Most Deprived (FEAD);

¹ A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change Political http://ec.europa.eu/priorities/docs/pg_en.pdf.

² President Juncker's Mission Letter to Marianne Thyssen, Commissioner Employment, Social Affairs, Skills and Labour Mobility http://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/thyssen_en_1.pdf.

- **Direct management:** EU Programme for Employment and Social Innovation (EaSI³), part of Erasmus+ and of the Rights, Equality and Citizenship Programme (REC) and funds allocated by virtue of the powers conferred by the Treaty (so-called 'Prerogatives') for social dialogue, mobility, analysis of the social situation, demographics and the family; and contributions to 5 decentralised agencies (Cedefop, ELA, ETF, EU-OSHA and Eurofound⁴).
- **Indirect management:** Instrument for Pre-Accession Assistance – Human Resources Development Component (IPA-HRD 2007-2013) which has been phased out. Its successor is managed by DG NEAR.

The table below shows the total commitments and payments authorised in 2019⁵:

Table 1: Total commitment and payment appropriations authorised in 2019

2019 (in EUR million)	Commitment appropriations authorised	Payment appropriations authorised	Share in overall amount of payments
The European Social Fund, including the Youth Employment Initiative	15 574.4	14 054.5	94.18%
The Fund for European Aid to the Most Deprived	590.8	505.4	3.39%
The European Globalisation Adjustment Fund	23.7	23.7	0.16%
The Instrument for Pre-Accession Assistance – Human Resources Development Component	0.0	0.0	0.00%
Direct Management (EaSI, prerogatives, REC, Erasmus+) and agencies	364.6	339.2	2.27%
TOTAL	16 553.5	14 922.8	100%

- DG EMPL has also entrusted budget implementation tasks to PMO for a total of EUR 177 500 in commitment appropriations and EUR 55 911.6 in payment appropriations.

³ EaSI is made up of 3 axes: PROGRESS, EURES, and Microfinance and Social Entrepreneurship.

⁴ (1) The European Centre for the Development of Vocational Training (Cedefop); (2) European Labour Authority (ELA); (3) The European Training Foundation (ETF); (4) The European Agency for Safety and Health at Work (EU-OSHA); (5) The European Foundation for the Improvement of Living and Working Conditions (Eurofound). See Annex 8 for details.

⁵ Commitment and payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue). See Annex 3 for details.

EXECUTIVE SUMMARY

This Annual Activity Report (AAR) is a management report of the Director-General of DG EMPL to the College of Commissioners. AARs are the main instrument of management accountability within 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 Treaties⁶.

a) Key results and progress towards the achievement of general and specific objectives of the DG

In 2019, DG EMPL delivered on several headline actions from the Commission's 2019 Work Programme. It also continued to implement the European Pillar of Social Rights, to contribute to progress on jobs, growth and investment, a deeper and fairer Single Market and European Monetary Union. DG EMPL delivered through the European Semester, legislative and non-legislative initiatives, and the support of EU funds. In addition, DG EMPL contributed to initiatives with a 2025 perspective and the wider debate on more efficient decision-making in the EU.

Supporting Member States in their structural reforms, particularly in the context of the European Semester

- DG EMPL contributed significantly to the annual European Semester process by further reinforcing its employment and social dimension with the Pillar firmly integrated in the monitoring of social progress, the analysis of the employment and social situation in the MS, and the formulation of policy recommendations directed towards them. This was underpinned by the findings of the Social Scoreboard, an important monitoring tool to assess MS' performance vis-à-vis key dimensions of the Pillar.
- In particular, DG EMPL:
 - Examined the draft 2019 National Reform Programmes, contributed to the Country Reports and (draft) Country Specific Recommendations (CSRs), called for structural reforms in a number of areas relevant for DG EMPL (such as education, skills and active labour market policies-ALMP), tackled poverty and exclusion, pensions and healthcare; in the 2019 Country Reports, the link between Cohesion policy and the European Semester was further strengthened.
 - Following the successful exit of Greece from the financial assistance programme, DG EMPL contributed to the post-programme surveillance framework.
 - Developed benchmarking (minimum wages, collective bargaining, ALMP, pensions' adequacy, childcare and support to children), in cooperation with the Employment Committee and the Social Protection Committee with a view to support reforms in MS and identify best policy practices. A structured dialogue on minimum income was launched with the MS in 2019.
 - Further reinforced the attention on social dialogue and the involvement of social partners, and strengthened the involvement of civil society in the European Semester.
 - Developed analysis to underpin the assessment of policy developments through the annual and quarterly Employment and Social Development Reviews focused on the new world of work and employment and social effects of digitalisation, and the annual Labour Market and Wage Developments Review.

⁶ Article 17(1) of the Treaty on European Union.

Modernising and completing the EU acquis to build a stronger social Europe

- DG EMPL continued to support the inter-institutional negotiations on the pending proposals bringing them to the successful adoption, in particular:
 - the Directive 2019/1152 on Transparent and Predictable Working Conditions; monitoring and support in the implementation phase has begun with the help of an expert group of MS' representatives;
 - the 3rd proposal modifying Directive 2004/37/EC on Carcinogens and Mutagens (CMD) to establish Occupational Exposure Limit values (OEL) for additional substances, leading to its successful adoption as Directive (EU) 2019/983;
 - the Directive 2019/882 on the accessibility requirements for products and services as one of the main achievements of the European Disability Strategy; work on the transposition was initiated with a first meeting of national experts;
 - the Directive 2019/1158 on Work-Life Balance (in association with DG JUST) aiming to achieve a better balance of caring responsibilities between women and men;
 - the Council Recommendation on Access to Social Protection 2019/C 387/01; the implementation started through communication and mutual learning activities, as well as via a monitoring framework;
 - the Regulation 2019/1149 on establishing a European Labour Authority (ELA); ELA started its work in October with two meetings of the ELA management board held in 2019;
- A deal was provisionally reached on the revision of Social Security Coordination Regulations which has not yet been confirmed by the co-legislators.
- The Commission adopted a proposal aiming at extending the Decision establishing the Public Employment Services network up to 2027.
- The Electronic Exchange of Social Security Information gradually started 'live' cross-border operations in 2019 and DG EMPL also pursued its further reflection on a possible digital initiative on a European Social Security Number.
- DG EMPL continued to ensure the implementation of the Skills Agenda throughout 2019; it continued the work on the development of the new Europass platform; as for the roll out of the Skills Profile Tool, DG EMPL focused its efforts in increasing the flexibility of the tool to allow the organisations supporting migrant integration to incorporate it into their existing software systems or be able to use only a part of it. The stocktaking report on implementation of Upskilling Pathways recommendation was adopted.
- With its Communication published in April 2019, the Commission opened a debate on more efficient decision-making in social policy, by suggesting an enhanced use of qualified majority voting and the ordinary legislative procedure in targeted areas.
- DG EMPL pursued an active role in developing its knowledge and providing where relevant input to Commission initiatives announced in the 2019-2024 political guidelines. It organised a high-level conference on the Future of Work to discuss main changes in the world of work. In addition, DG EMPL provided guidance and analysis on issues related to the European Green Deal and the Green Deal Investment Plan, for instance on social aspects and on investment needs to support a just transition.

Providing financial support from the EU budget⁷

EU funds, in particular the European Social Fund, continued to support the implementation of the European Pillar of Social Rights in the MS; the main highlights are:

- The European Social Fund (ESF) helps millions of Europeans improve their lives by learning new skills and finding better jobs. By the end of 2018, 26 million people had already been supported by ESF and YEI of which 3.1 million had found a job (including self-employed) and a total of 3.7 million had gained a qualification upon leaving the YEI and ESF interventions. In addition, MS had declared that 2.7 million young people had already benefitted from the YEI by the end of 2018. Complete data on 2019 will be presented in the Annual Implementation Reports expected from the MS by mid-2020.
- The Fund for European Aid to the Most Deprived (FEAD) contributed to alleviating the worst forms of poverty in the EU by assisting the most deprived persons. Support from FEAD may take the form of food, basic goods or social inclusion support. The Annual Implementation Reports for 2018 showed that 12.6 million persons benefitted from food support operations, 1 million persons received basic material assistance and more than 38 000 people received social inclusion support. As for ESF, complete data on 2019 will be presented in the Annual Implementation Reports expected from the MS by mid-2020.
- The European Globalisation adjustment Fund (EGF) provides support to workers made redundant and to self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, or as a result of a global financial and economic crisis. Between 2014 and 2019, EGF funding has supported 44 963 targeted workers and 4 099 NEETs in 27 different economic sectors.
- To promote jobs and growth in Europe, and guarantee adequate social protection, the Employment and Social Innovation programme (EaSI) financed 44 projects through five calls for proposals for EUR 29.3 million under its 2019 Work Programme. EaSI supported studies and actions on labour mobility, the Electronic Exchange of Social Security Information project, enhanced cooperation between European Public Employment Services and other organisations through the EURES network and the deployment of Targeted Mobility Schemes (Your first EURES Jobs). The implementation of the EaSI Guarantee continued in 2019 with 85 (84 currently active) contracts worth EUR 168.4 million signed with microfinance intermediaries from the start of the scheme; this allowed them to support 69 770 microenterprises receiving 74 936 microloans worth EUR 870 million. In regards to the social entrepreneurship strand, as at the end of September 2019, 2 020 social enterprises had received 2 368 loans from financial Intermediaries. Approximately EUR 68 million of EU support leading to 30 signed contracts were used to provide EUR 292.6 million of funding for social enterprises. As a whole, the 115 already signed contracts under the microfinance and social entrepreneurship strands are expected to unlock more than EUR 2.7 billion of financing for micro- and social enterprises.
- In 2019, the prerogative budget lines financed the activities in support of the functioning of European social dialogue and capacity building actions for European and national social partners. In particular, they sustained the 43 EU sectorial social dialogue committees. Prerogative budget lines also co-financed the joint Commission-OECD project on policy responses to new forms of work, and supported analyses and the evaluation of major trends in national legislation on free movement of persons and promotion of the coordination of national social security systems.

⁷ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

b) Key Performance Indicators (KPIs)

Table 2: Key performance indicators

DG EMPL - KPIs	Target	Latest known results
Degree of implementation of EMPL's initiatives of the Commission Working programme (CWP)	100% (2019)	100%
Participants (unemployed or inactive) in employment, including self-employment, upon leaving European Social Fund operation	24% (2023)	24.2% (2018)
Participants gaining a qualification upon leaving European Social Fund operation	23% (2023)	24.4% (2018)
Residual total error rate in shared management for 2014-2020 programming period – 2017/2018 accounts	<2%	1.7% (up to 2.4% maximum risk)

c) Key conclusions on Financial management and Internal control

In accordance with the governance arrangements of the Commission, DG EMPL conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

Due to very different regulatory environments, several management modes are used by DG EMPL, giving rise to specific risks. The main ones are:

- **Shared management (ESF including YEI, FEAD and EGF):** MS have the primary responsibility to take all measures necessary to ensure that the funds are used in accordance with the applicable rules and principles and protect the Union's financial interests. However, the Commission retains final responsibility for the implementation of the budget. The Commission exercises supervisory controls, mainly by auditing MS' management and control systems, including transactions tested at beneficiary level. For the ESF, representing 94.7% of DG EMPL's 2019 budget, the major inherent risk relates to the complexity of the operations and activities financed, the typology and variety of recipients (involving multiple local partners, often of modest size), and the high number of annual interventions. For the FEAD, the selection of partners and public procurement rules also present a difficulty.
- **Indirect management-third countries:** the IPA-Human Resources Development (HRD) Component is managed in a decentralised manner but with strong similarities to the approach used for the ESF. The inherent risk relates to the ability of the candidate countries to set up and operate the structures and controls necessary for the sound management of the allocated appropriations. This risk, however, is mitigated by the fact that ex ante verification is carried out by the Commission delegations in the candidate countries. DG EMPL's responsibility for the IPA-HRD Component (IPA IV) will end with the closure of the related operational programmes in 2020.
- **Direct management (EaSI and prerogatives):** it involves the attribution of contracts and grants, and the payment of operating grants to non-governmental organisations, associations and trade unions. The main risk related to these activities concerns the capacity of (especially) smaller organisations to effectively control expenditure and ensure the transparency on the operations carried out.

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. Overall, DG EMPL has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning well, but some improvements are needed as minor deficiencies were identified related to commitment to competence, fraud risk, control activities and control over technology. Further information is available in section 2.1.3.

In addition, DG EMPL has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the Internal Auditor and the European Court of Auditors (ECA). These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Further information is available in section 2.1.

In conclusion, management has reasonable assurance that for the EGF, IPA and direct and indirect management, suitable controls are in place and work as intended, risks are being appropriately monitored and mitigated, and necessary improvements and reinforcements are being implemented.

The management has also the reasonable assurance that suitable controls are in place and work as intended for ESF and FEAD, that the risks are being appropriately monitored and mitigated, and that necessary improvements and reinforcements are being implemented.

The internal control system has allowed for the detection of deficiencies in the Management and Control Systems of 6 ESF programmes for the 2007-2013 period as a measure of prudence. This was based on an in-depth assessment of the closure documents and the request to the national authorities to provide further information or perform additional audit work. The financial risk is estimated at 1% of the 2019 relevant expenditure for 2007-2013 period, the reservation for 2007-2013 being of a reputational nature, as the final payments will be executed only when all the open issues are solved. The cumulative residual total error rate over the whole period is estimated at 0.6%.

For the 2014-2020 programming period, 29 ESF/YEI and 1 FEAD programmes are also part of the reservation due to material deficiencies in some key elements of the systems as well as for legality and regularity issues revealed by audits of DG EMPL. The financial risk is estimated at EUR 134 million for the programmes included in the reservation. The residual total error rate (KPI 5) is on average 1.7% after completing the control cycle (national and Commission). It could reach as an upper limit a maximum 2.4% due to further risks under investigation.

DG EMPL continues to apply a strict policy of interruption and suspension of payments to preserve the EU's financial interests. The financial corrections decided to date for the whole 2007-2013 programming period (both by MS and at Commission's request) amount to EUR 3 billion (3.8% of the declared expenditure). For the 2014-2020 programming period, financial corrections resulting from the audit work of the Audit Authorities for an amount of EUR 253 million were implemented in the annual accounts for 2018-2019 sent to the Commission in February 2020.

In view of the control results and all other relevant information available, the Authorising Officer by Delegation's best estimation of the risks relating to the legality and regularity for all DG EMPL's expenditure authorised during the year is estimated at 1.6% at the time the payment is made.

On this basis, the Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by the above-mentioned reservation related to the ESF and FEAD for both 2007-2013 and 2014-2020 programming periods.

d) Provision of information to the Commissioner

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

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

This section should be read in connection with Annexes 8 and 12 where a number of indicators are presented in order to provide insight on the achievement of those expected results and impacts.

1.1. The employment and social situation in the EU

The policies pursued by the European Commission in the area of employment, social affairs and inclusion are influenced by many factors, most of them beyond the control of DG EMPL or the Commission. Most of the policy tools in these areas are in the hands of the MS, where they are influenced by many, sometimes even conflicting demands. Due to the specific nature and given the main management mode of the underlying activities, the results and impacts of the activities of DG EMPL are only to some extent under its control.

In 2016, with the introduction of the multiannual Strategic Plan and annual Management Plan, the Commission defined general objectives and a scorecard of key impact indicators. DG EMPL identified in its 'Strategic Plan 2016-2020'⁸ three of these general objectives and correlated impact indicators to which it contributes.

A broad overview of the progress made towards meeting these three general objectives is set out below⁹.

(1) A New Boost for Jobs, Growth and Investment

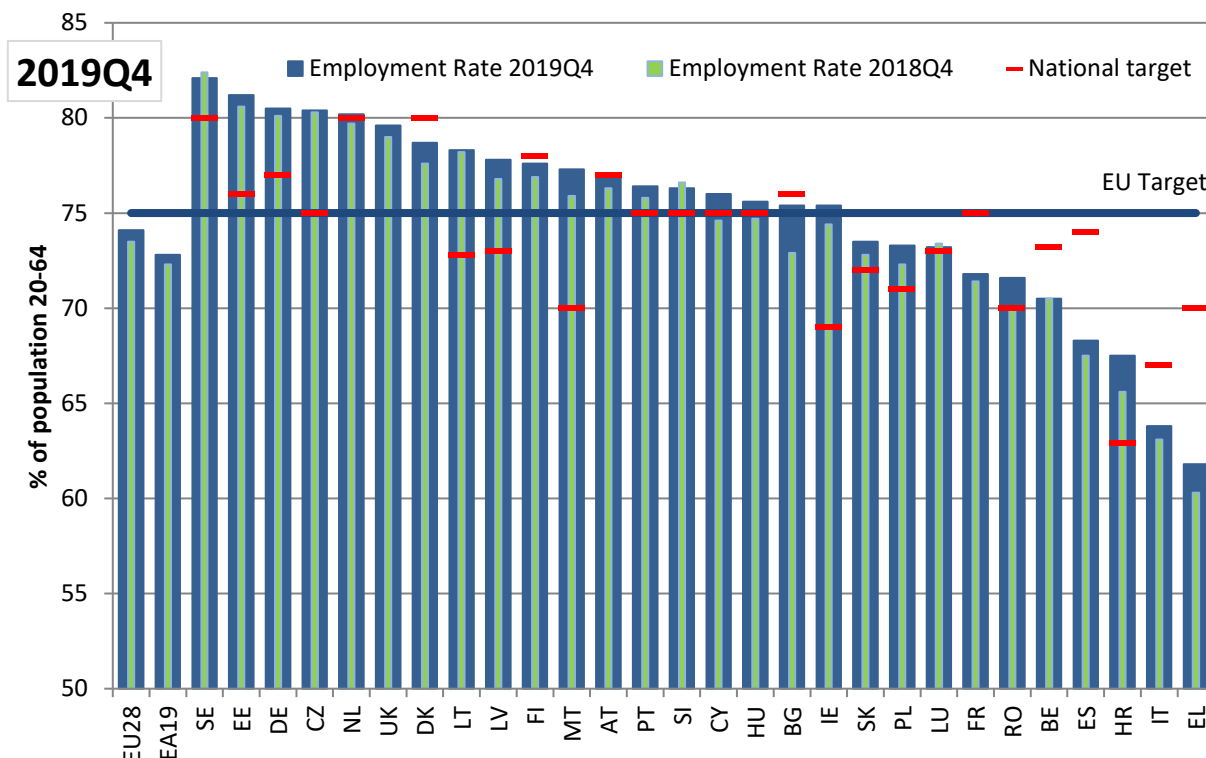
In 2019, employment levels in the EU continued to increase but at a slower pace than in 2018. The EU employment rate¹⁰ for 20-64 years old reached 74.1% in the 4th quarter of 2019. Although the Europe 2020 target of 75% seems reachable, the most recent Commission forecasts point to a slowdown in employment creation for the coming quarters and suggest that the employment rate might then come close to but slightly below the target. Large disparities in employment rates persist in the MS, as in the 4th quarter of 2019 there was a difference of 20.3 percentage points between the highest employment rate (82.1% in Sweden) and the lowest one (61.8% in Greece).

⁸ Published on Europa http://ec.europa.eu/atwork/key-documents/index_en.htm.

⁹ The employment and social situation is closely monitored throughout the year in the quarterly and annual reviews of Employment and Social Developments (ESDE) as well as in the context of the European Semester with the Draft Joint Employment Report.

¹⁰ Indicator 1 – see Annex 12.

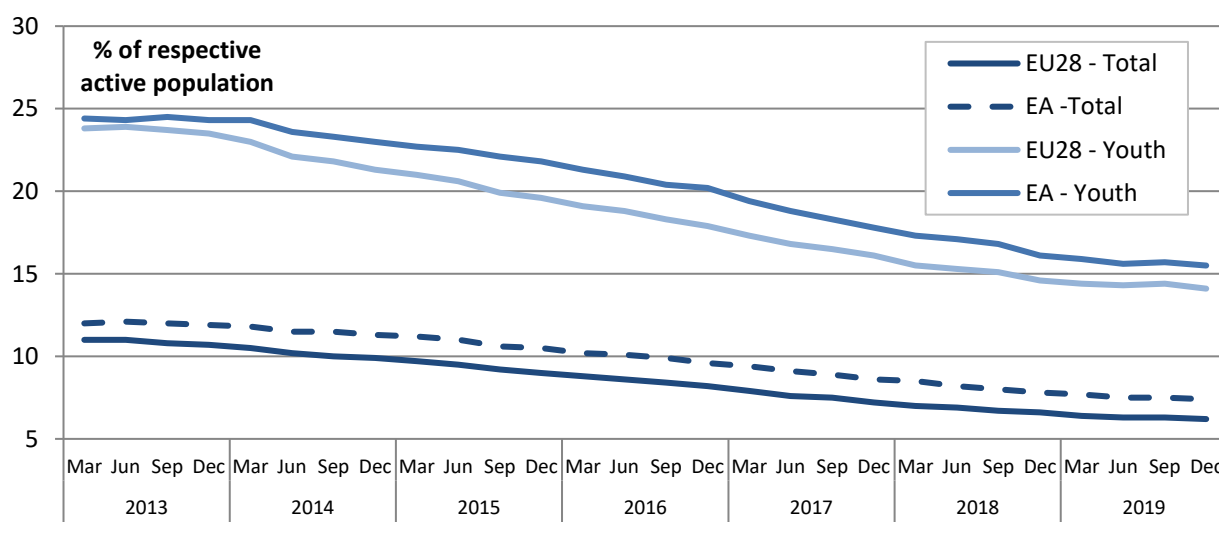
Chart 1: Employment rate (20-64) in the EU Member States, 2019Q4¹¹



In 2019, unemployment has returned to its pre-crisis level, but remains high in a number of MS. Thanks to the steady labour market recovery, the unemployment rate kept declining in 2019 to reach 6.2% in December 2019. This was the lowest level in 10 years, more than 5 percentage points below the 2013 peak.

In December 2019, youth unemployment stood at 14.1%, 0.5 percentage points lower than in the same month of the previous year. This represents nearly 178 000 fewer unemployed people aged 15-24.

Chart 2: Unemployment rate and youth unemployment rate - EU and euro area¹²

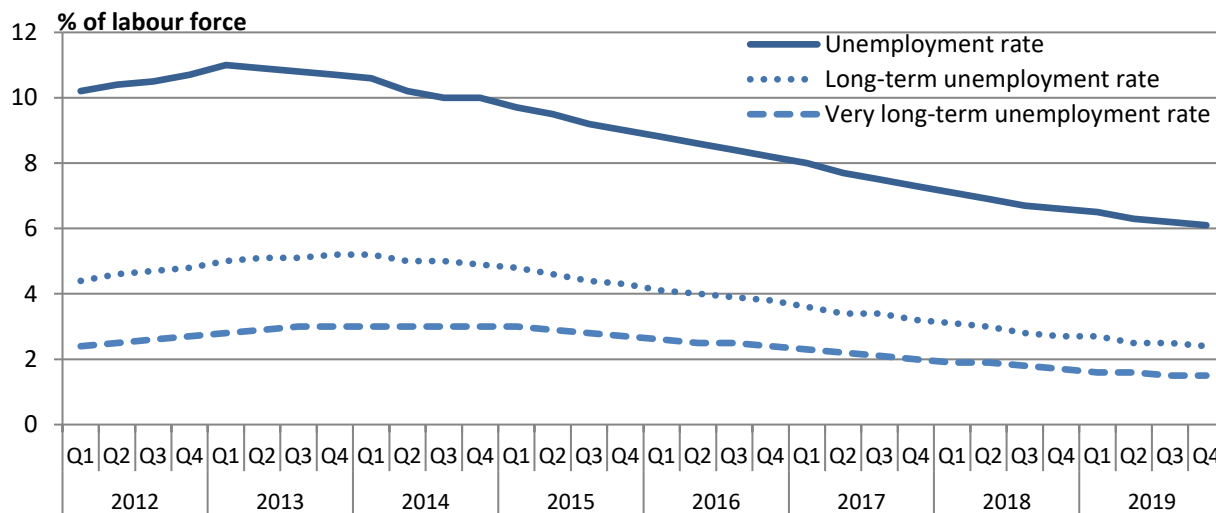


¹¹ Source: Eurostat, LFS [lfsi_emp_q], data seasonally adjusted. Also presented in the [Employment and Social Development in Europe - Quarterly Review – December 2019](#).

¹² Source: Eurostat, series on unemployment [une_rt_m], data seasonally adjusted. Also presented in the [Employment and Social Development in Europe - Quarterly Review – December 2019](#).

The long-term unemployment rate continued to decline, reaching 2.4% of the labour force in the 4th quarter of 2019. However, the share of long-term unemployment in total unemployment is still high, at around 39.7%. The very long-term unemployment rate, which captures people in unemployment for at least 2 years, went down to 1.5% of the labour force.

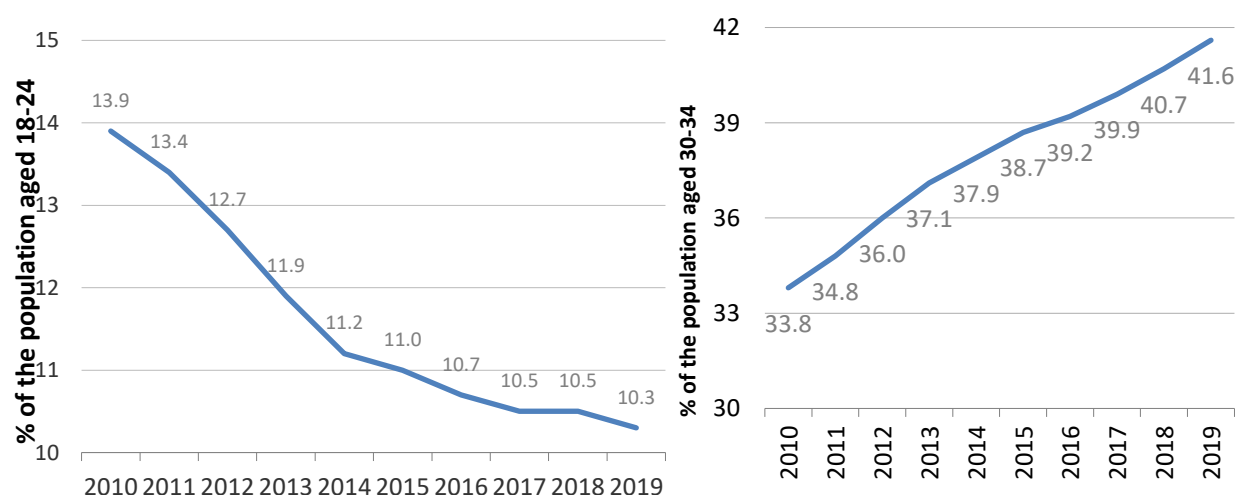
Chart 3: Unemployment, long-term unemployment and very long-term unemployment rates in the EU¹³



Throughout 2019, employers reported difficulties in finding candidates with the right skills, notably technical or transversal skills or work experience among job candidates. This is also related to labour market tightness in some countries. In the 4th quarter of 2019, the vacancy rate stood at 2.3% (the highest levels registered since 2006) in the EU and at 2.2% in the euro area.

It is crucial to keep investing in education and training, to develop skills in the face of labour market transformations associated with technological change, to keep tackling unemployment and increase EU competitiveness in order to remain on track towards meeting the Europe 2020 targets¹⁴.

Chart 4: Early leavers from education and training and tertiary educational attainment¹⁵



¹³ Source: Eurostat, LFS [une_rt_q, une_ltu_q], data seasonally adjusted.

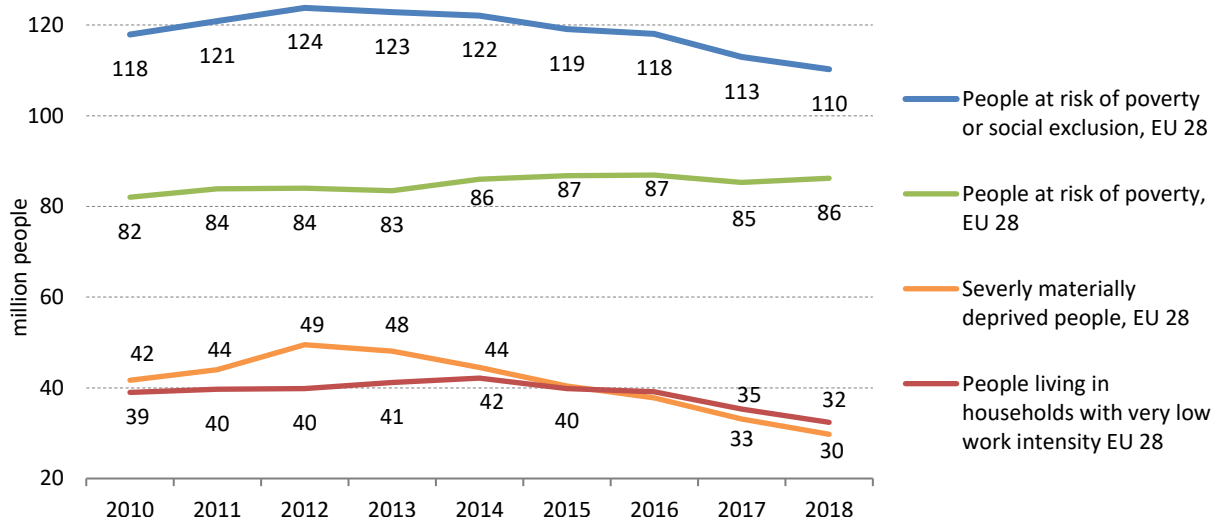
Also presented in the [Employment and Social Development in Europe - Quarterly Review – December 2019](#).

¹⁴ Reducing school drop-out rate below 10% and exceeding 40% of 30-34 year-olds who completed a third level education are key objectives of the Europe 2020 Strategy.

¹⁵ Source: Eurostat labour force survey [edat_lfse_14] [edat_lfse_03].

In 2018, the share of people at-risk-of poverty or social exclusion decreased markedly (latest known results). The total number of people at risk of poverty or social exclusion, at 110 million people or 21.9% of total population in 2018, was below pre-crisis levels. Still, progress towards achieving the Europe 2020 strategy headline target of lifting at least 20 million people out of poverty compared to 2008 remains insufficient.

Chart 5: People at risk of poverty or social exclusion¹⁶

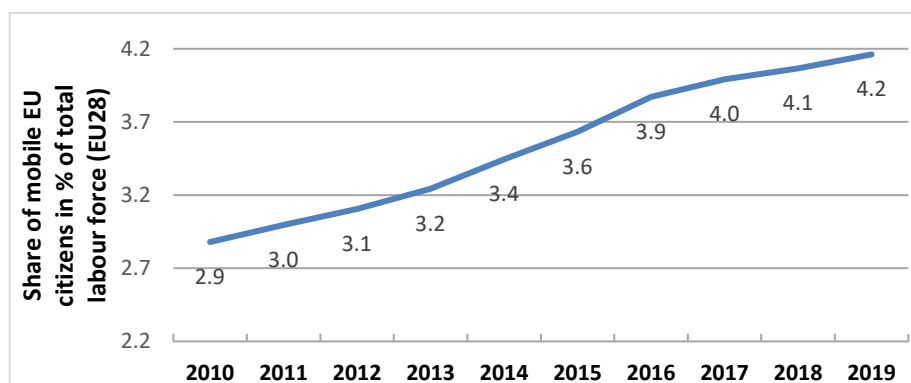


Note: At risk of poverty or social exclusion, abbreviated as AROPE, corresponds to the sum of persons who are either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk of poverty rate cut-off point: 60% of median equivalised income after social transfers, people living in households with very low work intensity population aged 0 to 59 years.

(2) A Deeper and Fairer Internal Market with a Strengthened Industrial Base

Investments to improve the conditions for geographic and professional mobility while tackling risks of distortions and abuses have contributed to the progressive increase in the mobility rate within the EU, which reached 4.2% of the active population in 2019. In 2019, there were roughly 17.9 million EU citizens living in another country than their country of citizenship (17.5 million in 2018).¹⁷

Chart 6: Share of EU citizens active in another EU country than their country of citizenship (age 15-64)¹⁸



¹⁶ Source: Eurostat, EU-SILC survey [ilc_peps01] [ilc_li02] [ilc_mddd11] [ilc_lvhl11].

¹⁷ This number refers to 'long-term' EU28 movers, living in EU28, based on Eurostat demography statistics. Eurostat data series code: [migr_pop1ctz]. For details, see European Commission (forthcoming), 2018 Annual Report on Intra-EU Labour Mobility, Directorate-General for Employment, Social Affairs and Inclusion.

¹⁸ Source: Eurostat, DG EMPL calculations based on LFS data [lfsa_pganws].

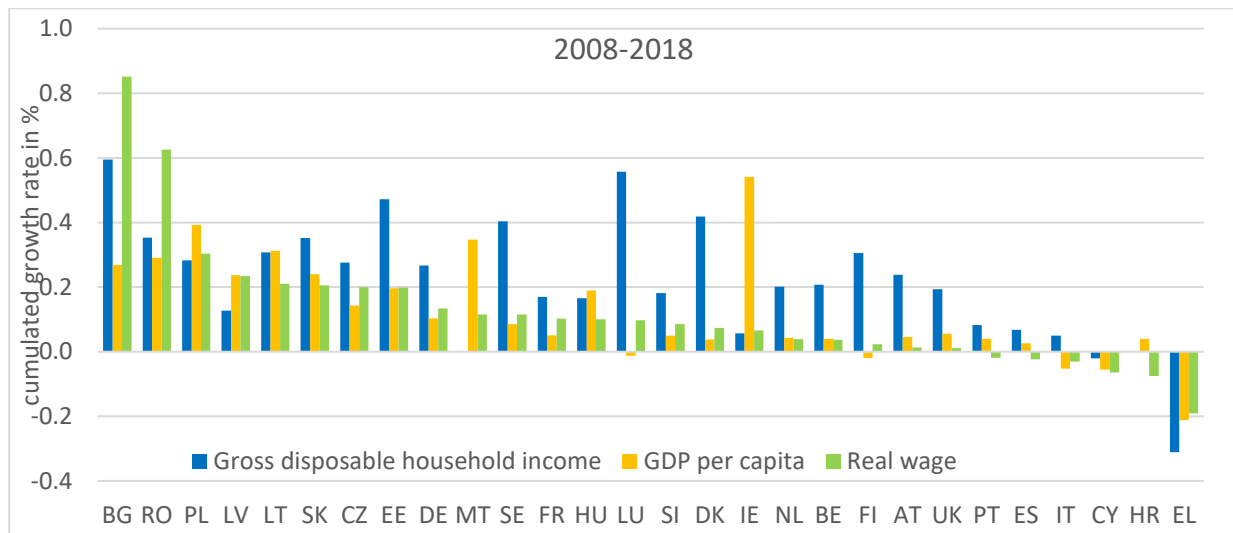
(3) A Deeper and Fairer Economic and Monetary Union (EMU)

A deeper and fairer EMU implies achieving upward socio-economic convergence. Since the economic and financial crisis, convergence in working and living conditions has resumed with the recovery but remained slow in some MS and dimensions.

During 2019 and previous years, GDP per capita in purchasing power standards¹⁹ was converging, which also translates into converging living standards. This was driven by the higher growth rates of non-euro area countries before and after the crisis compared to euro area countries. At the same time, large gaps between the richest and the poorest MS persist. GDP per capita in purchasing power standards in Luxembourg exceeds 78 600 PPS, while in Bulgaria it is just above 15 500 PPS.

Despite a slowdown, on average in the EU, in 2019, the growth of the real gross disposable household income (real GDHI) maintained a good pace and was higher than GDP growth in the last three quarters. In the 2nd quarter of 2019, the yearly real GDHI growth was 2.1% (2.4% in the 1st quarter). Income from work continued driving this growth in real GDHI, with a growth of 1.9% in the compensation of employees. In the last two quarters, net social benefits started to increase (growth rate of 0.3% for the 2nd quarter) and net property income to decrease (-0.3%).

Chart 7: Cumulated growth rates of gross disposable households income, GDP per capita and real wages²⁰



Note: HR missing due to data availability issues before 2008. Gross disposable household income is the amount of money that households have available after taxes social contributions and benefits. GDP per capita is the country's output per person. Real wage is the wage adjusted for inflation.

¹⁹ The purchasing power standard (PPS) is essentially an artificial currency unit used for cross-country comparisons, based on the informed and calculated assumption that one PPS can buy the same amount of goods and services in each country.

²⁰ Source: DG EMPL calculation on Eurostat data.

1.2. Progress towards policy priorities

DG EMPL's initiatives, as defined in the 2019 Commission Work Programme²¹ and in its Management Plan 2019²², focused on the following priorities:

Chart 8: DG EMPL's initiatives as defined in the Strategic Plan 2016-2020



This section will report on the progress made towards the achievement of each specific objective focussing first on policy and regulatory priorities and then on the most significant outcomes obtained thanks to funding by DG EMPL instruments.

In addition, a horizontal key priority for 2019 was the negotiation of the ESF+ and the EGF regulations for the period post-2020.

In regards to the **ESF+ regulation**, the European Parliament adopted its report with amendments at first reading and agreement was reached at COREPER for a partial negotiating mandate in April 2019. However, the kick-off trilogue took place only in December. The process is expected to be concluded in 2020 backed by the programming developments in the MS which are well under way based on the 2019 Country Reports (CR) and country specific recommendations (CSRs), as part of the European Semester. These provided guidance on the programming of the 2021-2027 cohesion policy funding, especially the **Annex D of the CR** where specific areas for EU investment have been identified.

As for the **EGF regulation post-2020**, the European Parliament adopted its first reading position in January 2019 followed by the adoption of a partial General Approach by the EPSCO Council in March 2019. Trilogues started in February and are expected to be finished in 2020.

In parallel, the **current EGF Regulation 1309/2013 was amended** with the contingency Regulation COM(2019)397 and specified that the redundancies resulting from the departure of United Kingdom without a withdrawal agreement would fall within the scope of EGF.

Another horizontal priority for 2019 regarded the revised **Founding Regulations of Eurofound, EU-OSHA and Cedefop** that entered into force in February and required a number of implementing measures, and the adoption of the Regulation establishing **ELA**.

²¹ https://ec.europa.eu/info/publications/2019-commission-work-programme-key-documents_en

²² https://ec.europa.eu/info/sites/info/files/management-plan-empl-2019_en.pdf

An important novelty in terms of legislative process was the increased consideration given to the **shift from unanimity to qualified majority voting in social policy** through the use of so-called 'passerelle' clauses in the EU Treaties. This was initially proposed for decision-making on non-discrimination but could also be considered in the near future for the adoption of recommendations on social security and social protection of workers.

Besides delivering on the key priorities established in its Management Plan 2019, DG EMPL also conducted extensive work on preparation for the **new headline ambitions of the incoming Commission**, as defined in the political guidelines of the new Commission President Ursula von der Leyen²³ and the mission letter of Commissioner Nicolas Schmit²⁴.

The process started with a first reflection in a management seminar and three staff seminars organised by DG EMPL in the first half of 2019. The main ideas highlighted during the discussions fuelled the strategic agenda 2020-2024.

One of these topics was the alleviation of the social and economic impact of the transition towards a climate neutral economic environment which was reflected in the 2020-2024 ambitions under the **Just Transition Fund**. DG EMPL's efforts were focused on defining activities aimed at supporting people in the transition such as upskilling and re-skilling, job search assistance to jobseekers and their active inclusion. This contributed to the proposal for the Just Transition Fund which was adopted by the Commission together with an amended proposal for the Common Provisions Regulation (CPR) on 14 January 2020.

Overall, DG EMPL was supported in achieving its specific objectives by the **Employment Committee** (EMCO), the **Social Protection Committee** (SPC) and its **five decentralised agencies**²⁵, as presented in the following sub-sections. One of the horizontal contributions was provided by **ETF** by integrating the principles of EU priorities on employment, social rights, social inclusion, skills and qualifications into the support to the development of human capital practices and policies in the neighbourhood countries.

²³ https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

²⁴ https://ec.europa.eu/commission/commissioners/sites/comm-cwt2019/files/commissioner_mission_letters/mission-letter-nicolas-schmit_en.pdf

²⁵ Detailed presentation is available in Annex 8.

General Objective 1: A New Boost for Jobs, Growth and Investment

Specific Objective 1.1. Effective support to Member States in their structural reforms in the context of the European Semester



Assessing structural reforms progress and needs in the MS, and encouraging further reforms in the employment and social areas were the main contributions DG EMPL brought to the European Semester process in 2019. These were achieved through a series of actions, as presented hereafter.

DG EMPL contributed to the drafting of the **2019 CR** and (draft) **CSRs**, and the related 'Chapeau Communication'. In particular, in the 2019 cycle, the link between the cohesion policy and the European Semester was further strengthened with the integration of an annex on cohesion policy investment priorities (Annex D).

Moreover, DG EMPL contributed to the elaboration of the 2019 cycle of the **Economic Governance Package** which includes the Annual Sustainable Growth Strategy (ASGS), the Alert Mechanism Report (AMR), the euro area recommendation and the proposal for a Joint Employment Report (JER).

Furthermore, in 2019, DG EMPL examined the draft **2018 National Reform Programmes** (NRPs) submitted by national governments.

Following the successful exit of **Greece** from the financial assistance programme, DG EMPL contributed to the **post-programme surveillance framework** including participation to missions and inputs to the enhanced surveillance reports on labour market and welfare policies.

Another important contribution of DG EMPL in 2019 looked at enhancing the **analysis that supply the Semester** and policy initiatives in the employment and social field. In this regard, the following actions were taken throughout the year:

- ✓ developing further and making more regular use of various **monitoring tools** in the Semester, including inter alia, the Social Scoreboard accompanying the European Pillar of Social Rights with a new regional dimension this year;
- ✓ complementing these tools with updated **guidance notes** and **thematic fiches** as well as organising a comprehensive **training programme on labour market policies and institutions** relevant for the work of DG EMPL;
- ✓ contributing through different publications, in particular:
 - the **2019 Joint Employment Report** that analysed the employment and social situation in Europe by highlighting the areas in which progress has been made and where more needs to be done;
 - the annual **Labour Market and Wage Developments** (LMWD) review that analysed the EU and the MS' labour market; it provided a deep analysis of the role of social expenditures in reducing inequality and poverty, and shed light on the impact of job polarisation on skills mismatches;
 - the annual and quarterly **Employment and Social Development in Europe** reviews (ESDE) that focused on sustainability in all its dimensions (economic, social and environmental) and employment and social effects of climate change policies; it also provided in-depth analysis on productivity growth, social investment and social dialogue.

In its efforts to enhance the social dimension of the European Semester and complete the work planned in the Commission Work Programme, DG EMPL was supported by **Eurofound** with analysis that cover, amongst others, the following topics: upward convergence in the EU, developments in the state of middle classes, working conditions, platform work, work life balance, representativeness studies of European social partner organisations and involvement of social partners in national policy making.

In addition, DG EMPL contributed to a further **strengthening of the consultation of social partners and civil society organisations** to intensify their involvement in Semester related issues, through regular meetings with representatives of European and national organisations.

To better support reforms in the MS and identify best policy practices, DG EMPL developed **benchmarking frameworks** (minimum wages, collective bargaining and ALMP) in cooperation with EMCO.

In view of potential upcoming **EU initiatives**, DG EMPL had an active role in:

- ✓ conducting preparatory work and case studies with the support of, academics, Eurofound and the European Centre of Expertise (ECE) on **minimum wages**;
- ✓ conducting preparatory work on a **European Unemployment Reinsurance Scheme**, in cooperation with DG ECFIN;
- ✓ providing guidance and analysis on issues related to the **European Green Deal** and the Green Deal Investment Plan, in particular on social aspects and on investment needs to support a just transition.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS and ESF)²⁶ in 2019 under this specific objective:

<p><u>Support to the European Semester and regular analysis</u> through improved data collection and modelling capacity to provide high quality policy-related analysis and to support good practice exchanges.</p>	<p><u>The Mutual Learning Programme (MLP) organised six events in six countries on:</u></p> <ul style="list-style-type: none"> - cooperation between national authorities for combating work-related crime; - social economy and social enterprises in legislation and practice; - minimum wages: extending coverage in an effective manner; - labour market integration of 1st and 2nd generation of migrants; - entrepreneurship training for the unemployed; - competence assessment systems.
<p><u>Thematic seminar (organised with the European Centre of Expertise) with the civil society organisations on:</u></p> <ul style="list-style-type: none"> - <u>health and safety at work and labour inspectorates;</u> - <u>minimum wage systems;</u> - <u>skills imbalances.</u> 	<p><u>Conference on 'Employment and Social Developments in Europe 2019 – Sustainable growth for all: choices for the future of Social Europe'.</u></p>
<p>The ESF-supported project at the Employment and Training Centre of Évora in Portugal provides adult education and training to improve qualification, employability, social and vocational inclusion. Over 500 participants were supported, 60% of which were employed 6 months after leaving.</p>	

²⁶ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

Specific Objective 1.2. Stronger social dialogue



DG EMPL continued its activities on the 'New Start for Social Dialogue' and the implementation of the European Pillar of Social Rights in 2019, including in the framework of the European Semester and the preparations for the new Commission.

The attention to social dialogue and the involvement of social partners in the European Semester was further reinforced. In this regard, the Commission and the Employment Committee (EMCO) organized a multilateral review on the **social partners' involvement in the European Semester** with the presence of European and national social partners. The review from 2019 focused on a selection of seven MS. EMCO's conclusions were adopted for each of the reviewed MS and the findings will feed the CRs and a general reflection regarding CSRs.

As regards the **social partner agreement on hairdressers**, the Commission reached an understanding with social partners to implement the main points of their agreement via an Action Plan.

Moreover, in 2019, the Commission defended before the General Court its position on not proceeding with a legislative proposal on the **social partner agreement in personal services and central government administration** for reasons of legality and subsidiarity. On 24 October, the General Court followed in its judgement the Commission reasoning. The European Public Service Union (EPSU), the applicant trade union, subsequently launched an appeal against this judgement.

To emphasize the added value of social dialogue, a chapter dedicated to its contribution on **sustainable growth for all** was included in the 'Employment and Social Developments in Europe' review 2019, published in July.

Examples of **activities supported by DG EMPL funds** (Prerogatives and ESF)²⁷ in 2019 under this specific objective:

Activities undertaken to support the functioning of social dialogue:

- funding to support negotiations, common projects, exchange of information and good practice between social partner organisations at EU and/or transnational level;
- capacity building actions in support of workers' and employers' organisations;
- analysis on industrial relations;
- evaluation studies.

Two meetings of the Tripartite Social Summit on Growth and Employment (March and October), organised with the Council Secretariat.

Logistical and content assistance for 43 sectoral social dialogue committees (3 meetings per sector per year).

²⁷ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

Specific Objective 1.3. Better functioning labour markets



In 2019, DG EMPL continued to contribute to the better functioning of labour markets by supporting the coordination of employment policies across MS and encouraging a deeper monitoring of their implementation so as to ensure secure lifecycle and labour market transitions for all, in line with the European Pillar of Social Rights.

In the light of the ongoing and upcoming changes to the world of work, DG EMPL took an active part in the debate on the **future of work**, looking into its challenges and potential impacts on the European labour market.

An evaluation of the EU **Public Employment Services (PES) Network** was concluded and a corresponding Staff Working Document issued on 11 September 2019. On the same day, the Commission adopted a proposal aiming at extending the Decision enhancing the cooperation between the PES up to 2027, to allow for a continuation of the existing cooperation framework and initiatives.

Building on the positive results in reducing youth unemployment over the last years, DG EMPL continued facilitating structural reforms and innovation in policy design for young people across the EU with the roll-out of the **Youth Guarantee and the Quality Framework for Traineeships**.

In 2019, the evaluation of the implementation of the Council recommendation on the integration of the **long-term unemployed (LTU)** into the labour market was concluded with the issuance of a Commission Report and the corresponding Staff Working Document SWD(2019)154 outlining the status in terms of implementation, the remaining challenges and policy recommendations. Pilot projects are ongoing in seven MS and could be upscaled in the future with support from ESF+.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS, EGF and ESF with YEI)²⁸ in 2019 under this specific objective:

The Commission co-financed the joint EC-OECD project on policy responses to new forms of work. The project surveyed 44 countries (including all EU MS) to better understand national responses to challenges arising from new forms of work.

A series of benchlearning activities took place within the PES Network including 3 working groups on 'Evidence-based service delivery', 'Building up a PES EU Innovation Lab' and 'Skills shortages'.

Stakeholder conference on bringing the LTU back into work gathered 140 participants from national administrations, civil society organisations and social partners.

Mutual learning and peer support activities on the Youth Guarantee: 4 events were organised on 'traineeships', 'youth employment and the future of work' (2) and 'EU policies supporting youth employment'; in addition, a knowledge centre on the Youth Guarantee was set up on the DG EMPL website to facilitate access to information for practitioners and stakeholders; Peer support was provided to 2 MS (Cyprus and Spain).

Support to data collection from MS was provided on the implementation of the Youth Guarantee and the recommendation on long-term unemployment.

The ESF project 'Industrial Quarter Youth Coaching' has supported 2 000 young people in Austria. Participants were provided advice on entering the working life and taking advantage of educational opportunities.

²⁸ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

Specific Objective 1.4. Decent and safe working conditions for all



Towards more decent working conditions for all

In 2019, DG EMPL followed-up on the adoption of the European Pillar of Social Rights, by accompanying the legislative procedure leading to the adoption of **Directive 1152/2019 on Transparent and predictable working conditions**; monitoring and support in the implementation phase has begun with the help of an expert group of MS representatives.

Moreover, DG EMPL followed-up on the **Interpretative Communication and Implementation Report on the Working Time Directive 2003/88/EC** to ensure that stakeholders are informed about the development of case-law and that working hours meet minimum standards applicable throughout the EU so as to protect workers' health and safety. The presentation of a handbook on good practice in the use of European Works Councils had been planned for 2019 but this action was suspended following the refusal of an EU level social partner to participate in the working group for its preparation.



Towards safer working conditions for all

In 2019, DG EMPL pursued initiatives to reduce occupational exposure to carcinogens and mutagens in the EU, occupational diseases and work-related cancer cases, as well as to reduce costs related to occupational cancer for economic operators and for social security systems. In particular, it facilitated the finalisation of the negotiations in the European Parliament and Council on the **3rd proposal modifying Directive 2004/37/EC on Carcinogens and Mutagens (CMD)** to establish Occupational Exposure Limit values (OEL) for additional substances, leading to its successful adoption as Directive (EU) 2019/983.

Furthermore, DG EMPL ensured the adoption of the Commission Directive establishing a 5th list of indicative occupational exposure limit values under the scope of the **Chemical Agents Directive 98/24/EC**.

In addition, DG EMPL pursued the modernisation of the existing acquis in the occupational health and safety field. In particular, significant progress was achieved with the adoption of Commission Directives aiming at simplifying and adapting to technical progress the following: **Personal protective equipment 89/656/EEC (Directive 2019/1832)**, **Medical assistance on board 92/29/EEC (Directive 2019/1834)** and **Biological agents 2000/54/EC (Directive 2019/1833)**.

A peer review/mutual learning process with MS has taken place, dedicated to the **Legislation and Management of psychosocial risks at the workplace**.

Besides this, DG EMPL has continued promoting the adoption of supporting tools for labour inspectors and actions to improve effective and equivalent enforcement of the **EU Health and Safety Legislation**. Objectives in this field were also pursued with regional and bilateral initiatives and within international fora such as ILO and G20. DG EMPL also contributed to the ILO Convention and Recommendation on violence and harassment in the world of work and the EU Free Trade Agreement resulting in commitments on OSH.

Overall, DG EMPL was supported in achieving this objective by **EU-OSHA** through a Pan-European Healthy Workplaces Campaign on dangerous substances and its analyses on (a) musculoskeletal disorders and on (b) the value of occupational safety and health and the societal costs of work-related injuries and diseases.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS and Prerogatives) in 2019 under this specific objective:

Actions to support the:

- implementation of EU legislation in Health and Safety at work and in labour law (e.g. scientific support gathering evidence in the area of chemicals);
- development and dissemination of high-quality evidence based analytical work (e.g. contribution to the work of the International Commission on Non-ionizing Radiation Protection, to the International Agency for Research on Cancer Monographs Programme, to the International programme on chemical safety-WHO etc.).

Specific Objective 1.5. A Skilled and More Entrepreneurial Workforce



In 2019, DG EMPL continued to ensure the implementation of the 2016 Skills Agenda in line with the principles 1 and 4 of the European Pillar of Social Rights, as presented in the highlights below.



In total, four waves of **blueprints for Sectoral Cooperation on Skills** covering 21 sectors have been launched to date. These aim to bring the stakeholders together in sector-specific partnerships, to analyse trends and develop and implement strategies to address skills gaps in these particular sectors. In 2019, wave 2 sectors (additive manufacturing, construction, maritime shipping and steel industry) began activity.

There is a strong interest in the initiative and in the results that these will generate, including skills intelligence on the respective sectors. Two policy conferences have been held to date (end 2018 and end 2019) to bring together blueprint partners, share first results and enhance mutual learning.

In parallel, DG EMPL continued the work on the development of the **new Europass platform** to help people document their skills and qualifications, provide them with tools and information to plan their lifelong learning and career development, and to manage digitally signed credentials.

Progress was made also on implementation of the **European Qualifications Framework** (EQF) as a follow-up on the linked Council Recommendation. Thematic meetings and peer learning events have also been organised to deepen understanding between EQF participating countries on specific themes and work areas such as international qualifications.

In regards to the 2012 Council Recommendation on the **Validation of non-formal and informal learning**, an evaluation of the progress of the MS' actions was initiated with support from external expertise.

As for the roll out of the **Skills Profile Tool**, DG EMPL focused its efforts in increasing the flexibility of the tool to allow the organisations supporting migrant integration to incorporate it into their existing software systems or be able to use only a part of it. Communication materials have also been produced to showcase the tool and present the way it is being used on the ground with migrants and refugees.

The stocktaking report on implementation of **Upskilling Pathways** recommendation was adopted in February 2019 as part of the Semester spring package. Under the EaSi programme, DG EMPL proposed the delivery of a high-level mutual learning programme for MS in order to build their capacity for the development of concrete actions to make Upskilling Pathways a reality. In March 2019, the 2nd phase of the 2nd cycle of Mutual Learning Workshop took place.

The various features of the **Apprenticeship Support Services** are gradually being rolled out under the three pillars: knowledge sharing, networking and benchlearning. Key results registered in 2019 include: a library of online resources, the successful deployment of four webinars, four newsletters, an online discussion group, a series of European Alliance for Apprenticeship (EAfA) meetings, as well as a survey to evaluate how pledges under the EAfA have been implemented. The benchlearning process saw 23 MS engaged of which 6 volunteered to take part in the first cycle of benchlearning (January 2020).

The 4th **European Vocational Skills Week** was held in 2019 under the Finnish Presidency of the Council and mobilised over 1 800 events across the EU and beyond, reaching more than 2.7 million people. These events helped strengthen further the European VET community and foster debate on an inclusive agenda of 'VET for All - Skills for Life'.

In addition, DG EMPL contributed to the **European Semester**, in particular to the annual thematic review of CSRs on education and skills, and to the **Education and Training 2020 Monitor** on VET and adult learning through EU and country analysis.

Concerning the development of forward-looking skills related proposals for the 2019-2024 Commission, DG EMPL focussed on preparing the **update of the Skills Agenda** foreseen in the Mission Letter to Commissioner Schmit and on a proposal for a Council Recommendation on VET. Both are expected to be adopted in 2020.

To support a more entrepreneurial workforce, DG EMPL manages financial instruments in cooperation with financial intermediaries and, in October 2019, it signed the first share subscription in the **EaSI Funded Instrument**. This new intervention represents a EUR 200 million loan fund to support lending to micro-enterprises and social enterprises.

Moreover, within the preparatory work for the next Multiannual Financial Framework, DG EMPL coordinated preparations for the **InvestEU social investment and skills window**. Notably, DG EMPL steered work on the financial products and the associated advisory initiatives, and contributed to the negotiations with potential implementing partners. In addition, DG EMPL led the work on the social proofing aspect of the Commission guidance on sustainability proofing within InvestEU. To this end, a study was launched in 2019.

Another upcoming release is the **Microfinance Code of Good Conduct** that was updated using inputs from five stakeholder workshops and is expected to be published in 2020 and entry into force beginning of 2021.

The study to assess the impact of the **2011 Social Business Initiative** was also started in 2019 and is expected to deliver in 2020.

Overall, DG EMPL was supported in achieving this specific objective by **CEDEFOP** through VET policy monitoring, a research paper and a policy learning forum on the Council Recommendation on Upskilling Pathways, and analytical work on tools and principles promoting lifelong and lifewide learning which contribute to rendering labour market policies more effective and inclusive.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS, EaSI – Microfinance, ESF and Erasmus+ programme)²⁹ in 2019 under this specific objective:

<p><u>Further development of ESCO:</u></p> <ul style="list-style-type: none"> - enhancing the structure and content of the classification; - mapping exercise between ESCO and national classifications; - translation of descriptions of skill-knowledge and occupation concepts in all ESCO languages; - development of several IT tools for the management of the classification, including the ESCO Mapping Platform and the IT tool for the pilot of linking qualifications to ESCO skills; - development of new communication tools; - promotion of ESCO across Europe and beyond; - study visits to ESCO implementers and preparation of an online community. 	<p><u>Study contributing to the preparation of guidance on social sustainability proofing of investment and financing operations under InvestEU programme 2021.</u></p> <p><u>Conference on 'Matching skills with needs' discussing the skills development and mismatch at EU and national level.</u></p> <p><u>Activity within the VET mobility action of the Erasmus+ programme that aimed to facilitate long-term placements (from 3 up to 12 months) in working environments in another country, and to provide apprentices and VET learners with job specific vocational skills.</u></p>
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In Czech Republic (Nord-Moravia Region), the public employment service implemented the ESF supported project 'Outplacement' which helped 265 miners by providing them trainings in welding, driving or professional licence and other skills. Besides contributing to enhancement of workers' skills, this project also tackled climate aspects by supporting labour market measures linked to green jobs.

²⁹ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

Specific Objective 1.6. Greater Social Inclusion and Effective Social Protection



The **Directive 2019/882 on the accessibility requirements for products and services** was formally adopted in March 2019, as one of the main achievements of the European Disability Strategy and in support to Principle 17 of the Pillar of Social Rights. Work on the transposition was initiated with a first meeting with national experts on 22 November 2019.

Moreover, together with DG JUST, DG EMPL led the **Work-Life Balance Directive 2019/1158** to formal adoption in August 2019. This supports the implementation of Principles 2 and 9 of the European Pillar of Social Rights by aiming to achieve a better balance of caring responsibilities between women and men.

DG EMPL also led the **Council Recommendation on Access to Social Protection 2019/C 387/01** to formal adoption in November 2019. This supports the implementation of principle 12 of the European Pillar of Social Rights. The implementation of the Recommendation started through communication and mutual learning activities, as well as via a monitoring framework with the Indicator Sub-Group (ISG) of the SPC.

Moreover, DG EMPL continued working on the implementation of key recommendations of the **Pension Adequacy Report** adopted in 2018, including through the preparation of a joint paper on pensions with the SPC and the Economic Policy Committee. Preparations for the upcoming Pensions Adequacy Report 2021 started jointly with the SPC.

The intense work of the High Level Group on Pensions allowed the finalisation of the **report on the role of supplementary pensions in improving the provision, adequacy and sustainability of pensions** in December 2019.

Preparations for a joint Commission-SPC report on **long-term care** started with a publication target for 2021. These include a series of expert workshops as well as the ongoing work with the SPC-ISG to agree a set of indicators that will feed into this report.

In the context of the **European Semester**, work continued in monitoring the progress made with regard to social and employment policies. Key inputs were made to the ASGS and the JER. These underpin and support EMPL's country specific analysis in the Country Reports on issues relevant to the achievement of social inclusion objectives as the adequacy and efficiency of social protection systems, inequality, inclusion of disadvantaged groups, disability, work life balance, long term care, pensions, healthcare and access to social protection.

Furthermore, work on **Benchmarking with the SPC** continued with further progress regarding pensions' adequacy and launching the work on benchmarking childcare and support to children. A structured dialogue on minimum income was launched with the MS.

The assessment of the **EU Disability Card** pilot project as well as the **evaluation of the European Disability Strategy 2010-2020** are both ongoing and expected to report in June 2020.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS, REC, ESF and FEAD) in 2019 under this specific objective:

In the framework of the dialogue with the civil society:

- 'Annual Convention on inclusive Growth';
- conference on 'People experiencing poverty'.

In the context of the European Disability Strategy:

- the 'Work Forum';
- the 'European Day of Persons with Disability and the Access City Awards'.
- 2 meetings with the High Level Disability Group.

The ESF funded 'nidi gratis' ('free kindergarten') initiative from Italy provided 30 000 low-income families free access to kindergartens for their 0-3 year old children to support social inclusion and reducing gender gaps in employment.

General Objective 2: A Deeper and Fairer Internal Market with a Strengthened Industrial Base

Specific Objective 2.1. Improved conditions for geographic and professional mobility whilst tackling risks of distortions and abuses



In 2019, DG EMPL focused on the follow-up of Labour Mobility elements initiated over the previous years, including the revised posting directive as well as on the consolidation of the EURES reform.

A further milestone was achieved with the adoption of the **European Labour Authority (ELA) Regulation 2019/1149**, enabling the Authority to start its work in October. Two meetings of the ELA management board were held in 2019.

The focus on enforcement remained a priority throughout the reporting period. This included the adoption of the implementation report of the **Directive on Posting Enforcement 2014/67** and, as part of this package, a detailed guidance document on the main EU rules applicable to posting.

Regarding the revision of the **social security coordination**, negotiations were ongoing throughout 2019. After reaching a provisional agreement in March, the co-legislators failed to reach a final agreement under the previous Parliamentary term as a few articles remained open for further discussion. Negotiations resumed once the new Parliament was in place. The Commission also proposed the **Regulation 2019/500 for contingency measures in the field of social security coordination** following the withdrawal of the United Kingdom from the EU, which was adopted by the co-legislators in 2019.

In addition, DG EMPL also contributed to the **preparation and negotiation of the Withdrawal Agreement** as well as related documents such as a guidance note for MS. The Withdrawal Agreement includes an important section on citizens' rights which ensures that EU and United Kingdom citizens covered by the agreement continue to enjoy the protection of the EU rules on social security coordination and will not lose the rights they may have accumulated. Subsequently, DG EMPL contributes to the ongoing efforts towards a future agreement with the United Kingdom as outlines in the political declarations.

The **Electronic Exchange of Social Security Information (EESSI)** gradually started 'live' operations in 2019 and, by the end of the year, 30 countries out of 32 were part of the 'live' platform and more than 170 000 exchanges of business cases had taken place. As a follow-up to the Commission Work Programme for 2018, the Commission services also pursued their reflection on a possible digital initiative on a **European Social Security Number (ESSN)** to improve the portability and verification of social security rights.

Examples of **activities supported by DG EMPL funds** (EaSI PROGRESS, EaSI EURES, Prerogatives and ESF)³⁰ in 2019 under this specific objective:

Analysis and evaluation of major trends in national legislation on free movement of persons.

Management and enhancement of the EESSI platform.

Actions contributing to:

- enhanced cooperation between the European Public Employment Services and other participating organisations through the EURES network (i.e. cross-border partnerships, network support activities, maintenance and development of the EURES portal, training courses on EURES services, communication activities etc.);
- the deployment of the Targeted Mobility Schemes ('Your first Eures Job').

³⁰ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

General Objective 3: A Deeper and Fairer Economic and Monetary Union

Specific Objective 3.1. Strengthened social dimension of the EMU



To be sustainable, the European Monetary Union (EMU) requires its MS to converge towards similarly resilient economic and social structures. This implies, among others, well-functioning and fair labour markets, and welfare systems to be in place in each country. In 2019, DG EMPL substantially contributed to this objective by consistently supporting the implementation of the **European Pillar of Social Rights**.

The Pillar acts as a compass for upward social convergence and has started to steer reform priorities in this direction with **25 key initiatives** agreed by the end of 2019 (e.g. on work-life balance, new EU rules on transparent and predictable working conditions, a new Council Recommendation on the access to social protection, etc.).

During 2019, DG EMPL also worked towards **better anchoring the Pillar in the European Semester**. In 2019, almost half of the CSRs addressed employment, education and social issues, putting a renewed emphasis on the three areas of the Pillar: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion.

The use of the **Social Scoreboard** as main quantitative 'screening device' for the Pillar implementation and convergence was strengthened within the Semester. For the first time, a **regional breakdown of headline social scoreboard indicators** was presented in the proposal for a 2020 Joint Employment Report.

Work continued on the development of benchmarking frameworks in the employment and social field to support national reform efforts and boost convergence towards best performers within the Semester. In 2019, besides working on the completion of the activation component of the benchmarking framework on unemployment benefits and active labour market policies, DG EMPL worked with MSs on the **development of a benchmarking framework on minimum wages, an analytical framework for mapping collective bargaining systems, as well as benchmarking frameworks on pension adequacy and childcare support**.

The euro-area dimension of the EU economic governance process was further reinforced and the importance of the **social dimension of EMU** confirmed in the euro-area Recommendation. DG EMPL also actively contributed to discussions on the future **ESF+** to help MSs develop skills, employment and social actions in line with the Pillar, based on the investment priority identified in the new **Annex D added in 2019 to the CRs**.

DG EMPL also contributed to Commission proposals on the **Budgetary Instrument for Convergence and Competitiveness** (BICC) for the euro area, especially the proposals on the reform support programme and the BICC governance framework. The BICC aims to support structural reforms and investments in euro area MS, in order to strengthen the potential growth of euro area economies and the resilience of the single currency against economic shocks. DG EMPL's contributions helped ensure alignment with the goals of Cohesion policy as well as economic policy coordination and priorities in the Semester.

In the Political Guidelines for the new Commission, under the heading 'An economy that works for people', President Ursula von der Leyen announced the intention to propose a **European Unemployment Benefit Reinsurance Scheme** to protect EU citizens and reduce the pressure on national public finances during external shocks. The initiative, aimed at strengthening social cohesion, would respond to the need for the EU to do more to support those who lose their jobs because of external events that affect EU economy. DG EMPL started the preparatory work to develop this new legislative initiative by contributing to the problem definition, identification of the legal basis and analysis of the possible policy options and expected economic and social impacts.

1.3. Managing funds towards delivery of policy results (focusing on ESF 2014-2020)

1.3.1. Implementation of 2019 operational priorities

The performance-based reporting on the implementation of the 2014-2020 ESF programmes is pursued by following the progress made under 6 operational priorities and 42 associated indicators.

In this framework, more than **90% of the actions** for which indicators were defined **were reported to be on track or completed** by the end of 2019 (90% also at end 2018) with the rest experiencing slight delays or awaiting confirmation on pending data.

In terms of programme amendments, the year 2019 saw a peak in their number and complexity. Despite the challenging environment (efforts directed in parallel towards closure of 2007-2013 programmes, ongoing implementation of 2014-2020 programmes and support for the negotiations on 2021-2027 regulation), **93% of the ESF and/or multi-fund programme amendments covered by Commission decision were adopted on time** (83% in 2018).

As regards monitoring of the programmes with DG EMPL as lead DG, **91% of the observation letters on the Annual Implementation Reports (AIRs) were sent within the deadline** (100% in 2018). In addition, DG EMPL enhanced its programme monitoring via high attendance at monitoring committees and annual review meetings.

One of the most important exercises of 2019 was the performance review of the programmes where **78% of the ESF priorities reported achievement of milestones**.

In respect of evaluations, overall, MS completed **376 ESF and multi-fund evaluations** related to 2014-2020 programmes by mid-2019. However, very few of them went beyond process and implementation. To tackle this limitation, DG EMPL **launched four thematic evaluations**³¹ for all the MS covering 2014-2018 period, on:

- ✓ ESF/YEI support to youth employment;
- ✓ ESF support to employment and labour mobility;
- ✓ ESF support to education and training; and
- ✓ ESF support to social inclusion.

The conclusions of these evaluations will feed into the preparation of the 2021-2027 programmes.

1.3.2. Assessment of the performance of programmes

Methodology

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

- ✓ financial implementation in terms of projects selection by end 2019;
- ✓ financial implementation in terms of expenditure declared by beneficiaries by end 2019;
- ✓ outputs by end 2018 (latest available data in AIRs);

³¹ For more information regarding DG EMPL funds, please refer to Annex 12, the [Programme Performance Overview](#), the [ESI Funds Annual Summary Report 2019](#) and the [ESIF Open Data Platform](#).

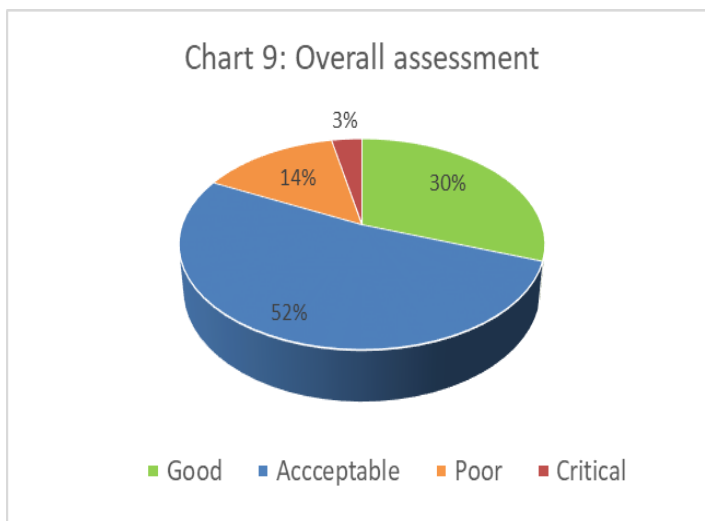
- ✓ performance framework implementation by end 2018 (latest available data in AIRs); and
- ✓ administrative capacity.

The desk officers' assessment results in placement under one of the following **categories**: good, acceptable, poor or critical.

Assessment

Overall, the performance of programmes across all Member States is satisfactory, with **82% of programmes assessed as good or acceptable**.

As regards the five criteria of assessment, the **main difficulties are linked to financial implementation** where 48% of programmes were assessed as poor or critical with regards to selected operations and 46% in terms of eligible expenditure declared, i.e. having reached respectively less than 80% of projects selected and 25% of expenditure declared.



However, at EU level, the situation is much more positive with an ESF project selection rate of 85% and a level of expenditure declared of 39%. This shows that some smaller programmes in financial terms are lagging behind.

On the contrary, for 79% of the programmes, **progress with regard to output implementation** was assessed as acceptable or good, which shows good implementation on the ground and a policy that delivers results.

The **administrative capacity** ranked very high and was assessed as satisfactory with 91% of the programmes assessed as good or acceptable. There were no or very small concerns raised for those programmes and the actions were reported as being carried out as planned.

Finally, almost 70% of the programmes had more than 85% of their ESF priorities achieved as part of their **performance framework milestones** (ranked good or acceptable).

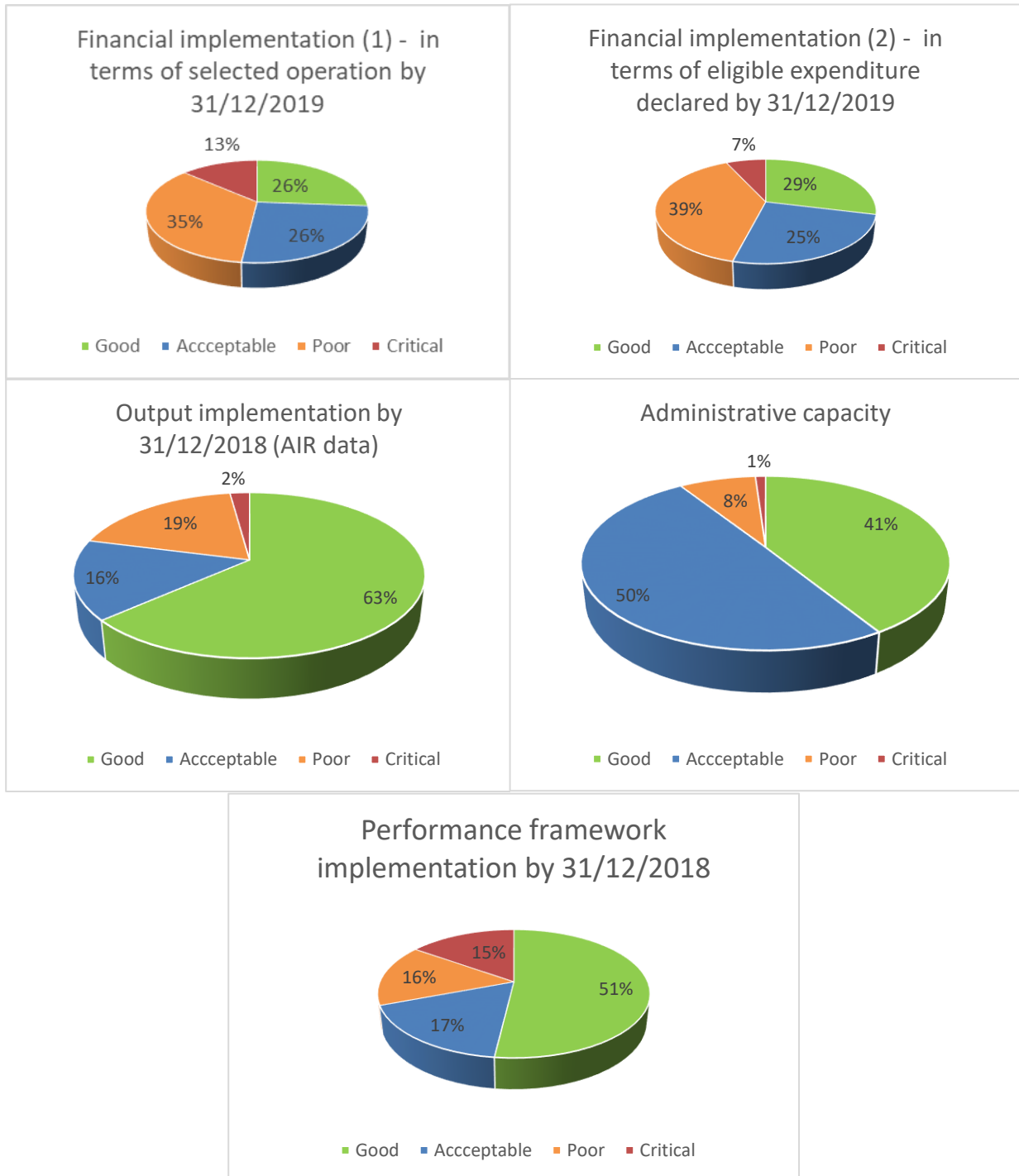
The main **implementation challenges** relate to the programming requirements/features, such as complexity of programming and planning of the intervention, delays as a result of consulting different public administrations, administrative issues related to tender procedures, problems with the payment system, General Data Protection Regulation requirements and administrative burden of applicants. Another important implementation challenge relates to delays at governance level due to a focus on preparation/setting up organisation/programme management, not yet on attracting proposals. In addition, the changes in the national/regional socio-economic context affect as well the performance of the programmes.

Implementation challenges are **addressed in close cooperation with DG EMPL** during the regular meetings held with programme authorities, such as annual review meetings and monitoring committee meetings as well as other bilateral discussions. The programmes are also adapted in order to better address new challenges or changes in the socio-economic context which may arise during the course of the programming period and which could not be foreseen from the start. Moreover, implementation progress and challenges are discussed in the ESF Technical Working Groups and ESF Committee meetings, which take place five times a year and gather Commission officials, Member States representatives and representatives from the social partners. Finally, DG EMPL has

also taken measures to address implementation weaknesses, such as sending observations on the implementation of the programme to the programme authorities.

The Commission services and the Managing Authorities of the programmes will continue to work together to ensure that programmes deliver to their full potential. A detailed overview by criteria is presented below.

Chart 10: Assessment of the performance of programmes by criteria



1.3.3. Status of programme implementation and key programme achievements to date

The year 2019 marked a further acceleration of ESF implementation despite significant disparities between MS and programmes. The **European Structural and Investment Funds (ESIF) 2019 Summary Report**³² and the ESIF Open Data Platform³³ presents detailed information on the implementation of the programmes.

As regards the ESF, nearly EUR 12.9 billion have been paid in 2019 to the 2014-2020 ESF programmes (including pre-financing), lifting the **absorption rate** (interim payments made between 2014-2019 vs 2014-2020 allocation) to **31%**. This is lower than during a comparable period for 2007-2013 programmes (41% by the end of 2012), but a significant increase in comparison to the rate at the end of 2018 (19%). By the end of 2019, the **average ESF project selection rate** on the ground had exceeded **84%**, paving the way for a strong contribution to the Europe 2020 objectives in this area.

In respect of the YEI, the mature phase of implementation continued in 2019. **The average YEI project selection rate is 100%**. However, there are still a few MS where the YEI envelope is not yet allocated to projects while other MS reported overbooking, thereby reducing the risk of financial impact in case of potential irregularities (irregular expenditure can be replaced by the excess expenditure). As of end 2019, nearly EUR 5 billion had been paid to the MS (including pre-financing) with the **absorption rate** (interim payments made between 2014-2019 vs 2014-2020 allocation) reaching **47%**.

In December 2019, the co-legislators agreed to **increase further the YEI specific allocation by an additional EUR 28.3 million** of fresh funding in 2020. Hence, the Commission will adopt a proposal for amending the CPR in the 2nd quarter of 2020 to reflect this increase. Once it is adopted by the co-legislators, the Commission will update its implementing decision on the eligible regions and allocations. Subsequently, the MS will have to amend their programmes before the end of 2020 to reflect the additional allocation.

Following the **performance review of the programmes**, some of the targets of the ESF/YEI indicators measuring the attainment of the specific objectives have been adjusted to reflect the trends and expectations of the current programmes. The adjustment was needed due to the fact that the reliability of the historical data from the previous programming period on which the milestones and targets were based was limited. Revision in an earlier stage would have been premature due to the low level of reporting as a consequence of delays in implementation and subdued validation of data by national authorities. In addition, the scope of two performance indicators was revised: instead of all specific objectives, they currently cover only that specific objective in which they are most prominent. As these are success rate type indicators, this more limited scope will provide more meaningful values.

Close to the performance review, there was a considerable push in terms of reporting output indicators. This has contributed to lower than usual success rate values as the reporting of the ensuing result indicators will happen later.

The slow start of the programming period still poses challenges in terms of implementation. There are still 293 programmes with 0 achievement values.

In terms of **Simplified Cost Options** (SCOs), 20 MS are covered by unit costs or lump sums set in the Delegated Regulation 2015/2195. Furthermore, the Commission also developed unit costs for four areas (education, training for unemployed, counselling services and training for employees) which can be used by all MS for their related operations. The introduction of SCOs under the ESF has reduced the administrative burden and facilitated implementation for both programme authorities and beneficiaries. Thanks to the simplification of the management process, the use of SCOs can facilitate access of small beneficiaries to the ESI Funds. Moreover, reducing administrative burden enables

³² http://ec.europa.eu/regional_policy/en/policy/how/stages-step-by-step/strategic-report/

³³ <https://cohesiondata.ec.europa.eu/>

programme authorities and beneficiaries to use their staff for tasks other than compliance checks so they can focus on performance and results. SCOs can also help to lower the error rate, since it make it easier to comply with rules.

The Commission awarded two **Pilot Joint Action Plans** that are running from January 2019 to June 2020. One contract with the municipality of Tilburg targets the integration of migrants into society and labour market as well as supporting young people not in employment, education or training (NEETs). The other one is based in Lisbon and supports VET students and their tutors with the transition from VET school to the labour market. Financing is based entirely on outputs and results.

By end 2018, **26 million people have been supported by the ESF and YEI**, of which:

- ✓ 3.1 million people had found a job (including self-employed);
- ✓ 3.7 million people had gained a qualification;
- ✓ 1.5 million people were in education and training as a result of ESF or YEI support;
- ✓ 2.7 million young people had benefitted from the YEI;
- ✓ 1.9 million participants with disabilities received support;
- ✓ 3.9 million migrants and participants with foreign background received support;
- ✓ 4.5 million other disadvantaged people received support.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives³⁴. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive. It covers all activities, programmes and management modes relevant to the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1. Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are explicitly documented and reported to the Director-General. These are:

- ✓ the annual reports by Authorising Officers by Sub-Delegation (AOSDs) in the DG;
- ✓ the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- ✓ the reports from the entrusted entities;
- ✓ the reports on control results from Management and Audit Authorities in MS in shared management as well as the result of the Commission supervisory controls on the activities of these bodies;
- ✓ the reports of the Audit Directorate and ex post supervision and controls, including the assessment of system audit reports received from Audit Authorities;
- ✓ the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- ✓ the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) of the FR);
- ✓ the limited conclusion of the Internal Audit Service (IAS) on the state of internal control, the observations and the recommendations it reported;
- ✓ the observations and the recommendations reported by the European Court of Auditors (ECA).

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

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

³⁴ Article 36(2) of the Financial Regulation (FR): a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions.

2.1.1. Control results

This section assesses and reports on the elements identified by management which support the assurance on the achievement of the internal control objectives³⁵. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aiming to mitigate them and the indicators used to measure the performance of the relevant control systems.

Table 3: Synthesis of the control results

Activity		Payments 2019	% From total	ICO indicators available at this level	Reservation
2014-2020 programming period	ESF/YEI	13 403.8	91.1%	Risk at payment = 1.7 %	29 OPs
	FEAD	502.4	3.4%	Risk at payment = 0.9 %	1 OP
	EGF	0.0	0.0%	- ER = 0.0% - 5 year basis = 0.5%	No
2007-2013 and prior programming period	ESF	511.7	3.5%	- RRR = 0.6 %	6 OPs
	IPA	0.0	0.0%	- RRR = 0,7 %	No
Direct management	Grants & procurement	213.7	1.5%	- ER grants = 0.9% - ER procurement < 2%	No
Indirect management	Subsidies to agencies	75.9	0.5%	NA	No
		14 707.5	100.0%		

For direct and indirect management, IPA and EGF, management has reasonable assurance that suitable controls are in place and work as intended and risks are appropriately monitored and mitigated.

Management has also reasonable assurance that suitable controls are in place and work as intended as regards the ESF, YEI and FEAD.

Based on the in-depth review of the data provided by the Audit Authorities (AA) in the Final Control Reports received by the Commission on 31 March 2017 and on the audit work performed during the following years, there are 6 remaining 2007-2013 ESF programmes for which a reservation without financial impact is made as either additional audit work is requested or potential important additional financial corrections may have to be requested.

For the 2014-2020 programming period, DG EMPL has carried out audit work to confirm the residual total error rate for the 2017/2018 accounting period where MS had declared expenditure for an amount of EUR 11 946 million. DG EMPL also reviewed the assurance packages for the 2018/2019 accounting period and the audit reports submitted by the Audit Authorities. This allowed DG EMPL to have reasonable assurance and to conclude that the management and control systems of the operational programmes worked as intended in 2019 with the exception of 29 ESF/YEI and 1 FEAD programmes which presented material deficiencies of some key elements of the systems.

2.1.1.1. Control effectiveness as regards legality and regularity

DG EMPL is using internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

³⁵ Article 32 of the FR: Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programs as well as the nature of the payments.

A. Shared Management

Annex 10 provides an introduction to shared management and Cohesion policy funds, and to the related control architecture.

A.1 Shared management - ESF/YEI and FEAD 2014-2020

A system under constant monitoring: Commission's desk and on-the-spot audit work to implement the 2014-2020 Single Audit Strategy

The Single Audit Strategy for the funds managed by DG REGIO, DG EMPL and DG MARE for the 2014-2020 programming period aims to focus the Commission's audit activity on the re-performance of the Audit Authorities' work. This single audit approach is complemented by capacity building actions and thematic/targeted audits to ensure that no serious deficiencies remain uncovered or uncorrected by the MS when submitting the accounts, and that the Commission can rely on the assurance packages. The overall objective of the Single Audit Strategy is to obtain reasonable assurance that the management and control systems of the MS:

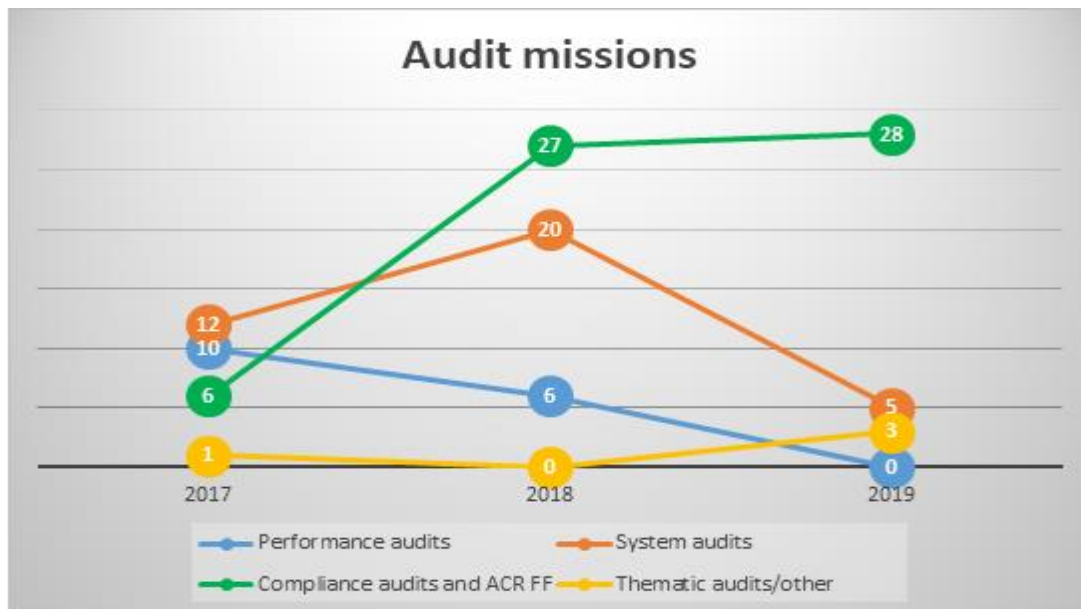
- comply with requirements of the relevant EU Regulations;
- are functioning effectively to prevent and detect errors and irregularities and to ensure the legality and regularity, and the effectiveness of the expenditure declared to the Commission; and
- ensure the quality and reliability of the systems for reporting performance data.

Moreover, at the start of the programming period, before the reception of the Audit Authorities' audit results for all programmes, the Single Audit Strategy foresees risk-based, targeted preventive system audits to obtain assurance on the proper functioning of the designed systems early on.

Audit work in 2019

The graph below offers an overview of the audit missions carried out over the last four years for the 2014-2020 programming period.

Chart 11: Audit missions



The audit plan for 2019 focused on the 2014-2020 programming period and included **17 compliance audits** to review the work of the national Audit Authorities (i.e. re-performance of audits of operations at the level of beneficiaries) in order to assess the level of reliability the Commission can place on it. These covered 26 out of the 191 ESF/YEI and FEAD programmes with accounts (13.6%) for an amount of EUR 2.4 billion

out of EUR 11.9 billion (20.2%) declared in the annual accounts 2017/2018.

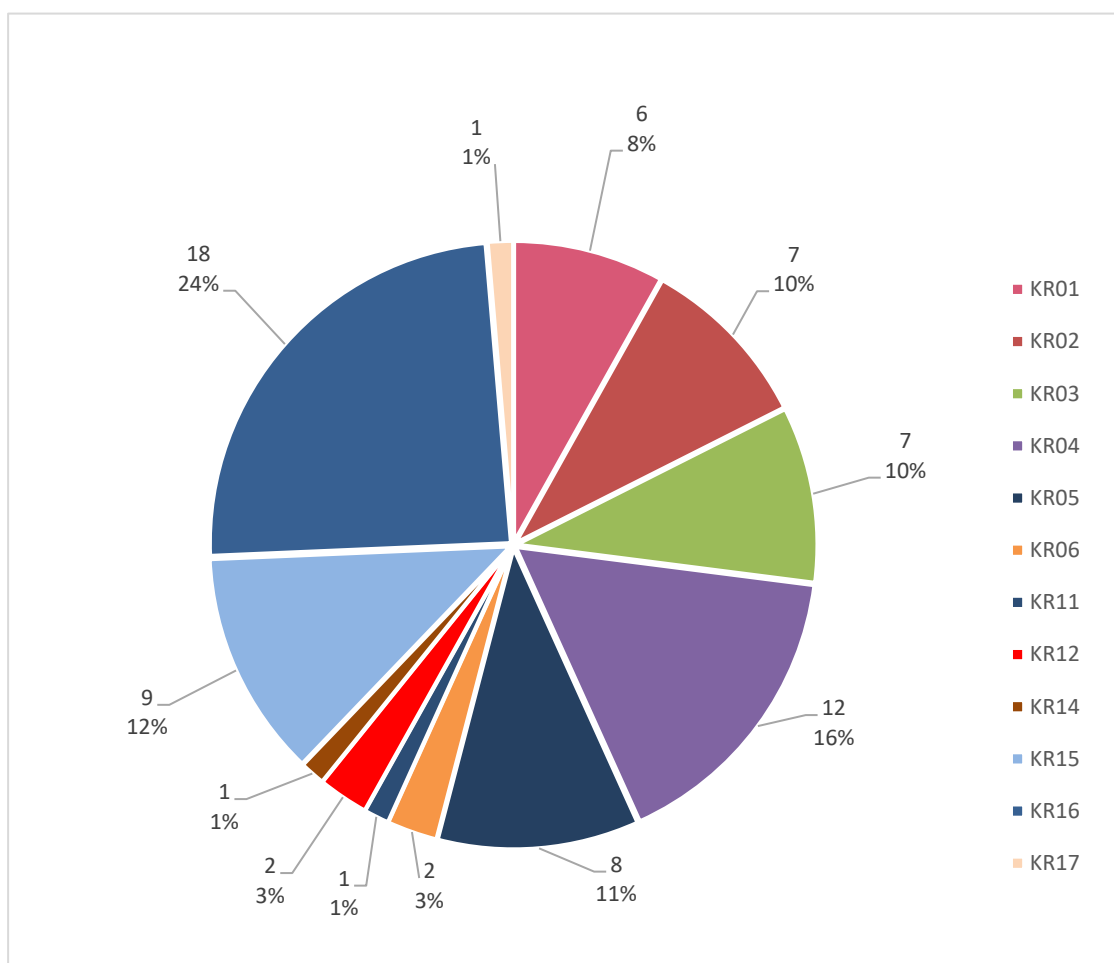
In addition, 11 **fact-finding missions** were performed at the level of the Audit Authorities, which aim to clarify methodological issues detected and/or prepare for the analysis of the next annual control.

To date, on a cumulative basis since the beginning of the programming period, the compliance and Early Preventive System Audits (EPSA) audits carried out by DG EMPL's Audit Directorate have covered 50% of the 2014-2020 programmes representing 80% of the financial programming.

In terms of results, **the audits carried out led to the identification of 74 observations** at the level of the key requirements (KR)³⁶ of the management and control systems. Most of the findings (42) concerned the Managing Authorities. They related to breaches in the selection of operations (KR 2), flaws in the management verifications (KR 4) which continue to remain an issue in certain programmes and lack of effective system in place to ensure proper audit trail (KR 5). Other findings concerned the Certifying Authorities (KR 11 and 12) and the Audit Authorities regarding the performance of adequate system (KR 15) and audits of operations (KR 16). The following graph shows the breakdown of the findings covering the various key requirements:

Chart 12: Findings of DG EMPL's audits by Key Requirements

In total, the Audit Directorate in DG EMPL audited 140 ESF/YEI projects of a total value of EUR 483 million from which EUR 206 million have been audited. The main irregularities detected during this audit work are the inclusion of ineligible expenditure/project (34.1%), missing supportive information/documentation (27.1%) and breaches in public



³⁶ The definition of the key requirements (KR) can be found in Annex 10.

procurement procedures (11.8%).

The table below shows the categories of errors found in the audits of operations.

Table 4: Error categories found in audit of operations

Category of error	Data	Proportion
Ineligible expenditure	24	28,24%
Ineligible project	5	5,88%
Missing supporting information or documentation	23	27,06%
Public Procurement - Contract notice and tender specifications	5	5,88%
Public Procurement - Evaluation of Tenders	2	2,35%
Public procurement – National rules	3	3,53%
Sound Financial Management	7	8,24%
Equal Opportunities	6	7,06%
Accounting and calculation errors at project level	4	4,71%
Information and publicity measures	2	2,35%
Expenditure not paid to beneficiary	1	1,18%
Financial instruments	1	1,18%
Standard Cost Options	1	1,18%
State Aid	1	1,18%
Grand Total	85	100,0%

Validation of the Residual Total Error Rates

As in the 2018 AAR, the following approach is applied for the 2019 AAR³⁷:

- The DG assesses the reliability of residual total error rates as reported by the Audit Authorities for the accounting year 2017-2018 and confirms or re-calculates the average and individual rates after the whole control process by both MS' authorities and the Commission has been performed:
 - The average residual total error rate represents the most relevant key performance indicator of the residual risk since the whole control chain has been applied to it³⁸.
 - Total Projected Error Rates (TPER) and Residual Total Error Rates (RTER) for individual programmes are confirmed or re-calculated taking into account all available audit information, and are the result of a two-stage audit process: a thorough desk review of the Annual Control Reports for all programmes completed by on-the spot compliance audits for programmes considered at risk. Where the contradictory procedures for compliance audits are still ongoing at the moment of drafting the AAR, a prudent approach is followed and the residual total error rates are estimated using the worst case scenario (meaning in some cases a flat rate). In such limited cases, DG EMPL may still further adjust downwards the TPER/RTER upon completion of the contradictory procedure with the MS. A similar approach is followed for Court's audits on 2017-2018 error rates, until completion of the contradictory procedure.
- As for the accounting year 2018-2019 (assurance packages including residual total error rates communicated by the Audit Authorities by 1 March 2020 at the latest), a first preliminary consistency review has been carried out before signature of the AAR to identify potential inconsistencies or deteriorations in the effectiveness of management and control systems that would require additional reservations in the

³⁷ This approach aims to follow the recommendation of the European Court of Auditors in its 2017 Annual Report regarding the error rates to be communicated in REGIO and EMPL's AARs

³⁸ After neutralizing the impact of advances paid into financial instruments and included (in line with Article 127 of the CPR) in the sample of audit authorities based on declared expenditure.

AAR.

- In relation to the contribution to the corporate reporting covering the risk at payment and the risk at closure for the 2019 relevant expenditure (2019 AMPR) the approach agreed with the Central Services of the Commission is the following:
 - the risk 'at payment' is calculated by applying to the 'relevant expenditure' of the 2019 reporting year³⁹ the confirmed average residual total error rate for the accounting year 2017-2018 as defined above;
 - the risk at closure indicates the remaining risk to the end 2019 relevant expenditure once the Commission will apply the necessary financial corrections to bring the total residual error rates for all OPs down to 2%.

Annual accounts 2017/2018 - audit work performed in 2019 to validate error rates

For accounting year
2017- 2018:

191 ESF/YEI and FEAD
certified accounts received

Updated Residual Total Error
Rate of
1.7% for ESF/YEI and
0.9 % for FEAD

DG EMPL completed its assessment of the assurance packages submitted by the MS. In total, 191 programmes submitted annual control reports. A complete desk review of all information was carried out with a particular focus on the validation of the reported audit opinions and error rates / residual total error rates. Evidently, that assessment took account of the results from any EU re-performance audit work carried out during the year by DG EMPL or DG REGIO auditors. Where possible, DG EMPL also took account of the results of the European Court of Auditors' work. DG EMPL paid special attention to the sampling methodology used by Audit Authorities, analysis and treatment of errors and the reporting of financial corrections that would affect the calculation of the

residual total error rate. Subsequently, the programmes to be audited were identified on the basis of a risk analysis.

Based on the results of the compliance audits available at the date of signature of the 2019 AAR, the Residual Total Error Rate for the 2017-2018 annual accounts is estimated to be 1.7% for ESF/YEI and 0.9% for FEAD.

The confirmed average residual total error rate for the 2017-2018 accounting year (covering all ESF/YEI and FEAD programmes) is 1.7% based on all audit evidence available at this date and pending the outcome of some contradictory procedures (conservative approach).

Taking account of possible further errors in the remaining audited samples, beyond the detected ones, and of further information which might become available after the validation of the AAR, DG EMPL estimates the confirmed rate could reach a maximum of 2.4% after adjusting upwards the rates for some programmes with the use of conservative flat rates and before implementation of the relevant additional financial corrections for the programmes concerned.

Based on all audit activities and for those programmes where the confirmed residual total error rate is above 2%, additional financial corrections will be requested in order to reach a residual total error rate of 2%. After implementation of these additional financial corrections, the average residual total error rate for ESF/YEI and FEAD is expected to drop to 1.3%.

DG EMPL can therefore conclude with reasonable assurance that, after the control cycle (national and Commission) has been completed, there is no material residual risk remaining in the accepted 2017/2018 accounts, except for 18 programmes for which additional financial corrections are necessary to reach the objective of bringing the residual

³⁹ Relevant expenditure = payments made during the 2019 reporting year excluding new pre-financing and including the 10% retained, and including the cleared pre-financing minus the retentions released and any deductions applied in the accounts covering the expenditure of the period 1 July 2018 to 30 June 2019.

risk to materiality level for all programmes. In addition, for another 15 programmes, further corrections could be needed pending ongoing contradictory procedures at the time of signature of the AAR.

In regards to the annual accounts 2016/2017, the contradictory procedures have been finalised in almost all cases and the financial corrections requested implemented, leading to a total residual error rate of 0.8%.

Annual accounts 2018/2019 - acceptance of accounts and first review of legality & regularity

The Commission received a full assurance package for 214 programmes (187 ESF/YEI and 27 FEAD) with certified expenditure for a total amount of EUR 18.2 billion. This is a decrease of EUR 1.1 billion (5.6%) compared to the related final interim payment applications submitted in July 2019.

*For accounting year
2018- 2019:
214 certified accounts received
with ESF/YEI and FEAD
expenditure
198 accounts accepted as at
1 April 2020*

This, in itself, already demonstrates the high degree of self-correcting capacity of the systems. These financial corrections result from audit work, management verifications and from various on-going assessments on the legality and regularity of expenditure previously declared during the accounting year (see further detailed information on corrective capacity below).

As a consequence, Audit Authorities were able to issue unqualified audit opinions on the completeness, accuracy and veracity of all submitted accounts except in 10 cases due to a residual total error rate above 2%.

Upon receipt of the assurance packages for the accounting year 2018-2019, DG EMPL has carried out a preliminary assessment to confirm that the information disclosed in the annual control report and audit opinion is in line with all other relevant information available to the Commission, including through their own audit work.

Following its assessment of the assurance packages, DG EMPL concluded that the accounts can be accepted in 198 cases and had to reject the accounts for 16 programmes. The latter was mainly due to the fact that the audit opinion was deemed unreliable⁴⁰.

In view of determining whether programmes had to be put in reservation, DG EMPL carried out the following assessment to verify:

- that the MS' authorities have taken appropriate preventive and corrective actions to follow-up on the interruptions and warnings issued by the Commission;
- that audit conclusions reported by the Audit Authorities are in line with the national system audit reports issued during the period, as well as the results of the Commission's on-the-spot audit work;
- that the expenditure under on-going assessment has been excluded from the accounts in accordance with Article 137(2) of the CPR and was appropriately treated by the programme authorities when calculating the RTE;
- that, in case DG EMPL does not rely on the audit work performed by the Audit Authority, there is an appropriate quantification of the risk for the expenditure declared.

The audit opinions and the error rates detailed by programme are available in Annex 10.

⁴⁰ The conditions to consider the reliability of the audit opinion are set out in chapter six of the guidance note for Member States on Audit of Accounts – EGESIF_15_0016_04 of 3/12/2018

Conclusion for 2014-2020 expenditure paid in 2019: overall assessment of the effective functioning of management and control systems

Indicator	2019
Number of ESF/YEI programmes from the 2014-2020 programming period in reservation	29
Number of FEAD programmes from the 2014-2020 programming period in reservation	1

Taking into account all the available information, a detailed review of all the programmes took place during the ISFC Committee (chaired by the Director-General) on 7 April 2020. This review aimed to ensure the quality and consistency of the opinions and to identify the programmes for which a reservation should be made. This resulted in a single DG EMPL opinion for each ESF/YEI and FEAD programme.

As a general rule, taking into account the 10% retention on payments and the annual accounts that include the necessary financial corrections to reach a maximum materiality threshold of 2%, a programme is included in the reservation list if at least one of the following conditions applies:

- A total projected error rate above 10%;
- A residual total error rate above 2%;
- Material issues concerning the completeness, accuracy and veracity of the accounts;
- Deficiencies in key elements of the management and control system with a material risk of the EU budget.

For the cases where the total projected error rate is below 10% and the audit opinion is qualified with significant observations, no reservation is issued provided that adequate financial corrections have been implemented, meaning residual risk below 2%. Exceptions may be decided on the basis of professional judgement.

As a result, the programmes are classified into five categories of assurance of legality and regularity of the expenditure paid during the reporting year. All programmes falling under the categories 'qualified opinion with significant observations – risk for the EU budget' and 'adverse opinion' (in the table below) are subject to a reservation.

Table 5: Final assessment of management and control systems in the annual management opinion: ESF/YEI + FEAD

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)		Coverage		
		Number of programmes	% of programmes	% of 2019 relevant expenditure
1	Unqualified opinion	70	32.6%	19.2%
2	Qualified opinion with minor observations	92	42.7%	50.2%
3a	Qualified opinion with significant observations	23	10.7%	13.7%
3b	Qualified opinion with significant observations – risk for the EU budget	18	8.4%	13.9%
4	Adverse opinion	12	5.6%	3%
		215	100%	100%

DG EMPL concludes it has reasonable assurance that the management and control systems function effectively and ensure the legality and regularity of the 2019 expenditure certified by the MS in the annual accounts with the exception of 29 ESF/YEI and 1 FEAD

programmes.⁴¹

Safeguarding the EU budget by preventive and corrective actions (interruption and financial corrections)

Preventive actions

Taking into account the regulatory framework for the 2014-2020 programming period including the possibilities of interruption⁴² and suspension⁴³, the annual acceptance of accounts and the 10% retention on reimbursement of interim payments, DG EMPL and DG REGIO agreed to follow a common approach regarding interruption and suspension of payments. The objective has been to follow a balanced approach that protects the EU budget against serious deficiencies and irregularities.

If the financial risk is below 10% (and therefore covered by the 10% retention on interim payments) or the MS has not submitted a payment claim, a warning letter is sent to the MS, requesting measures to be taken to improve the system.

Interruptions and suspensions are lifted once it is established that the management and control systems again provide reasonable assurance and, where appropriate, financial corrections have been implemented.

In 2019, 12 interruption decisions and 1 suspension decision were adopted. In addition, 5 pre-suspension letters and 16 warning letters were sent to the MS concerned. In the 1st quarter of 2020, 3 interruptions, 4 warning letters, 1 pre-suspension letter were sent and 1 suspension decision was adopted.

Details of the warning letters, interruptions of payment deadlines and suspension decided by DG EMPL or the College in 2019 and 1st quarter of 2020 are listed in Annex 10.

Corrective actions

The regulatory provisions for the 2014-2020 period significantly strengthens the Commission's position on protecting the EU budget from irregular expenditure.

The system incentivises MS to ensure that EU funds are spent in a legal and regular manner and that all necessary financial corrections have been applied at national level before certifying the expenditure in the accounts. The reporting on financial corrections is now integrated into the annual assurance package and examined by the Audit Authority.

At the same time, the Commission has improved its capacity to ensure that irregular expenditure is no longer reimbursed from the EU budget. In case of existence of serious system deficiencies after submission of the accounts, the Commission has to apply net financial corrections⁴⁴.

For the 2018/2019 accounting year, following the submission of the annual accounts in February 2020, the amount of the expenditure deducted represents EUR 1.1 billion for ESF/YEI and EUR 10.6 million for FEAD out of which EUR 252.4 million and EUR 3.7 million represent deductions made by the Member States from the accounts, together with withdrawals and recoveries implemented during the accounting year as a result of financial corrections following national and EU audit work (see table in Annex 10).

⁴¹ This is based either on incorrect 2018/2019 annual accounts that have been returned for correction (eg. residual risk above 2%, missing financial corrections, audit work not properly completed by the Audit Authority, etc.), for 16 programmes, or on systemic deficiencies identified and/or ongoing interruptions for 15 programmes.

⁴² An interruption means that the payment of an individual payment claim under a program are temporarily stopped (up to 6 or 9 months).

⁴³ Contrary to interruptions, a suspension means that *all* payments under a program (or a part of a program) are stopped until the MS has taken the necessary measures to improve its management and control system.

⁴⁴ See Article 145(7) of Regulation (EC) 1303/2013

A.2 Shared Management – Closure of ESF 2007-2013

Indicator	2019
Number of programmes (pre)closed at end 2019	101
RAL at 1/1/2019 (in EUR million)	1 487
RAL at 31/12/2019 (in EUR million)	941

At the end of December 2019, DG EMPL has sent 101 pre-closure letters (92 programmes with an amount to be paid, 5 with an amount to recover, and 4 with no payment/recovery). For 83 programmes, MS accepted the closure proposal, consequently 83 closure letters were sent to the MS and those programmes are definitively closed.

Concerning the programmes with under-execution (EUR 801 million), DG EMPL has issued the relevant letters and received the agreement to carry out decommitments for 44 programmes. This amounted to EUR 497 million.

Audit activity of the DG on closure

In 2019, one follow-up mission took place in Scotland to clarify some issues before validating the information in the Final Control Reports.

Estimated Residual Risk Rate for the whole 2007-2013 programming period

The additional information provided or additional audit work performed for the programmes closed in 2019 result in the update of the Residual Risk Rate (RRR) for these programmes. The average RRR for the whole programming period is now estimated at 0.59% compared to 0.66% in 2018.

**2007-2013
programming period:**
Estimated Residual Total Error
Rate of **0.6%**

This slight decrease is mainly due to the fact that for programmes where additional work was needed DG EMPL sometimes used a flat rate RRR of 2% until the final calculation was available.

For the final payments made in 2019, the estimated residual risk was 1%.

Safeguarding the EU budget by corrective actions

Indicator	2019
Corrections made resulting from Commission audit work (accepted/decided)	30.6 million
Corrections made resulting from Commission audit work (implemented)	210.4 million

The purpose of financial corrections is to restore a situation where all the expenditure declared for co-financing from the Structural Funds is in line with applicable regulations.

Total financial corrections for the whole 2007-2013 programming period implemented at end 2019

The cumulative amount of the ex post financial corrections implemented at the MS' initiative stands at EUR 1.5 billion and those implemented at the Commission's request stand at EUR 1 billion.

**2007-2013
programming period:**
Implemented Financial
Corrections at end 2019:
3.8% of the declared
expenditure

In total, including ex post and ex ante corrections, the total amount of the implemented financial corrections stands at EUR 3 billion at the end of 2019, representing around 3.8% of the declared expenditure.

Taking into account the amount of financial corrections accepted but not yet implemented, the amount of financial corrections will reach a minimum amount of

EUR 3.1 billion (3.9% of the declared expenditure).

The process of closure of the 2007-2013 programming period is still on-going and additional financial corrections will have to be implemented for the closure of some programmes in the following years.

Detailed tables showing cumulative financial corrections (accepted/decided and implemented) for all programming periods can be found in Annex 10.

Conclusion: reservation in relation to ESF 2007-2013

Follow-up of 2018 reservation

For the AAR 2018, there were 14 programmes for which the Audit Authorities still needed to provide additional information to clarify some issues or to perform additional audit work on expenditure declared at the end of the eligibility period.

The information provided by the Audit Authorities has allowed the lifting of the reservation for 8 programmes. For 4 of the 8 programmes, DG EMPL was able to issue the final payment in 2019. For the 4 other programmes the closure process is ongoing and the final payment will be issued in 2020.

2019 reservation

A reservation is maintained for the remaining 6 programmes pending the result of the ongoing audit work. Further details on the reasons for the reservation are presented in Annex 10.

The reservation is without financial impact in 2019 as the final payment for these programmes will take place only when the relevant level of financial correction is agreed.

B. IPA

Analysis of the Final Control Reports

For the 3 countries (Turkey, Montenegro and North Macedonia), the Final Control Reports and closure declarations have been received at the end of 2018. Their review did not lead to the identification of significant issues.

Estimated Residual Risk

Indicator	2019
Final residual risk rate for the whole programming period	0.7 %

Conclusion

DG EMPL has a reasonable assurance on the legality and regularity of the underlying transactions for IPA programmes in Turkey, North Macedonia and Montenegro.

C. EGF

Audit work

Indicator	2019
Error rate	0.00%

According to Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on establishing the EGF, the fund supports workers affected by trade-related redundancies from 1 January 2014 onwards.

In 2019, the Commission finalised five audits selected on a risk-based approach, three initiated in 2018 and two performed in the first half of 2019. The Commission auditors identified deficiencies relating to the functioning of the management and control system in place without financial impact.

Conclusion

Based on the finalised ex post financial audits in 2019, the amount audited was EUR 10.8 million. No amount was rejected. This resulted in an error rate of 0.00%. On a 5-year basis, the average error rate is estimated at 0.47%.

The assessment described above provides reasonable assurance to DG EMPL as regards EGF.

D. Direct management

The following points form the building blocks of EMPL's assurance:

Programming, evaluation, selection of proposals and contracting

Indicator	2019
Grants and procurement	
Validation of actions in the annual work programme (relevance and compliance)	100%
Number litigation cases	0
Grants	
Validation of calls for proposals by the Financial Unit prior to publication	100%
Formal opinion given by the Financial Unit before award	100%
Procurement	
Formal opinion given by the Financial Unit before award	90%

DG EMPL produces annual **Financing Decisions** which specify the activities that will be undertaken to implement the budget in support of policy objectives defined in legal bases.

The programming process starts with a top-down definition of policy priorities. Specific activities subsequently proposed by AOSDs are consolidated and examined by central units (programme coordination/planning and financial implementation) from two perspectives: their relevance as regards policy priorities and their compliance with the rules defined in the FR for grants and contracts. This thorough analysis also allows identifying opportunities of simplification and rationalisation across the DG's wide range of activities.

Financing Decisions are implemented through award decisions. DG EMPL designs and implements procedures aiming at ensuring that the **evaluation and selection of projects**, and award decisions comply with the sound financial management principles foreseen in the FR and effectively meet policy objectives.

DG EMPL exercises control through the following:

1) Grants

All calls for proposals are systematically verified ex ante by this financial unit (looking at completeness, correctness and compliance) prior to the publication of the calls.

The evaluation reports and project of award decisions for calls for proposals and direct grants are systematically submitted to the ex ante controls of the same financial unit prior to the budgetary and legal commitments. The financial unit provides support to evaluate the financial capacity of the applicants and co-applicants.

DG EMPL had to allow indirect costs above the 7% flat rate in 9 cases, all with the OECD, due to the fact that it is bound by the Framework Administrative Agreement concluded between OECD and the Commission, using for the purpose Article 181(6) of the FR.

In 2019, DG EMPL did not conclude new grants that are not linked to costs (Article 125(3) of the FR). It also neither launched nor signed any financial framework partnership agreement (Article 130(4) of the FR). Furthermore, DG EMPL did not award grants retroactively (Article 193(2) of the FR).

2) Procurement

Calls for tenders, contract notices, technical specifications, reopening of competition procedures and other calls under framework contracts and invitation to tender are

prepared by the AOSDs and systematically ex ante verified for regularity, legality and compliance by the financial unit.

Evaluation reports and draft award decisions under open tender procedures, negotiated procedures and framework contracts procedures with reopening of competitions are submitted to the financial unit for ex ante controls. Only after a positive outcome of the verification, the budgetary and legal commitment can be initiated.

As regards negotiated procedures, one has been registered in DG EMPL in 2019 for an amount of EUR 599 852.

No cases have been registered in DG EMPL in 2019 in terms of confirmation of instructions (Article 92(3) of the FR) or waivers granted (Article 101(5) of the FR).

Monitoring the execution

Indicator	2019
Grants	
Verification of transactions by operational and financial agents	100%
Ex ante in depth check of final cost claims	30%
Error rate	0.26
Procurement	
Verification of transactions by operational and financial agents	100%

DG EMPL staff carry out preventive and corrective controls at the various phases of implementation of projects.

For example, at closure phases, final reports are analysed by operational officers to verify conformity of the implemented actions / deliverables with the contractual provisions. These analyses include cross-checking the final accounts and the final report on the implementation of the action to verify the coherence of the costs declared with the action actually implemented. Final cost claims are checked by financial officers on a risk-based approach to verify the eligibility of the costs, arithmetical checks, conformity with the initial budget, co-financing rate, etc.

The error rate at cost claim level has decreased compared to last year (0.26% in 2019 compared to 0.52% in 2018).

Ex post controls - Audit work

Indicator (*)	2019
Ex post audits finalised	10 Commission audits 18 outsourced audits
% amount controlled by ex post audit vs. total amount	7.53 %
Error rate Grants	0.90 %
Error rate Public Procurement	0-2 %

(*) based on audit procedures finalised between 01/02/2019 and 31/01/2020

Approximately 43% of payments made under centralised direct management are contracted through public procurement which by nature and in view of the ex ante control procedures are considered free of errors and therefore below the materiality threshold of 2%.

The majority of payments concerns grant agreements. Ex post controls relate only to grant projects which have been closed by the operational units of DG EMPL.

As regards grants, for selecting the sample of transactions to be controlled on the spot, DG EMPL applies a risk based approach rather than a statistical random method that would comply with the criteria of samples' representativeness. The risk based approach is considered more cost-effective given the heterogeneity and relatively small size of DG EMPL's audit population.

When measuring against the 2% materiality level, DG EMPL calculates the weighted average error rate from the audited sample (grants) and complements the information by

a qualitative analysis of the origin, nature, impact and coverage of the errors found before issuing any reservation.

In 2019, the error rate for grants amounts to 0.90%. On a 5-year basis for grants, the weighted average error rate is estimated at 1.18% of payments made. This rate is considered as acceptable.

Conclusion

The assessment described above and the estimated overall error rate being under the materiality threshold (0.51%) provides reasonable assurance to DG EMPL as regards centralised direct management.

E. Budget implementation tasks entrusted to other services and entities.

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other Commission services and entrusted entities distinct from the Commission.

DG EMPL has entrusted parts of its budget for indirect management implementation to five decentralised agencies, to PMO via a cross sub-delegation and to the European Investment Fund. In all these cases, the DG's supervision arrangements are based on the principle of controlling 'with' the relevant entity.

Decentralised agencies

DG EMPL acts as parent DG for five decentralised agencies to which has provided an annual subsidy and has not delegated budget for programme management implementation. The table below summarizes the subsidies provided in 2019:

Table 6: EU contribution to agencies in 2019

Agency	Amount paid in 2019 (in EUR million)
CEDEFOP	18.9
ELA	0.3
ETF	20.5
EU-OSHA	15.4
EUROFOUND	20.8
Total	75.9

Although agencies have full responsibility for their own management, a number of monitoring, reporting and supervising arrangements allow DG EMPL to build assurance in regards to their management, as detailed in Annex 8.

The latest declarations of assurance of the directors of the agencies in their AARs contain no reservations.

DG EMPL has not been aware of any issue related to the legality & regularity, sound financial management or fraud affecting its contribution payments.

Cross sub-delegations

DG EMPL has also entrusted budget implementation tasks to PMO via a cross sub-delegation for a total of EUR 177 500 in commitment appropriations and EUR 55 911.6 in payment appropriations. The PMO AODs is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as DG EMPL's AOD.

The PMO provided reasonable assurance that the resources assigned to the activities described have been used for their intended scope and that the control procedures put in

place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

Funding to European Investment Fund

The EASI guarantee financial instrument and the EaSI Capacity building are implemented through indirect management by the European Investment Fund (EIF) based on the Delegation Agreements signed with the Commission.

In 2019, an amount of EUR 12.7 million was transferred to EIF in relation to the instruments aforementioned.

Based on the Delegation Agreements, EIF submits to the Commission:

- a management declaration of assurance annexed to the financial statements;
- a summary report on audits and controls carried out in the reporting period, including an analysis of the nature and extend of errors and weaknesses identified and any corrective actions taken or planned;
- an independent audit opinion on the management declaration and the summary report on audits and controls.

Based on the reporting made by EIF for 2019, no particular issues were observed that would need to be addressed in this AAR.

F. Conclusion on control effectiveness as regards legality and regularity

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level. DG EMPL's data is shown in Table 11 and its accompanying notes below.

DG EMPL has set up internal control processes aimed to ensure the 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 concerned.

Table 7: Estimated overall amount at risk

	2019 payments (annex 3)	prefinancing paid	10% retention	cleared prefinancing minus retention released and deductions by MS	2019 relevant expenditure (M€)	Average Error Rate (%)	Estimated amount at risk at payment/ accounts (M€)	Average Recoveries and Corrections (%)	Estimated future corrections (M€)	Estimated overall amount at risk at closure (M€)
ESF 2007-2013	509	0	0	12	521	1,0%	5	0,0%	0	5
ESF/YEI 2014-2020	13.404	-2.516	1.208	-927 *	11.169	1,7% / 2,4%	190 / 268	0,4% / 1,1%	47 / 125	143
FEAD	502	0	53	-35	520	0,9%	5	0,5%	3	2
ESF 2000-2006 and before	2	0	0	0	2	0,0%	0	0,0%	0	0
EGF	0	0	0	8	8	0,0%	0	0,0%	0	0
IPA	0	0	0	1 **	1	0,7%	0	0,0%	0	0
Centralised	290	-158	0	148	279	0,5%	1	0,0%	0	1
Overall	14.707	-2.674	1.261	-794	12.501	1,6% / 2,2%	201 / 279	0,4% / 1,0%	50 / 128	151
* 560,9 million of cleared PF not taken into account for the relevant expenditure as already taken into account the year before through the 10% retention and the adjustment received in the annual accounts.										1,2%
** including 0,627 million of cleared PF for EU Trust Fund Madad.										

For DG EMPL, the estimated overall amount at risk 'at payment' for the 2019 relevant expenditure is between EUR 201 and 279 million (1.6% to 2.2% of the 2019 relevant expenditure). This is the AOD's most conservative estimation of the amount of relevant expenditure not in conformity with the regulatory provisions at the time the payment is made.

The estimated future corrections represent the amount of errors that DG EMPL

conservatively estimates to identify and correct from controls that it will implement in successive years. It results in the risk 'at closure' which indicates the remaining risk to the 2019 relevant expenditure once the Commission will apply the necessary financial corrections to bring the total residual error rates for all programmes down to 2%. As the 2007-2013 programming period is at the stage of the closure, final payments are processed when the Commission is of the opinion that all the necessary financial corrections have been made and that the residual risk is below the materiality threshold of 2%, meaning that no additional future corrections should be estimated. Therefore, the estimated amount at risk at payment is based on the estimated residual risk after financial corrections.

For the 2014-2020 programming period, following DG EMPL's compliance audits, additional financial corrections may be requested on top of those already registered in the annual accounts by the MS' authorities for the programmes with a current reportable residual total error rate above 2% that would reduce the residual total error rate by 0.4% to 1.1%.

The overall amount at risk is at a comparable level with the one of previous year (1.8%) as well as the level of additional financial corrections (0.5%).

In terms of benefits of control, overall, DG EMPL ensures compliance with the FR, i.e. fulfilling control performance needs and optimising the use of EU funds. This contributes to a reduced amount of corrections requested to the MS following audit work performed by the Commission, reduced risk of fraud, prevention of conflict of interest, favourable auditor's opinion on reporting/accounting, unqualified discharge and avoiding reputational damage.

Due to the external factors that influence these amounts (e.g. improvements in sound financial management of the programmes at MS level), the benefits cannot be quantified.

DG EMPL considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they would not be in place. It also considers that the relative level of efficiency and cost-effectiveness of the controls operated is adequate. This conclusion is supported by the error rates being consistently below the materiality threshold and by positive values of efficiency indicators.

2.1.1.2. Fraud prevention, detection and correction

Implementation of actions for the prevention and detection of fraud in the Structural Funds and Direct Management

DG EMPL has developed and implemented its own anti-fraud strategy since 2010, on the basis of the methodology provided by OLAF.

Following the adoption of the new Commission Anti-Fraud Strategy on 29 April 2019, DG EMPL has performed a Fraud-Risk-Analysis and reviewed and updated jointly with REGIO and MARE the '**Joint Anti-Fraud Strategy**' (JAFS) as well as its **direct management anti-fraud strategy**.

DG EMPL has continued to contribute at the development of the **risk scoring tool ARACHNE** helping the national authorities, among others, to identify the risk of fraud. ARACHNE aims at establishing a comprehensive database of financial and operational data on projects and beneficiaries in order to carry out, on the basis of objective criteria, a risk scoring allowing the identification of the most risky projects and the most risky programmes.

Currently, 20 MS are involved in ARACHNE with a total of 232 programmes in the system (16 MS have integrated ARACHNE in their management verification processes for at least 1 programme, 4 are evaluating the tool and 4 are still reflecting on whether to use the tool). Four MS have decided not to use the tool. In total there were 3 086 active users in 2019 (for Cohesion policy as a whole) and the number of connections to the tool in 2019 amounted to 34 763. Both figures more than tripled compared to 2017 (901 users and 6 043 connections) and demonstrate the success of the system.

In addition, DG EMPL now also offers a module in Arachne which allows the Managing

Authorities to assess the risk of fraud during the selection phase of an operation, i.e. the so-called ex ante module. This module, which also specifically addresses the identification of presence of conflict(s) of interest, will be rolled out further in 2020.

DG EMPL concluded a **performance audit** on the effectiveness of the implementation of anti-fraud measures by the MS. It made a number of positive factual assessments about the anti-fraud measures taken, in particular with a view to managing the risks of fraud and to prevent fraud. Areas for further improvement concern the setting of targets / performance indicators, identifying responsibilities, setting specific deadlines for action plans to be implemented, improving the use of 'red flag' indicators and setting up procedures for 'learning the lesson' after the discovery of fraud, including reviews of internal control systems which may have failed or reviews of the implications of cases for the fraud risk assessment.

The **controls by DG EMPL** aimed at preventing and detecting fraud are similar to those intended to ensure the legality and regularity of the transactions. DG EMPL carries out in-depth controls and/or audits on the basis of the annual audit strategies (for both its shared/indirect and direct management area) revised in consideration of risk assessments made to check the regularity and legality of transactions and include the detection of (suspected) fraud, if any.

The total number of on-going OLAF investigations concerning EMPL's fields of activity and all programming periods put together amounts to 20 cases related to the ESF, 1 case regarding FEAD and 2 cases related to direct expenditure at the end of 2019. The main areas of (potential) fraud in these cases are:

- non-compliance with the principles of sound financial management,
- overpricing and
- non-respect of procurement rules and procedures.

Action regarding recoveries of unduly paid sums

In 2019, the follow-up to 10 OLAF reports was completed whereby through various means and forms (recovery from a beneficiary, withdrawing payment-requests, self-corrections by national authorities, recovery orders by the Commission, etc.) the EU budget was protected to the tune of almost EUR 55.3 million.

At the end of January 2020, in the context of the implementation by DG EMPL of financial recommendations issued by OLAF, the DG reported to OLAF and BUDG the amounts that it had recovered in 2019 with regard to the cases concerned.

DG EMPL's arrangements to facilitate the fight against fraud

In order to further improve the handling of the before mentioned activities, a DG EMPL internal network of anti-fraud correspondents exists since June 2016. This network has been closely involved in the Fraud Risk Assessment and the review of the Anti-Fraud Strategies. It will now be involved in the review of procedures and templates that follows the adoption of the new anti-fraud strategies and the regular monitoring of their implementation. Another important purpose of this network is the routine internal communication for specific issues and cases, such as the follow-up of OLAF investigations.

On this matter, a central tool to track the progress of the implementation of reports by OLAF registers the following details:

- each event linked to a case,
- the amounts recovered or by which the EU budget was protected,
- the types of recovery involved and
- the types of fraudulent activity involved in the case.

This database, therefore, also provides essential data for the analysis of fraud-cases and the response by DG EMPL on requests by the European Court of Auditors.

DG EMPL together with the other DGs managing EU funds under shared management and DG Budget is also involved in the implementation of the **new European legal**

framework on prevention and avoidance of conflict of interests in shared management. The new provisions of the Financial Regulation (Article 61), in force since 2 August 2018, include in their scope financial actors in national authorities at any level, involved in EU-budget implementation and acts preparatory thereto and specifically refers to shared management. This encompassing European concept of conflict of interests has triggered further Commission initiatives to monitor and audit its correct implementation by Member States authorities. DG EMPL has supported the initiatives for a comprehensive implementation of relevant obligations in the management and control systems of the Member States together with DG Budget. Member States' authorities responsible for managing and auditing EU funds have received guidance during meetings held in November and December 2018. On the basis of feedback received from the conference of 10 April 2019 that brought together Member States authorities and the Commission to discuss measures taken to deal with conflict of interests and to exchange best practices, further guidance is being prepared by DG Budget and discussed with the services at the time of drawing up this report, including DG EMPL. Member States have been asked about the measures they have taken to ensure respect of the revised rules. DG EMPL has reviewed procedures in place by all audit authorities to ensure that the new provisions are well understood and to check audit procedures in place to detect cover situations of conflict of interest. DG EMPL further conducted a specific audit jointly with DG REGIO and DG AGRI on specific allegations of conflict of interest, notably in the Czech Republic. Following the draft audit results still under contradictory procedure, the Czech authorities decided to withdraw the ESF projects subject to this audit from funding.

To conclude, at this stage, DG EMPL has taken all necessary measures to address the issue of conflict of interest in general and in relation to the Czech Republic in particular and will continue to do so.

2.1.1.3. Other control objectives

Safeguarding of assets

The main assets of DG EMPL are its financial instruments.

The EaSI Guarantee Instrument and the Capacity Building Investment Windows fall under the Financial and Administrative Framework Agreement (FAFA) with the EIF managing the assets in accordance with Article 9(6) of the FAFA. The treasury assets resulting from asset management of cash available in the Financial Instrument Account is managed in accordance with the principles of sound financial management and following appropriate prudential rules.

These assets are invested at the risk of the Union (including with respect to negative interest and asset management losses) according to a pre-agreed risk profile and investment strategy and asset management guidelines. For the EaSI instruments, the asset management guidelines are annexed to the Delegation Agreement (Annex 8) and may be amended only by agreement between the Asset Management Delegated Service of the Commission and the EIF.

The EIF provides DG EMPL with monthly cash position and monthly/quarterly treasury reports.

As for the Funded Instrument, this is a compartment (or sub-fund) of the EU Microfinance Platform, a 'fonds commun de placement - fonds d'investissement spécialisé' established under the Luxembourg specialised investments fund law. The fund has appointed as depositary the 'Banque de Luxembourg' which is, among other things, responsible for the safekeeping of the fund's assets on behalf of the unitholders. The depositary must perform its duties with professional care and is liable towards the management company and the unitholder to the extent foreseen by the Luxembourg law.

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

Reliability of reporting

Audits on the reliability of performance data indicators

A total of 17 audits in 12 MS have been performed as regards performance data reliability since the beginning of the 2014-2020 programming period. Audit Authorities now have the obligation to review performance data as part of the audit of operations and system audits on key requirement 6 (KR6) are part of their audit plans. For some programmes, KR6 could not be tested. In order to mitigate this, the Commission continues reviewing performance data as part of its compliance and thematic audits. In this respect, DG EMPL has analysed the data from the latest AIR for plausibility and coherence and has shared this information with the Audit Authorities. Where issues were identified, the Audit Authorities have been requested to verify these. Also, for the 10 most risky programmes, DG EMPL has launched an audit to verify the accuracy and completeness of the data. Due to the Covid-19 outbreak, this audit has been postponed. The risk will also be mitigated at programmes' closure/end of the programming period. Until then, the Audit Authorities will have performed sufficient audit work to provide assurance.

EaSI financial instruments

For all EaSI financial instruments, the EIF provides unaudited and audited financial statements and a standardised reporting package as presented in section 2.1.1.1 E.

Besides the positive conclusion on financial instruments resulting from the 2019 reporting package, DG EMPL was subject to particular checks conducted by DG BUDG in 2019 to obtain sufficient and appropriate evidence that the pre-financing payments are implemented and cleared regularly and legally, and are represented correctly in the accounts. The scope included the administrative processes designed to ensure the completeness, accuracy and timeliness of pre-financing payment and clearing.

Following the checks, DG BUDG has concluded that DG EMPL has put in place adequate processes and controls to manage pre-financing, to produce accurate and complete information in a timely fashion for preparing the annual accounts, and to produce reliable management and regulatory reports.

2.1.1.4. Efficiency

Based on an assessment of the most relevant key indicators and control results, DG EMPL has assessed the efficiency of the control system. This section outlines the indicators used to monitor the efficiency of the control systems for each of the relevant management modes.

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

2019	Share in overall amount of payments
Shared management	98.1%
Direct and Indirect management	1.9%
TOTAL	100.0%

A. Shared Management

The table below shows the results registered in 2019 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year. The % of Commission payments on time remained stable at 97% as in 2018 while the average time to pay is comparable with previous performance reported (29.5 days in 2018).

Indicator	2019
Budget execution (payments in EUR million)	14 427.2
% of Commission payments on time	97%
Average time to pay (days)	32
% timely interruption and suspensions of payments notified to MS <i>Impacted by the time required by MS to react and strong concentration in one MS.</i>	92%

B. Direct and Indirect management

The table below shows the results registered in 2019 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year.

Indicator	2019
Budget execution (payment - direct management in EUR million)	280.3
Time-to-inform (days) ⁴⁵	161
Time-to-grant (days) ⁴⁶	91
% of Commission payments on time	95%
Average time to pay	22

Time-to inform and to grant indicators are within the limits set by the Financial Regulations. Nevertheless both the time to grant and the time to inform show an increase compared to the previous year (154 days to inform and 83 days to grant), which are explained by some specific delays faced in two calls in particular, with changes to be managed within consortia.

As for the % of Commission payments on time, this remains stable at 95% as in 2018 while the average time to pay improved significantly from 26 days in 2018 to 22 days.

2.1.1.5. Economy (cost of controls)⁴⁷

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

The functions/activities factored in include: financial management; budget and accounting; external audit; coordination (e.g. strategic planning and programming, internal control); anti-fraud; programme management and ICT.

The estimates are calculated based on the time dedicated by the staff members to the functions/activities aforementioned which is translated into costs by using the annual average cost of staff, complemented with the external costs incurred by the Commission for the same functions/activities (e.g. outsourced audit and ICT).

The source of the time estimates is ATLAS (internal HR tool).

The assessment resulted in a total cost of controls for 2019 of 0.18% for DG EMPL, with the following outcomes per management mode:

A. Shared Management

Following the methodology described above, the cost of controls for shared management for 2019 stands at 0.11% which is slightly higher than the level observed in 2018 (0.09%) mainly due to the increased unit cost of staff as per corporate guidance.

Indicator	EUR	%
Cost of control/funds managed	16.5 million/ 14.4 billion	0.11

⁴⁵Average time to inform applicants of the outcome of the evaluation of the application. (Article 128(2) of the FR – maximum 6 months).

⁴⁶ Average time to grant (Article 128(2) of the FR – maximum 3 months).

⁴⁷ Detailed information is available in Annex 10.

The calculations do not take into account the cost of control incurred at MS level. For the 2014-2020 period, this is estimated at 2.8% for ESF (compared to 2.2% for ERDF which encompasses much higher amounts, 4.4% for EMFF owing to the relatively small size of the fund and 8.3% for EAFRD due to a very high number of small operations)⁴⁸ which shows a significant decrease compared to the previous programming period when the cost of control at MS level reached 4.8%.

B. Direct and Indirect management

Following the same methodology as for shared management, the cost of the controls carried out during the reporting year stand at 3.43% which is comparable with the level observed in 2018 (3.16%).

Indicator	EUR	%
Cost of control/funds managed	9.6 million/ 280 million	3.43

The calculations do not take into account the cost of control incurred with the entrusted entities. For 2019, this stands at EUR 896 888 and takes the form of administrative fees disbursed to EIF in relation to the financial instruments of DG EMPL that it manages.

C. Initiatives to improve economy and efficiency of financial and non-financial activities

At the end of 2019, all incoming invoices or cost claims are processed electronically within in DG either through the ARES e-signatory system or the new workflow system RDIS.

The RDIS approval workflow is currently used for the approval of the IT invoices, representing around 60% of the total invoices received, and it allowed reducing their payment time by 50%.

In 2019, the financial capacity checks of applicants receiving grants of less than EUR 60 000 have been reduced to reflect the low risk involved.

2.1.1.6. Conclusion on the cost-effectiveness of controls

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

2.1.2. Audit observations and recommendations

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.

DG EMPL is audited by both external and internal independent auditors: the European Court of Auditors and the Commission Internal Audit Service.

A. European Court of Auditors

ECA Annual Report for 2018

For the fourth time in a row, the ECA has not reported a specific error rate for ESF expenditure, but it has integrated the ESF related errors in the global error rate for Cohesion spending (chapter 6) since the audited ESF sample was too small to make valid conclusions.

⁴⁸ Based on the study ['New assessment of ESIF administrative costs and burden'](#).

The 2018 Statement of Assurance on Cohesion policy is the second year of the ECA pilot approach consisting in focusing on the audit work already performed at both national and Commission level in assessing and testing management and control systems. This is a step that builds on the reinforced control and assurance framework for the 2014-2020 period.

An increase in the 2018 global error rate for Cohesion spending

Audit authorities had reported 60 quantifiable errors in the assurance/closure packages for the 220 transactions the ECA sampled, which mainly concerned ineligible costs and public procurement issues, followed by the absence of essential supporting documentation.

In the sample the ECA examined, they identified and quantified 36 additional errors that had not been detected by the Audit Authorities. Taking account of the 60 errors previously found by the Audit Authorities and corrections applied by programme authorities (worth a total of EUR 314 million for both programming periods taken together), the ECA estimates the level of error to be 5.0% (up from 3.0% in 2017, comparable to the 4.8% error rate in 2016 and 5.2% in 2015). The number and impact of the errors the ECA found for transactions in the 2014-2020 period were higher than for transactions relating to closure of the 2007-2013 period.

The Commission does not share the assessment of the ECA on three significant errors concerning 2014-2020 (one for DG EMPL and two for DG REGIO) and two significant errors concerning 2007-2013 (both for DG EMPL). This is due to diverging interpretation of applicable national or EU rules with an impact on the calculated error rate.

Taking into account the agreed errors, the Commission considers that the worst-case scenarios disclosed in the 2018 AARs reflect a fair estimate of the error rate.

Main sources of Cohesion policy errors in the ECA 2018 annual report

The main sources of Cohesion policy errors were the following:

- Ineligible costs, ineligible participants, errors in public procurement procedures and State Aid rules, issues with financial instruments, absence of essential supporting documentation as well as VAT-regulation interpretations leading to errors.
- Furthermore, the ECA is of the opinion that two MS withheld, without a justified reason, EU funds from beneficiaries resulting in late payments. These errors did not contribute to the level of error estimated by ECA.

The ECA's assessment of the work of Audit Authorities

The work of Audit Authorities is a critical part of the framework for assurance and control of Cohesion spending. The ECA's review of their work is part of a process that may mean that they make more use of the Commission's assurance model in the future. This year, the ECA assessed the work of 15 out of 126 Audit Authorities.

In all of the assurance and closure packages the ECA examined, the Audit Authorities had reported a residual error rate below 2%. Errors that the Audit Authorities failed to detect or correct affect these rates. The Commission's own work led it to report a residual error rate above 2% for four assurance packages in the ECA's sample. The additional errors the ECA detected in its sample of transactions examined by Audit Authorities in 24 assurance/closure packages, gave them sufficient evidence to conclude that the residual rate for another 4 of the 15 assurance packages for the 2014-2020 period and 1 of the 9 closure packages for 2007-2013 was above 2%.

The ECA's assessment of the work of the Audit Authorities should however be seen in its proper context. The implementation of the programmes is subject to a vast amount of (complex) legislation such as e.g. State Aid, Public Procurement, etc. which in themselves have been modified over time. This requires continuous update and training. The audit of the implementation of the assistance is, therefore, also subject to interpretation. Inevitably, this can lead to divergent understandings between the Commission, the AAs and the ECA.

The Commission is of the opinion that the vast majority of the Audit Authorities function well and that only minor improvements are required for a limited number of them. The

Commission also provides continuous training and assistance to the Audit Authorities in order to align processes and procedures as much as possible.

DG EMPL's follow-up of accepted errors reported by the ECA

DG EMPL is following-up all 'accepted' errors reported by the ECA and ensures for all cases that corrective measures take place or that appropriate action plans are implemented in the concerned systems in order to prevent such errors in the future.

DG EMPL has committed itself to continuing its capacity building actions (simplification seminars promoting the use of Simplified Cost Options and action plans) together with its strict interruptions and suspensions policy.

DG EMPL's follow-up of previous ECA recommendations

DG EMPL is following-up all Statement of Assurance (SoA) 2015-2018 recommendations reported by the ECA and ensures that these are implemented by the deadlines set by the ECA. The Commission notes with satisfaction that, according to the Court's analysis in its 2018 Annual Report, nearly all Cohesion related recommendations were either fully or in most respects implemented.

By the end of March 2020, there are no open ECA recommendations addressed to DG EMPL.

The ECA's recommendations for Cohesion policy

The ECA issued three recommendations in Chapter 6 of the 2018 Annual Report. The Commission shared the ECA's opinion for all of them. The Commission will take the necessary actions to follow up the recommendations. The two recommendations relevant for DG EMPL are:

Recommendation 6.2 - Irregular withholding of payments

Take the necessary steps to ensure that the checklists used by managing and audit authorities include verifications of compliance with Article 132 of the Common Provisions Regulation, which states that beneficiaries must receive the total amount of eligible expenditure due no later than 90 days from the date of submission of the related payment claim. Where relevant, make appropriate recommendations to programme authorities and encourage them to follow correct practice in the future.

The Commission has accepted the recommendation and has taken the necessary steps to ensure that Managing and Audit Authorities pay the necessary attention to compliance with Article 132 of the CPR.

Recommendation 6.3 - 2014-2020 closure arrangements

Address weaknesses and ensure that no programme can be closed with a material level of irregular expenditure. The Commission should: (a) identify the main risks that may affect the regular closure of programmes; (b) where appropriate, develop targeted guidance on the arrangements for closure which includes adequate and timely corrective measures.

The Commission systematically scrutinises each programme before closure to safeguard that the level of irregular expenditure is below materiality. This will also be the case for 2014-2020 programmes, the closure of which is planned in the regulation for 2025. (a) The Commission has accepted the recommendation and will identify the main risks that may affect the closure of 2014-2020 programmes. (b) The Commission considers that there is no urgency to develop such guidance due to the regulatory timetable for closure foreseen in 2025.

ECA Special Reports (based on performance audits) in 2019

In 2019, the ECA published four Special Reports covering DG EMPL policy areas. Special reports adopted by ECA in 2019 related to (1) FEAD; (2) Fighting fraud in EU spending; (3) Tackling fraud in EU cohesion spending, and (4) EU actions for cross-border healthcare. Further details, summary conclusions and/or main recommendations on these Special Reports can be found in Annex 10.

At the beginning of 2020, there are eleven Special Reports ongoing. While DG EMPL is not

always the lead DG for these audits, they require a significant involvement at all stages from its staff.

ECA 'new' reporting products (based on performance and compliance assessments) in 2019

Furthermore, the ECA published three other reports, called 'rapid case reviews' or 'briefing papers' in 2019 in the field of employment and social affairs matters: (1) Rapid-case review on the allocation of funds in Cohesion; (2) Rapid-case review on reporting on sustainability, and (3) Briefing-paper on delivering performance in Cohesion. Further details on these ECA reports can also be found in Annex 10.

Impact of the ECA findings on DG EMPL's assurance

DG EMPL notes that the estimated level of error presented by the ECA in the recent years is consistent with the error rates reported in its previous AARs. DG EMPL also notes that the ECA's conclusions and recommendations in its 2018 annual and special reports do not affect its internal control systems and do not have a material impact on the achievement of the internal control objectives. DG EMPL will continue to focus its audits and actions on the most risky programmes/MS and implement corrective measures when needed through a strict policy of interruptions and suspensions of payments up to closure, and to apply strict procedures at closure to exclude any remaining material risk of irregular expenditure.

B. Internal Audit Service

Audits performed by the IAS in 2019

Audit on 'Management of the Employment and Social Innovation programme (EaSI) with special emphasis on the PROGRESS axis'

The objective of the audit was to assess the adequacy of the programming process (for all three axes of EaSI) as well as the adequacy of the design and the effectiveness of DG EMPL's controls over the operational management of grants under the PROGRESS axis.

The IAS concludes that, overall, DG EMPL has put in place adequate and effective programming and operational grant management processes and controls, and the audit did not result in the identification of any critical or very important issues. The IAS considers however that there is room for further improvement and formulated four important recommendations, related to: (i) Budgeting and call implementation; (ii) Monitoring and evaluation framework; (iii) Call management and the timeliness of grant procedures, and, (iv) Upscaling of funded projects. All recommendations were accepted by DG EMPL.

An action plan to implement the recommendations agreed with the IAS was transmitted on 28 October 2019 and is being implemented according to the agreed timetable.

Audit on 'Monitoring the implementation and performance of 2014-2020 operational programmes by DGs REGIO, EMPL and MARE'

The objective of the audit was to assess whether DGs REGIO, EMPL and MARE effectively monitor the implementation and performance of their 2014-2020 operational programmes and whether they were well prepared for the 2019 performance review.

The IAS concludes that, although overall, the DGs are effectively monitoring the implementation and performance of the programmes and that the performance review was well prepared, there remain very important weaknesses. The IAS formulated two very important recommendations, related to: (i) Assessing programme performance, identifying and following up on implementation weaknesses, and, (ii) Performance data reliability. One further important recommendation related to 'Reporting on implementation' was reported by IAS. All recommendations were accepted by DG EMPL and the Action Plan was accepted by IAS and it is planned to implement all three recommendations in the first half of 2020.

Audit on the processes for coordinating technical support to the Member States in the Directorate-General for Structural Reform Support (including the contribution of Directorates-General for Regional and Urban Policy and for Employment, Social Affairs and Inclusion to the coordination mechanism)

The multi-DG audit, which aims to assess the effectiveness of the processes, is currently being carried out in DGs EMPL, REGIO and REFORM.

Conclusion

In its note of 13/02/2020, Ares(2020)931422 the Internal Auditor concludes that the internal control systems in place for the audited processes are effective, except for the observations giving rise to three 'very important' recommendations; two recommendations relating to the audit on 'monitoring the implementation and performance of 2014-2020 operational programmes by DG REGIO, DG EMPL and DG MARE', and one recommendation relating to the audit on 'effectiveness of simplification measures under 2014-2020 ESI Funds in DG EMPL, DG REGIO and DG MARE' (a recommendation stemming from an audit finalised in 2019). These recommendations need to be addressed, in line with the agreed action plans.

DG EMPL considers that the necessary improvements and reinforcements are being made, and that the above findings will not impact on the assurance provided in the AAR given the fact that the action plans are being implemented in accordance with the revised planning.

All 'very important' recommendations relating to IAS audits carried out before 2019 have been implemented by DG EMPL or marked as 'ready to be reviewed by the IAS', including Recommendation n° 1 relating to the audit on effectiveness of simplification measures under 2014-2020 ESI Funds in DG EMPL, REGIO and MARE, on 'Uptake and impact of simplification measures and the DGs' processes to promote and monitor these measures'.

2.1.3. Assessment of the effectiveness of the internal control system

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

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

To assess the effectiveness of the internal control principles DG EMPL has followed the methodology established in the 'Implementation Guide of the Internal Control Framework of the Commission'. A survey via Internal Control Self-Assessment Tool (ICAT), was conducted in November 2019. DG EMPL had defined indicators for each of the Internal Control Principles (ICP) in its working group for internal control, which is composed of representatives of each Directorate. The working group selected a series of questions for the ICAT survey. All managers as well as 100 staff, who were selected on a random basis, were invited to participate in the survey. The results of the survey were analysed by the ICP working group taking into consideration other factors including audits and exceptions.

After a slight increase in the number of exceptions and non-compliance cases in 2018 (14 and 9), these decreased in 2019 to 11 and 6.

Based on this wide-ranging analysis and comparison with the target values, suggestions for improvements were developed. The follow-up actions which had been proposed for 2019 for selected internal control principles were implemented.

The assessment tool provided by BUDG was also used by the ICP working group to confirm the overall working of the internal control system.

Management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensuring that any

control weaknesses in the system are detected, analysed and considered for improvement. DG EMPL prepared a Mid-year report where all Directors were also asked to report any weakness identified in relation to the internal control systems. In addition, management performs, if required, specific assessments to ascertain whether the internal control systems and their components are present and functioning. The purpose of these management assessments is to provide reasonable assurance that the internal control principles adopted by the Commission are implemented and functioning in the DG, that the assessment findings are evaluated and that any deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

DG EMPL has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to commitment to competence, fraud risk, control activities and control over technology.

The improvements envisaged are to update the job descriptions, improve the information on anti-fraud training, increase the exchange between auditors and AOD in direct management, and examine the indicators on span of control in IT.

2.1.4. Conclusions on the impact as regards assurance

This section reviews the assessment of the elements already reported above (in Sections 2.1, 2.1.2 and 2.1.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

Review of the elements supporting assurance

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

The Commission gives the highest priority to the exercise of its responsibilities for implementing the budget under Article 317 of the EU Treaty.

DG EMPL has assessed the effectiveness of its key internal control systems during the reporting year and concluded that they are overall working satisfactorily.

In addition, DG EMPL has systematically examined the available control results and indicators, including the results of its own audits, those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives.

Reservations and overall conclusion on assurance

For **direct management**, the assessment described above and the estimated overall error rate for centralised direct management under the materiality threshold (0.48%) provides reasonable assurance to DG EMPL.

For **EGF**, the overall estimated error rate is 0%. Based on this assessment, management has reasonable assurance that suitable controls are in place and work as intended, risks are being appropriately monitored and mitigated and necessary improvements and reinforcements are being implemented.

Concerning **IPA**, the analysis made allowed to conclude to a reasonable assurance. The overall estimated error rate is 0.7% for the whole programming period.

For the **ESF 2007-2013** programming period, the overall residual risk for the whole programming period is estimated at 0.6%. A reputational reservation is maintained for 6 programmes for which additional audit work is still ongoing or potential significant additional financial corrections may need to be requested.

As regards the **ESF/YEI and FEAD 2014-2020** programming period, the average residual total error rate for the 2017/2018 annual accounts (KPI 5) is confirmed at 1.7%. The maximum risk identified could reach 2.4% taking into account programmes still under contradictory procedures. For the programmes with a residual error rate above 2%, additional financial corrections will be requested. The first assessment of the assurance packages received in February 2020 for the 2018/2019 annual accounts in addition to the audit work performed during 2019 allowed detecting deficiencies in the management and control systems of 29 ESF/YEI and 1 FEAD operational programmes of the 2014-2020 programming period that are included in the 2019 reservation.

Overall Conclusion

In conclusion, DG EMPL management has reasonable assurance that, overall, suitable controls are in place and function as intended, that risks are being appropriately monitored and mitigated and that necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by reservations concerning 30 2014-2020 ESF/YEI and FEAD programmes and 6 ESF 2007-2013 programmes.

2.1.5. Declaration of Assurance and reservations

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

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view⁴⁹.

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

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

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

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

- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulations No 1303/2013 and No 223/2014 (2014-2020 programming period) for identified ESF/YEI and FEAD programmes in Croatia, France, Germany, Hungary, Italy, Poland, Slovenia, Spain and United Kingdom.
- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulation 1083/2006 (2007-2013 programming period) for identified ESF programmes in Austria, Germany, Italy and Romania which have not been subject to sufficient control and corrective measures by the national authorities for the closure.

Brussels, 24 April 2020

(e-signed)

Joost KORTE

⁴⁹True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

Table 8: Reservations 2014-2020 programming period

EMPL	
Title of the reservation, including its scope	Management and control systems for 29 ESF/YEI operational programmes in Croatia, France, Germany, Hungary, Italy, Poland, Slovenia, Spain and United Kingdom, and 1 FEAD operational programmes in France for the programming period 2014-2020
Domain	Shared management of ESF and FEAD
Programme in which the reservation is made and total (annual) amount of this programme	04.02 ESF/YEI (2014-2020) 04.06 FEAD (2014-2020) Payments made in 2019 to programmes in reservation: EUR 2.2 billion
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulations 1303/2013 and 223/2014.
Materiality criterion/criteria	Significant deficiencies at the level of the key elements of the management and control systems
Quantification of the impact (= actual "exposure")	EUR 134 million
Impact on the assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place.
Responsibility for the weakness	The expenditure concerned is under shared management, in which the Member State is responsible for implementing the management and control systems. The Commission supervises the national authorities in this respect.
Responsibility for the corrective action	For each programme included in the reservation, with the aim to obtain assurance that the required corrective measures have been completed, the Commission has undertaken or planned specific actions which include, if necessary: <ul style="list-style-type: none"> ▪ warning letters ▪ interruption of payments ▪ launch of suspension and financial corrections procedures ▪ complementary guidance and support for national authorities especially on the coverage and quality of the audit activities ▪ audit work to check the ability of national auditors to fulfil their obligations on the spot audits of operations or on systems on a risk-based approach.

Table 9: Reservations 2007-2013 programming period

EMPL	
Title of the reservation, including its scope	Management and control systems for 6 specific ESF Operational Programmes in Austria, Germany, Italy and Romania for the 2007-2013 programming period.
Domain	Shared management of ESF
Programme in which the reservation is made and total (annual) amount of this programme	04.02 ESF (2007-2013)
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulation 1083/2006 (ESF 2007-2013).
Materiality criterion/criteria	Significant deficiencies at the level of the key elements of the management and control systems.
Quantification of the impact (= actual "exposure")	EUR 0 million. The final payment for the closure of the programmes concerned will take place only when all the issues are solved and the relevant financial corrections agreed.
Impact on the assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place. The Commission will make the final payment once the Member States' authorities will have agreed all necessary additional financial corrections.
Responsibility for the weakness	The expenditure concerned is under shared management, in which the MS is responsible for implementing the management and control systems. The Commission supervises the national authorities in this respect.
Responsibility for the corrective action	For each programme included in the reservation, the Commission has requested Member States to perform additional audit work and/or apply additional financial corrections.

2.2. Other organisational management dimensions

Brexit preparedness focused on ensuring that DG EMPL was ready for both deal and no deal scenarios.

Meetings were organised regularly with the Commission Task Force 50 and Secretariat-General's Brexit Preparedness Group in order to provide input to the Withdrawal Agreement for the section on Citizens Rights and the Political Declaration on the Future Relationship on level playing field on social and employment standards.

DG EMPL also updated the Preparedness Notice on European Works Council and contributed to a Notice for Travellers.

In addition, DG EMPL contributed to the Communications produced by the Brexit Preparedness Group on preparing for the withdrawal of the UK.

In the framework of the preparations for an eventual no-deal Brexit, DG EMPL prepared a legislative proposal on contingency measures for social security coordination. The Commission proposal was presented on 30 January 2019, and the Regulation was adopted by co-legislators on 19 March 2019.

The Brexit coordinator of DG EMPL organised regular meetings with the internal Brexit preparedness group representing units most impacted by Brexit, in order to provide information on latest developments and guidance, and to clarify the issues at stake. Therefore, the staff was frequently informed on the practical implications of Brexit such as the participation to meetings and financial issues.

2.2.1. Human resource management

In 2019, DG EMPL continued its efforts to align resources in support of the delivery of Commission's priorities and core business, including through careful screening of all vacant posts. A **monitoring tool** (HR metrics) was developed to support management decisions on staff allocations. For contract agents, further measures were taken to ensure a better correspondence between the type of contract and the level of responsibilities.

To ensure a competent and engaged workforce, a rich internal learning offer was provided throughout the year with nearly **150 sessions, including the DG EMPL Summer School and the European Semester training series**. The results of the last survey (published in 2019) showed a considerable increase in staff engagement and improvements in general. To follow-up the results, an action plan was adopted, leading, inter alia, to the organisation of a local Health & Wellbeing Week.

With **56% representation of women in middle management, DG EMPL largely overpasses the 40% target**. Still, DG EMPL continued to support the development of female talent, notably by providing the opportunity of taking up individual management coaching for colleagues with management aspirations.

For the internal communication on HR issues, an **'HR Corner' was created** on the front page of DG EMPL Intranet with sections on internal training, vacancies and staff moves. The Intranet Newsletter of DG EMPL also covered HR matters throughout the year.

2.2.2. Better regulation

Impact Assessments

No impact assessments were submitted to the Regulatory Scrutiny Board in 2019.

Regulatory acquis covered by evaluations

The Evaluation and Impact Assessment unit of DG EMPL supported the operational units in achieving their targets for evaluations through (i) strong and active involvement in the inter-service steering group for staff working documents and supporting studies and (ii)

increased awareness actions and guidance about the Better Regulation requirements (e.g. new intranet pages with guidance).

The share of EMPL's policy related legislation covered by ex post evaluations stands at 77% at the end of 2019. The current indicator is based on the evaluation of policy related legislation, but excludes financial support instruments. Therefore, some evaluations completed in 2019 or in prior years are not reflected in this ratio (such as the mid-term evaluation of the EGF, evaluation of 'Your first EURES job' mobility scheme, the ESF ex post evaluation, the EGF ex post evaluation and the mid-term evaluation of the EaSI programme). To better capture evaluation activities of EMPL, the approach might be revised in the future to include also financial support instruments.

2.2.3. Information management aspects

Document management

DG EMPL continued maintaining visibility of files as decided by the DG through a thorough analysis and survey in collaboration with all services. New files' visibility is set following established criteria and specific justified decision of the lead service: **100% of files that can be shared within the DG or with other Commission services are made available.**

DG EMPL's efforts in **promoting the electronic archiving** led to a substantial improvement in the filing of registered documents. Hermes Preservation System functionalities and related procedures are in place and used for transferring files during Administrative Retention Period from services to central intermediate archives and for applying the Administrative Procedure for Elimination of Documents.

The use of electronic workflows in DG EMPL is largely above any corporate average percentage. In fact, **DG EMPL has one of the best scores in the Commission as regards the use of electronic workflows.**

The backlog in the treatment of old paper files existing in DG EMPL archives is being tackled following a plan established in April 2019. Around **350 linear meters of files have been already treated** (inventoried, transferred to Historical Archives or eliminated).

Data protection

During 2019, the Data Protection Coordinator (DPC) of DG EMPL focused on ensuring that the Directorate-General was compliant to Regulation 2018/1725.

Work focused on carrying out a **full review of all processes, records, privacy statements and mailing lists.** All legacy notifications and privacy statements have been transferred to the register of the new data protection management system. The vast majority of the legacy notifications (90%) have been completely revised, finalised as records and published in the Data Protection Register. Overall, DG EMPL made a good progress and is on track to be compliant for the May 2020 deadline.

Moreover, DG EMPL DPC continued **raising awareness on data protection** and the new Regulation (EU) 2018/1725. Four trainings took place during 2019 with the participation of DG EMPL staff and newcomers. The newcomers were informed about the data protection rules during their welcome session.

Furthermore, the intranet page of DG EMPL on data protection is regularly updated with the latest guidance and information.

The DPC also provides a **helpdesk to colleagues on all data protection issues.** This varies from answering questions by email to providing mini information sessions.

To support DG EMPL staff in their work, the DPC has also written an **internal guide with frequently asked questions** which is updated on a regular basis. Guidance from the European Data Protection Supervisor and DPO is distributed regularly to all contact points.

The DPC of DG EMPL regularly attends meetings and working groups of the DPC network.

2.2.4. External communication activities

In 2019 EMPL's external communication focused on what the EU does to build a fairer and more social Europe, in particular in the run-up to the European elections, and concentrated on 3 of the 10 policy areas of the Juncker Commission:

Key priority #1 "jobs, growth, investment"

DG EMPL communicated about the integration of the 'social dimension' into the European Semester following the adoption of the European Pillar of Social Rights. Other important communication themes were the European Skills Agenda, the European Accessibility Act and the next generation of social and employment programmes, with a special focus on the new ESF+.

Key priority #4 "Internal Market"

DG EMPL developed **targeted communication actions** (press releases, memos, factsheets, videos, social media actions, leaflet and events) on the launch of the European Labour Authority, the protection of workers from the risks related to exposure to carcinogens or mutagens at work, work-life balance and the transparency and legal predictability of working conditions. The campaign **#EU movers** was implemented to celebrate the 50th and 60th anniversaries of the freedom of movement for workers and the coordination of social security systems in Europe.

Key priority #5 "deeper and fairer EMU"

DG EMPL made an **EU-wide communication campaign on the European Pillar of Social Rights**. This included events in the MS, a travelling exhibition, social media actions based on small videos/gifs, publication on the InvestEU website of 50 real life stories on the Pillar principles, advertisements at 3 European airports, photo competition on #MySocialEurope, publication of the magazine 'Social Agenda' and the brochure 'Social Europe - your stories'.

Furthermore, DG EMPL strengthened its cooperation with stakeholders and multipliers on the ground by **establishing a network of Pillar ambassadors** and a dedicated Facebook group. A **pilot activity with photographers and film festivals was launched** to develop art-related communication products for the wider public, among others on the Europeana website.

DG EMPL coordinated its actions closely with the Commission's corporate communication campaigns **#investEU**, **#EUandMe** and **#EUprotects** and contributed to the launch of the new **'EU rural' corporate campaign**. In addition, EMPL-funded project examples and audio-visual material were provided to the **three corporate communication campaigns**.

DG EMPL also **organised citizens' dialogues** as well as **workshops and debates** at the European Youth Week in Brussels and the European Youth Event in Sibiu to reach out to as many citizens as possible, in particular young people, and to raise awareness about "Social Europe" in the run-up to the European elections.

As for the **Open Day of the EU institutions**, DG EMPL participated with a dedicated stand presenting tangible examples of EU action in the fields of employment and social inclusion.

The achievements of the ESF, EGF, EaSI, FEAD, Erasmus+ / ErasmusPro and the European Solidarity Corps were communicated to the media, stakeholders and citizens.

DG EMPL undertook **targeted communication actions** also in the framework of the EURES job network, the promotion of the European Health Insurance Card, the Future of work conference and the Employment and Social Developments in Europe annual review.

Other important actions included the European Vocational Skills Week, the European Day of persons with disabilities, the Access City Award, the access to social protection recommendation and the social dialogue at EU level.