



Annual Activity Report 2022

DIRECTORATE-GENERAL EMPLOYMENT,
SOCIAL AFFAIRS AND INCLUSION

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DG EMPL IN BRIEF

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

Mission statement of DG EMPL, 2020-2024 strategic plan

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

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

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

- ✓ Policy development, guidance, coordination, and governance in the areas of employment, social inclusion, and equality, including through the European Semester process, based on the principles of the European Pillar of Social Rights, and further integration of the UN Sustainable Development Goals. DG EMPL also contributes to the employment and social dimension of the EU enlargement and to the international dimension of the Commission's work.

⁽¹⁾ [The European Pillar of Social Rights](#).

- ✓ Legislation on working conditions, occupational health and safety, free movement, coordination of social security, non-discrimination, and equal opportunities.
- ✓ Management of a wide range of funding instruments to implement policies through different modalities:
 - *Under shared management mode with the Member States:* the European Social Fund Plus (ESF+) for the 2021-2027 period, as well as the former ESF, the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD) for the 2014-2020 period until closure; REACT-EU, part of the Next Generation EU package; and the European Globalisation Adjustment Fund for Displaced Workers (EGF). Due to the specific nature of the underlying activities and given the shared management mode used for the vast majority of its financial resources, the results and impacts of DG EMPL's activities are only to some extent under its own control.
 - *Under direct management mode by DG EMPL:* (i) the Employment and Social Innovation (EaSI) strand of ESF+; (ii) part of Erasmus+; (iii) part of the Citizens, Equality, Rights and Values programme (CERV); (iv) funds allocated by virtue of the powers conferred to the Commission by the Treaty ('prerogatives') for social dialogue, labour mobility, analysis of the social situation, demographics and the family; and (v) contributions to five decentralised agencies.
 - *Under indirect management mode with non-EU countries and international organisations:* (i) operational programmes under the Instrument for Pre-Accession Assistance (for the 2007-2013 period), which are currently at closure phase; and (ii) actions related to the EaSI strand of the ESF+, that are implemented either by international organisations, by the Lithuanian ESF Agency (ESFA), or by the European Investment Bank and the European Investment Fund.

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

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

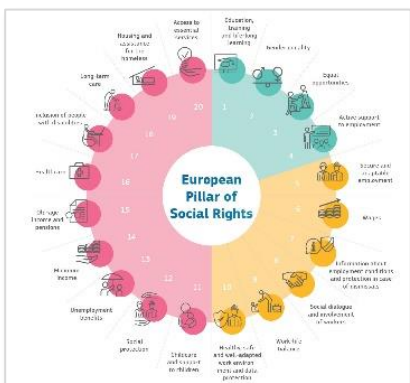
DG EMPL's **challenges and risks** typically arise from the effects of sudden changes in the EU's socioeconomic situation. After providing response measures to the COVID-19 pandemic, new socio-economic challenges emerged, driven by the supply chain shock, energy crises caused by Russia's continuing war of aggression against Ukraine, and resulting in inflationary developments. However, the DG actively continues focusing on long-term structural reforms in the Member States in order to bolster their resilience and preparedness for unexpected situations by providing guidance, policy development, legislation and financial support.

EXECUTIVE SUMMARY

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

A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

In 2022, DG EMPL put into effect the initiatives planned in the Commission work programme and DG EMPL's management plan, promoting the general interest of the EU and contributing to the recovery plan. All these initiatives support the implementation of the ambitions set in President von der Leyen political guidelines, which are also reflected in DG EMPL's 2020-2024 Strategic Plan ⁽³⁾. These initiatives also help implement the European Pillar of Social Rights and the related Action plan, and the UN Sustainable Development Goals, as further detailed in the following sections.



The European Pillar of Social Rights Action Plan, put forward on 4 March 2021, sets out the three EU-level headline targets to be achieved by 2030 on employment (at least 78% of people aged 20 to 64 in employment), adult learning (at least 60% of adults taking part in training each year) and lifting people out of poverty (reducing the number of people at risk of poverty or social exclusion by at least 15 million, including 5 million children, compared with 2019 figures). The Action Plan presents a number of specific actions aimed at

implementing the Principles of European Pillar of Social Rights. The three headline targets are goals that the European Union and the Member States want to reach together, which is why in June 2022, EU employment and social affairs ministers presented their national targets to help achieve these three EU headline targets.

The European Pillar of Social Rights is accompanied by the “Social Scoreboard” set of indicators that helps keep track of trends and performances concerning the three headline targets across the EU.

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

⁽³⁾ [2022 Commission work programme](#), [2022 Management plan](#), [Political guidelines of President von der Leyen](#) and [2020-2024 Strategic Plan](#)

To implement both the Commission general objectives and its specific objectives, DG EMPL continued to base its work on its three main areas of action: **policy, legislation** and the management of a wide range of **funding instruments**.

Policy



Implementation of the European Pillar of Social Rights Action Plan progressed at a fast pace. By the end of 2022, about **90% of its announced initiatives** for this Commission's mandate were adopted or put forward. Moreover, the **Declaration on the 2022 Joint Priorities** for the Commission, the Parliament and the Council highlighted the commitment to implementing the European Pillar of Social Rights.



Progress was made to involve social partners in EU policy and law-making by organising 11 dedicated hearings and two meetings at a high political level to discuss the planned initiatives. The social partners' views fed into the preparations of new initiatives such as the **Commission's new European Care Strategy. The European Care Strategy**, adopted on 8 December 2022 by the Council, aims to ensure quality, affordable and accessible care services across the European Union.



The Pact for Skills flagship initiative aims to support public and private organisations with upskilling and reskilling. In 2022, the Pact established additional large-scale partnerships in different industrial sectors and its membership has grown to over 1000 organisations that will lead to 6 million training opportunities in the coming years.

Following the announcement of President von der Leyen in her 2022 State of the Union address, the Commission adopted the proposal for a Decision on the **European Year of Skills**. The inter-institutional negotiations for its final adoption by the co-legislators was finalised in March 2023, and the year will officially be launched on 9 May 2023.

With regards to the European Semester, DG EMPL proposed a revision of the **Employment Guidelines**, adopted by the College in May 2022 to take account of the post-pandemic context, bringing in aspects related to fairness in the green transition, and provide input of relevance in the context of Russia's war of aggression against Ukraine, notably on the integration of displaced people.

In December 2022, DG EMPL published its annual review **Labour Market and Wage Developments in Europe**. The 2022 report focuses in particular on the impact of the Russian war of aggression against Ukraine and the energy crisis on the EU labour market.

The Disability Employment Package was launched to improve labour market outcomes of persons with disabilities. The main areas of action are strengthening employment capacity and integration services, promoting recruitment and combating stereotypes, ensuring reasonable accommodation is made available, enabling persons with disabilities to remain in work, exploring quality jobs in sheltered employment, and pathways to the open labour market.

DG EMPL prepared and adopted a **Communication on decent work worldwide**, reaffirming the EU's commitment to championing decent work both at home and around the world, namely through the elimination of child labour and forced labour.

DG EMPL also contributed to the **“Fit for 55”** Council Recommendation on ensuring a fair transition towards climate neutrality, adopted on 16 June 2022. In particular it provided input to the negotiations in Council on the employment, skills and social aspects of the transition in line with the European Pillar of Social Rights.

In November 2022, DG EMPL organised the first edition of the annual flagship event, **the European Employment and Social Rights Forum**. It focused on the social dimension of the green transition and included break-out sessions on EMPL priorities such as the European Care Strategy, European and Social Developments in Europe (ESDE), the Pact for Skills and the Social Economy Action plan. The event attracted 1260 participants and reached more than 7.6 million interested people, 340,000 clicks on DG EMPL's website and 14 million views of the event video.

On 9 May 2022, **the Conference of the Future of Europe** ⁽⁴⁾ ended, having produced **49 proposals** consisting of 325 specific measures that citizens have formulated to shape the Europe they wish to see. Many of the DG EMPL's key initiatives for 2023 follow up on the outcomes of the Conference on the Future of Europe.

Ukraine



The adoption of the initiatives ‘Cohesion’s Action for Refugees in Europe’ (**CARE**) and ‘Flexible Assistance to Territories’ (**FAST-CARE**) brought in greater flexibility in the rules of the Common Provision Regulation. They allow Member States to use their 2014-2020 budget allocations more easily to provide emergency assistance to people fleeing Russia’s war of aggression against Ukraine.

⁽⁴⁾ [Conference on the Future of Europe.](#)

DG EMPL contributed to a Communication welcoming people fleeing Russia's war of aggression against Ukraine (led by the Secretariat General, March 2022) and published a **Communication on Guidance for access to the labour market, vocational education and adult learning** (June 2022) to support Member States in implementing the Temporary Protection Directive.

With the support of the **European Training Foundation**, EU Member States and Ukrainian authorities compared the European Qualifications Framework and the Ukrainian National Qualifications Framework (from primary to post-doctoral education). Moreover, together with DG HOME and European Labour Authority (ELA), DG EMPL launched the EU Talent Pool Pilot for Ukraine in October 2022.

In 2022, DG EMPL continued to support the implementation of the **Action Plan on Integration and Inclusion of Migrants** with a focus on skills, education, employment and housing as well as the ESF+ support. The focus of actions in 2022 was on addressing the impact of the refugee crisis caused by the Russian war of aggression against Ukraine by, for example, adding the Ukrainian language to the Skills profiling tool for third-country nationals.

DG EMPL assisted the Special Adviser to Commissioner Nicolas Schmit, **Mr Lodewijk Asscher**, in promoting social integration of Ukrainian refugees in terms of work, housing, education and healthcare in the Member States.

Legislation

In 2022, the Commission adopted a **proposal for a directive on the protection of workers from the risks related to exposure to asbestos**. The proposal lowered the limit value under Directive 2009/148/EC on exposure to asbestos at work.

DG EMPL followed and actively supported trilogies with the European Parliament and the Council on the **proposal for a directive on improving working conditions in platform work**, to ensure that people working through digital labour platforms have the working conditions and rights that correspond to their correct employment status.

DG EMPL followed and contributed to the swift adoption of the Council Recommendation on **Individual Learning Accounts and Micro-credentials**, empowering to reskill and upskill through incentives and certification.

In September 2022, the Commission presented its proposal for a **Recommendation on adequate minimum income** ensuring active inclusion, which will support and complement the minimum income policies of Member States. The Recommendation was adopted in January 2023 by the Council.

In November 2022, a strong focus was put on the European Pillar of Social Rights with the publication of the **'Proposal for a Joint Employment Report 2023.'** The proposed Joint Employment Report, will for the first time, integrate the 2030 national targets on employment, skills and poverty reduction, put forward by all Member States.

As part of the European care strategy, the ‘Proposal for a Council Recommendation on access to **affordable high-quality long-term care**’ was adopted by the Council on 8 December. The Council recommends that Member States draw up national action plans to improve the availability, accessibility and quality of care in the EU for all.

The evaluation of the **Council Recommendation on the Quality Framework for Traineeships** was conducted in 2022 as part of the **European Year of Youth**. The evaluation, supported by a study, will support the update of the quality framework announced in the 2023 Commission work programme.

Funds



All 2021-2027 programmes with an **ESF+ contribution** were adopted successfully in 2022, except one technical assistance programme carried over and adopted in early 2023. Programming of ESF+ funds is aligned with the **European Semester**, often complements the Recovery and Resilience Facility, and addresses issues identified in past

country-specific recommendations.

DG EMPL also continued to promote the use of Simplified Cost Options (SCOs) and Financing Not Linked to Costs (FNLC) by offering support to Member States in designing, verifying, and submitting their **SCO/FNLC methodologies** with the **2021-2027 programmes**.

A smooth transition between the programming periods was ensured by several initiatives and DG EMPL continued to support Member States in ensuring a high rate of funding absorption for 2014-2020. Recovery Assistance for Cohesion and the Territories of Europe (**REACT-EU**)



also provided additional funds to recover from the economic and social consequences of the COVID-19 crisis and were programmed through amendments to existing 2014-2020 programmes.

The Fund for European Aid to the most Deprived (FEAD) helped alleviate the worst forms of poverty in the EU by assisting some of the most vulnerable people with food, basic goods and social inclusion support. The annual implementation reports from the Member States show that, in 2021 (latest figures available), approximately 15 million people received FEAD food assistance.



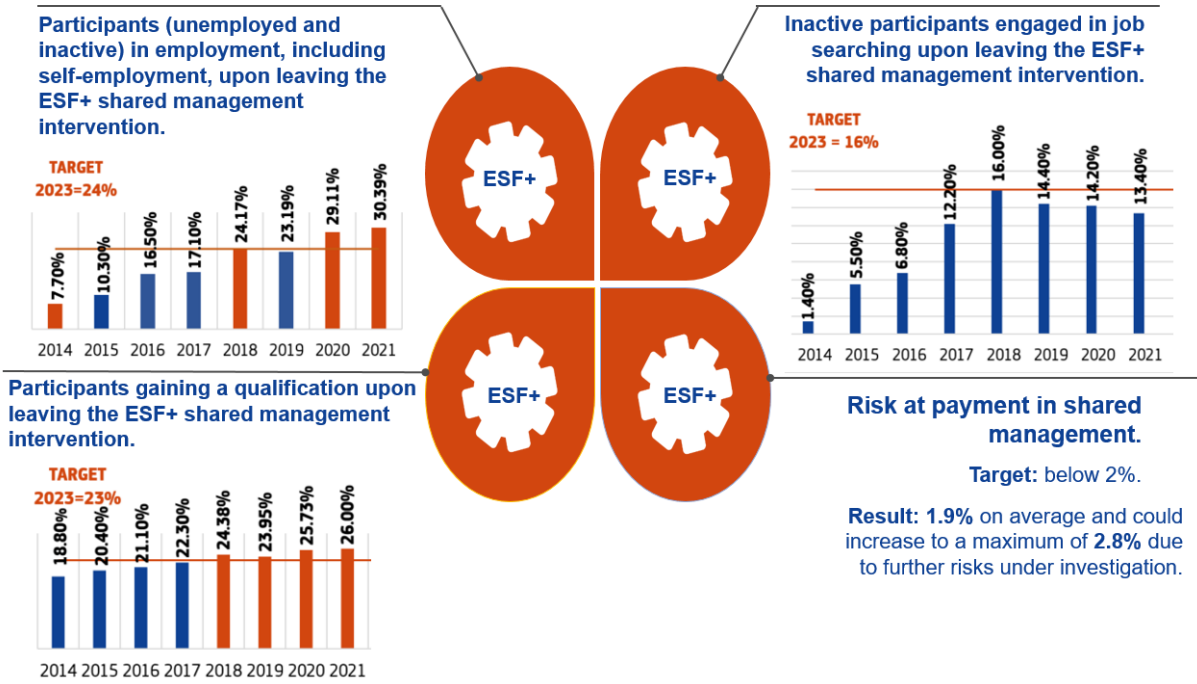
As part of the **European Year of Youth**, DG EMPL implemented the new **ALMA** (Aim Learn Master Achieve) initiative. ALMA offers a supervised work-experience in

another EU Member State for a period of 2 to 6 months to young people who are not in any kind of employment, education or training.

While led by other directorates-general of the Commission, the following programmes also supported DG EMPL’s policy priorities in 2022: **InvestEU, Horizon, Erasmus+** and the programme for **Citizens, Equality, Rights and Values**.

The Joint Audit Directorate for Cohesion of DG EMPL and REGIO (**DAC**) was successful in delivering on its objectives and **delivering assurance in its first full calendar year of activity**.

B. Key performance indicators



C. Key conclusions on financial management and internal control

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

In addition, DG EMPL has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to

determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

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

In particular, for programmes under shared management (**98,3%** of the relevant expenditure in the reporting year), DG EMPL carried out, **for each ESF/YEI and FEAD programme**, an individual assessment on the effectiveness of management and control systems and of the legality and regularity of expenditure entered in the accounts accepted in the reporting year. This approach allows to **disclose in this report the differentiated situation on the assurance obtained and individual risk rates confirmed for each programme**, by identifying which programmes function well, which present deficiencies and what type of remedial actions are needed, and for which programmes further financial corrections are necessary or likely to be needed.

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

- DG EMPL has robust audit evidence (including from its risk-based compliance audits) **showing a differentiated situation for its 215 ESF/YEI and FEAD programmes**: the confirmed residual error rate is below materiality ⁽⁵⁾ for **193 programmes**, while still above for **22** despite the different control layers at Member States' level. Moreover, there are indications that the error rates may remain material for 16 additional programmes. For the concerned programmes, DG EMPL will require application of appropriate additional financial corrections so that ultimately **the risk at closure** is below 2% for all 2014-2020 programmes (**to reach 1.4% on average** according to DG EMPL's estimate). For all previous years, based on additional audit work and additional financial corrections effectively accepted and applied, DG EMPL has evidence that the **risk at closure is currently effectively well below 2%**, in line with the estimates. This reflects DG EMPL's multiannual corrective capacity mechanism.
- By the end of March 2023, based on all audit results including the last ones reported by audit authorities by 1 March 2023, DG EMPL has reasonable assurance that **management and control systems function (sufficiently) well for 189 programmes** ⁽⁶⁾ **but present serious deficiencies for 26 programmes** (representing 14% of expenditure certified in the 2021-2022 accounts). The situation is thus positive for 88% of programmes as a result of continuous efforts by

⁽⁵⁾ A materiality threshold of 2% is defined in the regulatory framework, as applied also by ECA for its own audits.

⁽⁶⁾ This includes 9 programmes with only partial deficiencies.

programme authorities, with the Commission's support. **Weaknesses remain mainly at the level of managing authorities** or their intermediate bodies (deficiencies in management verifications, the first level controls). Some errors thus continued to remain undetected at Member State level, including at the level of some audit authorities. In most cases this did not question the reliability of the audit work carried out, **except for 7 audit authorities (or their control bodies) in charge of auditing 8% of ESF/YEI and FEAD expenditure**. Annexes 7C and 7D present the concerned programmes and authorities.

- DG EMPL **estimates the residual total error rate – risk at payment (KPI 4) to be on average 1.9%** after completing the control cycle (national and European Commission), with a maximum **2.8%** due to further risks under investigation as explained above. Therefore, as reflected in this maximum error rate, **there is a risk that material irregularities remain in the expenditure certified to the Commission for ESF/YEI and FEAD in the accounts accepted in 2022**.

Each time deficiencies are identified, DG EMPL requires **targeted remedial actions** to improve the functioning of the (part of the) system with a view to prevent recurring irregularities. Reservations are made based on all cumulative audit results up to the submission of the assurance packages in March 2023 (including the most recent audit opinions and error rates submitted by audit authorities, and before DG EMPL could complete its audit cycle), in line with applicable criteria (presented in annex 5). Reservations are only lifted once sufficient corrective measures have been taken. The fact that **79% of DG EMPL reservations** are upheld **for less than two years** shows the effectiveness of corrective measures put in place. Please refer to section 2.1 for further details.

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

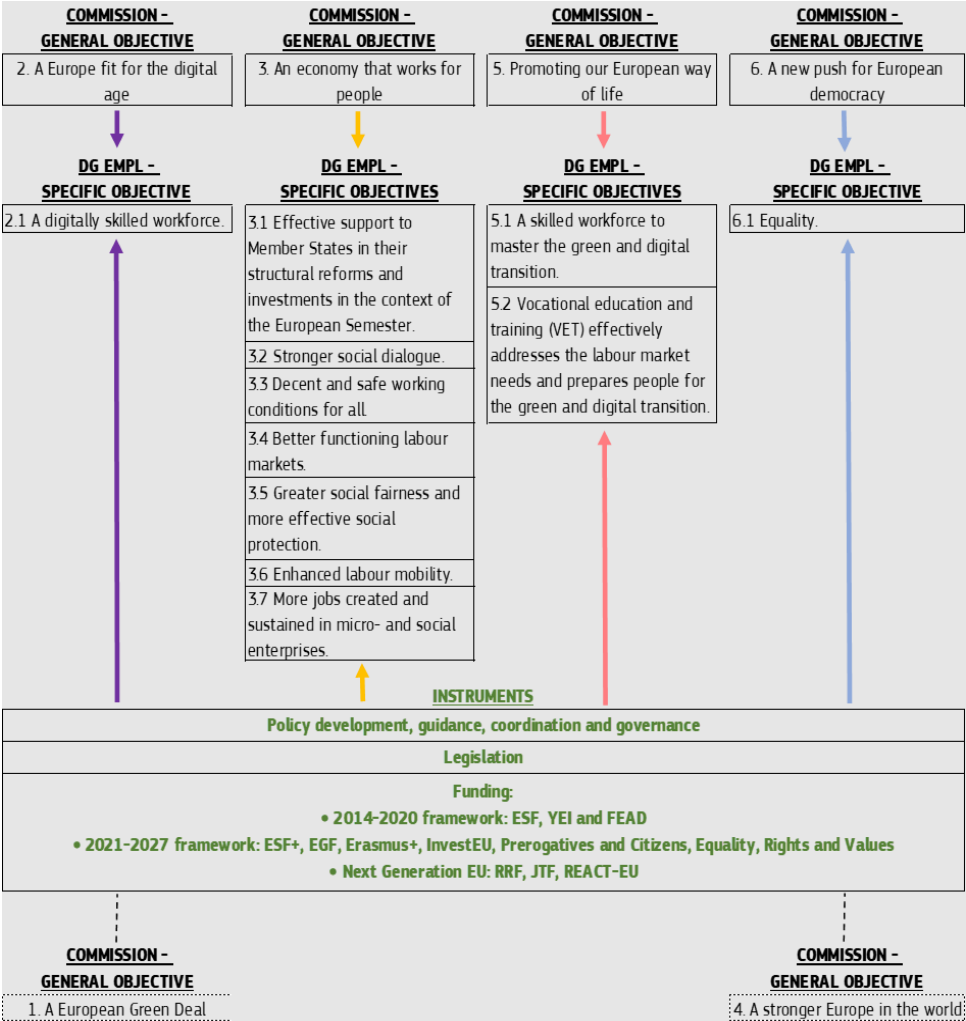
- a reservation concerning management and control systems for **23 ESF/YEI programmes and 2 FEAD programme of the 2014-2020 programming period** in **10 Member States**, and a reservation concerning ESF management and control systems **for one programme of the 2007-2013 programming period**.

D. Provision of information to the Commissioner(s)

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

KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION’S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT (7)

In 2022, European unity and solidarity was put to the test by the Russian war of aggression against Ukraine and the related social impact of inflationary pressures caused by the surge in energy prices. Against this backdrop and within the limits of its power, DG EMPL aimed to cushion the impact of the crisis on people through the use of initiatives to support the achievement of four Commission general objectives where the DG plays a key role and two general objectives to which it contributes indirectly. Thus, in line with its multiannual strategy, DG EMPL’s actions in 2022 were structured around the following objectives:



(7) This section should be read in conjunction with Annex 2 ‘Performance tables’. For more information on funds, refer to the programme statements for budget 2023 for ESF+ and EGF, the ESI funds annual summary reports, the synthesis report of 2020 annual implementation reports submitted in 2021 and the ESIF open data platform.

General Objective 1: A European Green Deal

DG EMPL contributed to the Council negotiations of the “Fit for 55” proposal for a **Council recommendation on ensuring a fair transition towards climate neutrality**, setting out comprehensive guidance for Member States on the policy packages necessary to make sure no one is left behind in the green transition. The proposal was adopted by the Council on 16 June 2022. The recommendation particularly focuses on the **employment, skills**, and the **social aspects** of the transition, in line with the **European Pillar of Social Rights**.

DG EMPL participated in the negotiations on the **Social Climate Fund**, including provisions on direct income support and transfer modalities to the Cohesion Funds ⁽⁸⁾. It supported the inclusion of the first EU-level definition of transport poverty and the corresponding monitoring indicators.

DG EMPL conducted and published the **‘Special Eurobarometer on fairness perceptions of the green transition,’** which showed broad public support for a fair green transition that leaves no one behind. **The Special Eurobarometer** also demonstrated general approval of EU action and policy support in this area while reflecting concerns regarding the feasibility of the transition, including in relation to the energy crisis, and the availability of skills needed for the transition.

DG EMPL developed **a new annex to the European Semester Country Report**, which focuses on the fairness aspects of the green transition. It also co-drafted ⁽⁹⁾ a guidance note to Member States asking them to update their national energy and climate plans (NECPs) in 2023, with a stronger focus on just transition aspects.

Internationally, DG EMPL, together with the International Labour Organisation (ILO), co-organised the **first Just Transition Pavilion, at COP27** in Egypt in November 2022. DG EMPL further continued to implement, together with Canada, the United States, and the IEA (International Energy Agency), the ‘Empowering people: skills and inclusivity for just transitions’ initiative in the context of the Clean Energy Ministerial. Moreover, DG EMPL contributed to the organisation of various side events at the first-ever **Global Clean Energy Action Forum**, held in Pittsburgh, United States, in September 2022.

The **call for proposals on “Social innovations for a fair green and digital transition,”** under the direct management strand (European Social Innovation fund - EaSI) of the

⁽⁸⁾ Directorate-General for Climate Action as lead DG.

⁽⁹⁾ Directorate-General for Energy as lead DG.

European Social Fund Plus, invited social economy actors, training institutions, local authorities, affected communities and other stakeholders to submit proposals to designing, piloting and testing innovative actions to promote fair transitions on the ground. The selected projects will be implemented during 2023-24 period, including in the context of the **European Year of Skills**.

The achievements under this objective benefited from ESF+ ⁽¹⁰⁾ and ESF ⁽¹¹⁾ **financial support**.

In the city Usti nad Labem, Czechia, the 'University of the 21st Century' project ensures that students are equipped with the skills they need for the green and digital transition with the aid of ESF funding of EUR 4.27 million. In particular, the programme associated with the Jan Evangelista Purkyně University focuses on building quality education programmes that prepare graduates for the green and digital transitions, while also expanding the accessibility and provision of an 'open' university for students with a disability. It also provides high quality equipment that enables students to familiarise themselves with state-of-the-art equipment in their chosen profession before graduating. The project began in 2017 and runs until 2023.

⁽¹⁰⁾ EU's main instrument for investing in people and supporting the implementation of the European Pillar of Social Rights for the 2021-2027 period. The ESF+ brings together four funding instruments that were separate in the 2014-2020 programming period: the European Social Fund (ESF), the Fund for European Aid to the most Deprived (FEAD), the Youth Employment Initiative (YEI) and the European Programme for Employment and Social Innovation (EaSI).

⁽¹¹⁾ ESF throughout the document refers to the European Social Fund for the 2014-2020 programming period.

General Objective 2: A Europe fit for the digital age ⁽¹²⁾

Specific Objective 2.1: A digitally skilled workforce ⁽¹³⁾



To support Member States in achieving the target of **at least 80% of people aged 16-74 having at least basic digital skills by 2030** ⁽¹⁴⁾, DG EMPL implemented or contributed to several actions under the European Skills Agenda and the digital education action plan (DEAP) aimed specifically at initiatives that help people build digital skills.

In cooperation with the Joint Research Centre (JRC), DG EMPL released the updated Digital Competence Framework (**DigComp 2.2**), which will facilitate the assessment and monitoring of digital skills and the development of curricula and learning goals, taking into account emerging technologies such as artificial intelligence. DigComp is now used in all 27 Member States and in several non-EU countries and has also given rise to 18 certification systems.

DG EMPL also cooperated with JRC on “the **‘Jobs in the Future (FutureJobs)’** initiative that aims to deepen insights on the future of work and on the socio-economic dimension of digital transformation, including digital platform work, and on the labour market impacts of automation in the service sector and algorithmic management ⁽¹⁵⁾. In addition, DG EMPL broadened the scope of the project to also include an assessment of the synergies between green and digital transitions.

In 2022, DG EMPL co-led the **structured dialogue on digital education and skills** that was set up to encourage Member States to be more ambitious in this area ⁽¹⁶⁾. The structured dialogue will feed into two Council recommendation proposals adopted by the Commission

⁽¹²⁾ The relevant performance table for this objective can be found in the annex 2 (page 4).

⁽¹³⁾ The relevant performance table for this objective can be found in the annex 2 (page 5-6).

⁽¹⁴⁾ European Pillar of Social Rights Action Plan, page 11.

⁽¹⁵⁾ [Automation and Robots in Services: Review of Data and Taxonomy \(europa.eu\)](https://europa.eu).

⁽¹⁶⁾ DG EAC, CNECT and EMPL are the core services involved under the coordination of SG D.1.

in April 2023 on enabling factors for a successful digital education and on improving the provision of digital skills in education and training as well as the 2023 pilot initiative for the European Digital Skills Certificate.

DG EMPL also conducted policy analysis and research into the fairness aspect of **the digital transition**, in the context of the **Digital Decade** ⁽¹⁷⁾, and in support of the European digital rights and principles with several key areas of activity mentioned below.

As part of the European Research Area ⁽¹⁸⁾, the Commission (DGs RTD and EMPL), with the formal support of 18 Member States and with Sweden sponsoring the initiative, launched a new R&I action “**ERA4FutureWork.**” This initiative creates a convening space for stakeholders to discuss on Research & Innovation gaps, priorities and funding opportunities for the future of work.

DG EMPL conducted two **policy reviews on ‘R&I for fair digital transitions’ and ‘R&I for fair green transitions,’** which review of cutting-edge literature, evidence and the results of projects funded by Horizon 2020 (H2020) and by selected regional, national and international R&I programmes.

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

Young Spaniards looking for job opportunities are often told that they do not have the right skillset as companies increasingly look for candidates with digital skills. To bridge the gap between young people’s training and businesses’ needs, a Spanish project offers young people 40 hours of learning via massive open online courses, followed by 20 hours of tuition. The range of topics includes digital consulting, search engine optimisation consulting, big data, artificial intelligence/machine learning, robotics and cybersecurity. Afterwards, participants can choose an expert to tutor them for their final project. Thanks to EUR 66 million of ESF funding, over 5 000 young people have been able to follow the programme, which operates in 36 provinces from 2018 to 2023. Empowered by their new knowledge and digital skills, 9 out of 10 female and 8 out of 10 male graduates found a job shortly after participating.

⁽¹⁷⁾ [Europe’s Digital Decade: digital targets for 2030 \(europa.eu\)](https://europa.eu).

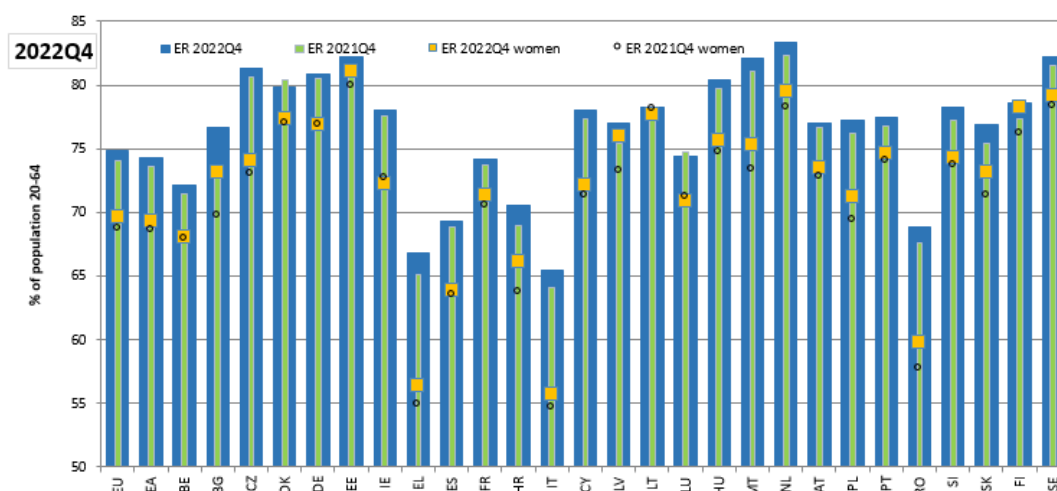
⁽¹⁸⁾ [European research area \(europa.eu\)](https://europa.eu).

General Objective 3: An economy that works for people ⁽¹⁹⁾

Russia’s war of aggression brought devastation and suffering to the Ukrainian people, and also had severe repercussions for the economy of the European Union. The invasion occurred when the EU economy had just returned to pre-pandemic levels, and therefore required a new crisis response. Inflation (already on the rise before the invasion) surged to unparalleled levels, fuelled by skyrocketing energy and food prices and causing a wide range of consequences for the economy and EU citizens. Inflation reduced the purchasing power of European citizens and risks increasing inequality. Policy action is thus crucial to mitigate the effects of rising inflation and energy prices on the economy and to achieve a sustainable and inclusive recovery.

Overall, the employment rate for the EU population aged 20 to 64 increased from 74.1% in the fourth quarter of 2021 to 74.9% in the same period of 2022, making progress towards the target of 78% set in the European Pillar of Social Rights Action Plan for 2030. When analysing the data by gender, the rate of women’s employment increased from 68.7% in the fourth quarter of 2021 to 69.6% in the same quarter of 2022.

Chart 1: Employment rate for population aged 20-64 ⁽²⁰⁾



The population aged 20-24 was more severely impacted by the labour market shock in 2020, as they were already vulnerable due to their lack of work experience and were more likely to be in temporary employment. This age group saw sharpest decline in their employment rate in 2020 but it recovered, rising to 52.1% employment in the fourth quarter of 2021,

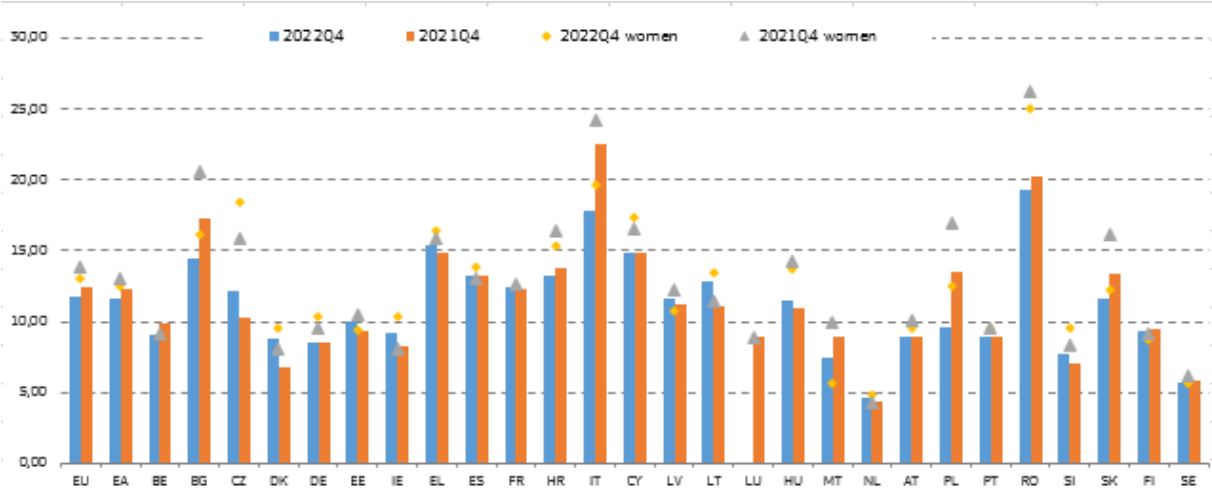
⁽¹⁹⁾ The relevant performance table for this objective can be found in the annex 2 (page 7-8).

⁽²⁰⁾ Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data code: lfsi_emp_q).

compared to 48.4% in the same period of 2020. The employment rate further increased again to 53.6% in the fourth quarter of 2022. The employment rate in all the other age groups also improved in 2022; however, although youth unemployment rate also declined, it declined at a slower pace and is now 2.5 times that of general unemployment ⁽²¹⁾.

The EU average rate of young people neither in employment nor in education and training (NEETs) decreased from 12.50% in the fourth quarter of 2021 to 11.7% in the fourth quarter of 2022, an improvement on the pre-pandemic crisis levels (12.5%). As shown in chart 2 below, the percentage of young women neither in employment nor in education or training is generally higher than that of young men.

Chart 2: Young people neither in employment nor in education or training ⁽²²⁾



Specific Objective 3.1: Effective support to Member States in their structural reforms and investments in the context of the European Semester ⁽²³⁾

In 2022 DG EMPL contributed to the **European Semester** cycle in line with the Article 148 TFEU on employment governance. In this context, DG EMPL proposed a revision of the **Employment Guidelines**, adopted by the College in May 2022, to reflect the post-pandemic situation, bringing in aspects related to fairness in the green transition, and adding elements of relevance in the context of Russia’s war of aggression on Ukraine, notably on the integration of displaced persons. The Council adopted the new Employment Guidelines in November 2022.

⁽²¹⁾ Source: Eurostat (online data code: LFSA_ERGAED).

⁽²²⁾ Impact indicator in the 2020-2024 strategic plan of DG EMPL. Source: Eurostat (online data codes: une_rt_a and sgd_08_20); 2021 data for Luxembourg is unavailable.

⁽²³⁾ The relevant performance table for this objective can be found in the annex 2 (page 9-11).

In the **European Semester** process, DG EMPL contributed to the **overall steering**, provided input for the **country reports** and co-drafted **country-specific recommendations**, which (for non-fiscal policy domains) were suspended in 2021 to cater for the preparation of recovery and resilience plans. For each Member State, DG EMPL drafted two country report annexes, one covering employment, skills, and social policy challenges in relation to the European Pillar of Social Rights, and the other covering employment and the social impacts of the green transition. The identification of country-specific challenges relied on the headline indicators of the **revised Social Scoreboard**, as endorsed by the EPSCO Council, which was used for the first time in the 2022 Semester process. Evidence collected via the **European Centre of Expertise** through ad hoc requests and thematic reviews, including on gender equality, work-life balance, and skills shortages, also helped build a country-specific knowledge base.

The proposal for a **Joint Employment Report 2023**, adopted in November 2022 as part of the Autumn Package, continued to put a strong focus on the European Pillar of Social Rights, in line with the action plan of March 2021 and it emphasised specific aspects of key policy domains for implementation of the Pillar of Social Rights. For the first time, it integrated the **2030 national targets on employment, skills and poverty reduction**, put forward by all Member States in the course of 2022 (following bilateral and multilateral exchanges with DG EMPL) and presented to the June 2022 EPSCO Council. The Joint Employment Report also contributed to the 2022 ‘European Semester: sustainable growth survey,’ streamlining employment and social dimension under the fairness section.

As part of the European Semester cycle, DG EMPL organised **consultations with social partners and civil society organisations**, to exchange views on relevant policy issues and take account of stakeholders’ views when drafting key documents. A **multilateral review of the situation of social dialogue in Member States** was organised, as customary practice, in November 2022 at a special EMCO meeting to this end.

In the context of the **Mutual Learning Programme**, DG EMPL held an online mutual learning exchange on future-proofing the unemployment benefit system on 18 November 2022, hosted by the Norwegian Ministry of Labour and Social Inclusion. The event brought together representatives from the host country and four other countries.

DG EMPL continued to support the Recovery and Resilience Task Force in discussions with Member States on the national **recovery and resilience plans** that were still not adopted. In the course of 2022, the plans for Bulgaria, Hungary, the Netherlands, Poland and Sweden were adopted. The DG also provided key input to the assessment of the plans and incoming payment requests. In total, Member States allocated around 30% of expenditure to employment, skills and social policies. DG EMPL also supported DG REFORM on the

assessment of Member States' requests under the 2023 **Technical Support Instrument** call ⁽²⁴⁾, to ensure complementarity with actions financed under the European Social Fund.

In 2022, DG EMPL supported the work of EMCO and SPC to develop a **framework to better identify and prevent risks to social convergence** in Member States and the European Union, based on existing instruments within the European Semester, following the proposal made by Belgium and Spain to introduce a 'Social Imbalances Procedure' in the Semester. The discussions on the pilot were supported by two position papers on the general architecture of the framework and a series of "mock" documents prepared by the Commission services.

DG EMPL published and disseminated the **2022 Annual Review of Employment and Social Developments in Europe (ESDE)**, an up-to-date economic analysis of the steps the EU is taking to achieve a strong social Europe in the light of the aftermath of the COVID-19 pandemic, the impact of the Russian war of aggression against Ukraine and the twin transitions. It focuses on the challenges and opportunities of young people.

As part of the Commission-wide **Strategic Foresight Network**, operating under the responsibility of Vice-President Sefcovic, DG EMPL ensured that employment and social considerations are fully integrated into the 2022 Strategic Foresight Report on the twinning of the green and digital transitions. It also contributed to the development of the sustainable and inclusive wellbeing strategy to be delivered as a legacy to the next Commission.

Under the **Social Situation Monitor**, a number of **research notes** were published on the greening of households in Europe, on green specialization and the labour market, the dynamics of ICT skills in the EU, the impact of COVID-19 crisis on vulnerable groups in the EU, and the influence of housing on poverty ranking providing. Together, these provided an **evidence-based and policy-relevant research** for national and European policy makers.

These policy achievements received **financial support** from the ESF+, ESF, EGF and EaSI funds.

⁽²⁴⁾ The call included four flagships with EMPL relevance (Industrial ecosystems; Youth first; Towards person-centred integrated care; Migrant integration and talent attraction).

Specific Objective 3.2: Stronger social dialogue ⁽²⁵⁾



Throughout 2022, the Commission has worked on preparing the social dialogue initiative that it announced in the **European Pillar of Social Rights Action Plan**. The initiative package consists of a draft Council recommendation and a communication presented in January 2023. The Commission organised several seminars, two hearings, and exchanges with social partners at several meetings of the **Social Dialogue Committee**.

DG EMPL strengthened the involvement of the social partners in EU policy and law-making by organising 11 dedicated hearings and two high-level political meetings to discuss the planned initiatives. The social partners' views fed into the preparations of new initiatives such as the Commission's new **European care strategy** and the **Council Recommendation on adequate minimum income** ensuring active inclusion.

In October 2022, the EU Cross-sectoral social partners launched negotiations on the review and update of their **2002 Autonomous Agreement on Telework**, in line with their new joint work programme for 2022-24. The Commission welcomed the new negotiations and, in line with its mandate, supported the social partners' discussions by organising five negotiation meetings (3 plenary and 2 drafting meetings) amount to a support of around EUR 0.14 million. The negotiations are expected to be concluded in mid-2023. Moreover, the European social partners from central government administrations signed a new agreement on digitalisation.

As a result of the organisational and financial support from the Commission, the European social partners ensured effective social dialogue and provided support to their members. In 2022, the cross-industry and sectoral Social Dialogue Committees negotiated about 25 joint outcomes (agreements, statements, toolkits etc.). In December 2022, the Commission and five European Social and Economic Partners renewed their commitment to integrate refugees and other migrants into the EU labour market more effectively under the **European Partnership for Integration**.

⁽²⁵⁾ The relevant performance table for this objective can be found in Annex 2 (pp. 13-14).

The Commission also contributed to strengthening social dialogue at national level by analysing related challenges through the **European Semester** process. The Commission and the Employment Committee organised a multilateral review of the social partners' involvement in the European Semester with the presence of EU level and national social partners. The Commission discussed the recovery measures and the responses to tackle the far-reaching impacts of the Russian war of aggression against Ukraine in the regular meetings of the cross-industry and sectoral Social Dialogue Committees as well as in the Tripartite Social Summit.

These achievements were **financially supported** by the prerogative budget lines ⁽²⁶⁾ and the ESF.

In 2022, DG EMPL provided logistical and content assistance for 168 social dialogue committees meetings and organised various consultation hearings on initiatives of DG EMPL and other services of the Commission. In addition, three calls for proposals were published on support for social dialogue, information and training measures for workers' organisations and improving expertise in the field of industrial relations.

Specific Objective 3.3: Decent and safe working conditions for all ⁽²⁷⁾



A. Decent working conditions for all

In 2022, DG EMPL supported the interinstitutional negotiations with the European Parliament and Council on the **Directive 2022/2041 on adequate minimum wages in the European Union** that was successfully adopted by the co-legislators. The Directive entered into force on 15 November 2022 and Member States have two years to transpose it. It represents a major step towards implementing the European Pillar of Social Rights, in particular Principle 6 on 'Wages'. The Directive creates an EU framework for adequate statutory minimum wages,

⁽²⁶⁾ Funds allocated by virtue of the powers conferred to the Commission by the Treaty for social dialogue, labour mobility, analysis of the social situation, demographics and the family.

⁽²⁷⁾ The relevant performance table for this objective can be found in the annex 2 (page 13-14).

for promoting collective bargaining, and improving access of workers to minimum wage protection. Implementing the Directive would bring swift benefits to the most vulnerable workers as they are hit hardest by the higher cost of living. There are early signs that the Directive is creating positive momentum for measures enhancing the adequacy and coverage of minimum wages as some Member States have already implemented or have announced reforms to their minimum wage setting frameworks.

DG EMPL carried out substantial preparatory work on a package in relation to **Directive 2003/88/EC on Working Time**. This involved an update of the 2017 Interpretative Communication and the five-yearly report on the implementation of the Directive, as required under Article 24. The adoption was delayed and the Directive was finally adopted on 15 March 2023.

The Commission continued to carry out transposition and conformity checks, in particular for the newest labour law directives in the area of transport. It also began transposition checks regarding **Directive 2019/1152 on Transparent and Predictable Working Conditions**, notably with the adoption by the Commission of 19 letters of formal notice for failure to communicate transposition measures in September 2022. On 31 December 2022, 14 Member States still had to complete their notification of transposition measures. DG EMPL also anticipated work in terms of conformity checks, notably with preparatory work to launch a study on the compliance of national transposition measures of the Directive, in the first quarter of 2023.

DG EMPL contributed to the enforcement of EU legislation on individual and collective rights by monitoring complaints (**examining some 800 complaints in 2022 in the area of labour law**) and launching, as appropriate, infringement procedures, notably in the area of European Works Councils.

It contracted out a study to follow-up on the legislative own-initiative report of the European Parliament on the revision of the European Works Councils Directive in December 2022.

DG EMPL continuously updated the information on national legislation and European and national jurisprudence on labour law through the reports of the European Labour Law expert network and, with specific regard to the Directive 2003/88/EC on Working Time, through updates of the dedicated webpage and the specialist sub-group of Directors-General for Industrial Relations.

B. Safe working conditions for all

As announced in the 2021–2027 EU Strategic Framework for Health and Safety at Work, DG EMPL's key output for the year under this specific objective was the adoption in September 2022 of a proposal for the protection of workers from the risks related to exposure to asbestos (a major occupational carcinogen) at work. The proposal lowered the asbestos limit value under **Directive 2009/148/EC** on exposure to asbestos at work. Under this Framework, the Commission worked on preparing a proposal updating the current limit values for lead and its compounds (major reprotoxicants at work) under **Directive 2004/37/EC** on

Carcinogens, Mutagens or Reprotoxic Substances, and on setting new limit values for diisocyanates (occupational asthmogens) in Directive 98/24/EC on Chemical Agents, underpinned by an impact assessment. The extensive work has been concluded with the Commission's proposal in February 2023.

In addition, the Commission adopted a priority list of hazardous chemicals (SWD(2022)438) to be scientifically assessed to continuously set new or update existing limit values with the aim of reducing occupational diseases and reducing costs for businesses and social security systems. DG EMPL prepared best practice guidance on the safe handling of hazardous medicinal products at work to support employers.

To implement the **EU's Occupational Safety and Health (OSH) Strategic Framework**, the Commission adopted, in 2022, an updated Recommendation on occupational diseases. It recommended that Member States recognise COVID-19 as an occupational disease ⁽²⁸⁾.

During 2022, preparatory work continued on reviewing EU OSH Directives in line with the digital transition and changes in the world of work. In particular this included follow-up to the external study to identify and select options for updating the **Workplaces Directive 89/654/EEC** and the **Display Screen Equipment Directive 90/270/EEC** and to assess the related costs and benefits. The dedicated Working Parties of the Advisory Committee for Safety and Health at Work (ACSH) were also closely involved in this work.

Significant progress was achieved in 2022 in monitoring EU law in the area of health and safety at work. Namely, the Commission closed 19 infringement procedures on the transposition of occupational health and safety directives as Member States had communicated their national measures.

Progress was achieved in 2022 with the conformity analysis of Directive (EU) 2017/164 establishing a fourth list of Indicative Occupational Exposure Limit Values, Directive (EU) 2017/2398 amending Directive 2004/37/EC, and Directive 2019/1833 amending the Biological Agents Directive 2000/54.

In order to support Member States, DG EMPL continued to work to promote the equivalent and effective application and enforcement of the **EU OSH** by supporting measures under the ACSH and the Senior Labour Inspectors Committee and by supporting the work of the European Agency for Safety and Health at work (EU-OSHA).

In 2022, following an opinion issued by the ACSH, DG EMPL sent to all Member States an updated questionnaire for the national reports to be submitted by end of 2023 on the

⁽²⁸⁾ The updated Recommendation applies when COVID-19 is contracted by workers active in disease prevention, in health and social care, in domiciliary assistance, or (in a pandemic context) in other sectors where there is an outbreak and where a risk of infection has been proven.

practical implementation of Framework Directive 89/391/EEC and 23 related health and safety at work directives.

The European Agency for Safety and Health at Work (EU-OSHA) contributed to the implementation of the EU OSH Strategic Framework, primarily through the healthy workplaces campaign on musculoskeletal disorders 2020-2022, 'Lighten the load'. In response to the COVID-19 pandemic, the agency created a new focus in this campaign on 'good practice examples on teleworking in times of crisis.' EU-OSHA also launched an ambitious research work stream to create an '**Overview on OSH and digitalisation.**' The aim of this is to contribute to knowledge development on the new risks, challenges and opportunities linked to digitalisation and new technologies, which are one of the focus areas of the **EU OSH Strategic Framework 2021-2027**. EU-OSHA carried out preparatory methodological work ahead of the next overview on OSH and the health and social care sector, which is also mentioned in the EU OSH Strategic Framework 2021-2027. This initiative aims to contribute to the prevention of OSH-related problems and the promotion of good physical and mental health at work among health and social care workers.

The achievements under this objective benefited received **financial support** from the ESF+ and ESF.

With a contribution of EUR 261 883 from ESF funding, a Finnish project uses artificial intelligence to help workers and employers improve well-being, reduce short-term absences due to sickness and prevent longer-term absences. The project developed an app for employees to answer questions on their well-being. Employers would then use the anonymous data to develop sector-specific, targeted and preventive tools to improve their workers' well-being and health. This data is key to identifying when employee well-being is at risk. The project ran from 2018 to 2022 and provided support to 110 participants.

Specific Objective 3.4: Better functioning labour markets ⁽²⁹⁾



In 2022, DG EMPL continued its work to improve the functioning of labour markets with the aim of facilitating transitions and increasing adaptability, inclusiveness and resilience. To achieve this objective, DG EMPL supported the coordination of employment policies across Member States conducted by the **Employment Committee (EMCO)** and the **Social Protection Committee (SPC)** and encouraged stronger monitoring of their implementation to ensure just and fair labour markets for all, in line with the **European Pillar of Social Rights**. DG EMPL actively contributed to the assessment of the Member States' policy response within the work of the European Semester and within the thematic reviews conducted by the Employment Committee. The Commission supported the meetings of the **Employment Committee (EMCO)** and its two subgroups (the Policy Analysis Group and the Indicators Group).

Whilst youth unemployment declined, it remains at a high level as a result of the COVID-19 pandemic. Against this background, DG EMPL facilitated structural reforms and activation strategies for young people across the EU by supporting implementation of the reinforced **Youth Guarantee**. The aim of the Youth Guarantee is to reach out to more young people, encourage them to play an active role on the job market and help them develop the skills needed in a changing world of work. DG EMPL also facilitated exchanges among national Youth Guarantee Coordinators, mainly through meetings.

DG EMPL contributed to the implementation of the **European Year of Youth** via a number of flagship initiatives. These included the launch of the ALMA initiative and the evaluation of the Council Recommendation on the Quality Framework for Traineeships, as mentioned below. Moreover, Commissioner Schmit held a youth dialogue with participants discussing social protection for young people, results of which fed into the proposal for a Recommendation on adequate minimum income.

In 2022, DG EMPL worked toward the implementation of the new **ALMA** (Aim Learn Master Achieve) initiative. A pilot call for proposals was launched in December 2022 ⁽³⁰⁾, to encourage

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

⁽³⁰⁾ [Call for Proposals for the ALMA Initiative](#).

implementation of the initiative across all EU Member States. Public and private-sector organisations (e.g. youth organisations, NGOs, local authorities, job centres, schools, vocational education and training providers) established in one of the Member States could apply and contribute to the scaling up of ALMA across the EU. The initiative aims to facilitate the inclusion of young people who are not in education, employment or training through a work-placement abroad. Member States and regions have included ALMA in 16 ESF+ programmes, substantially more than the original target of five.

The Commission published the delegated act setting out EU-level **simplified cost options** and financing not linked to costs in the context of ALMA in the Official Journal on 8 November 2022 ⁽³¹⁾. These financial tools are designed to simplify implementation of the ALMA initiative.

The Commission monitors implementation of the **Council Recommendation on the Quality Framework for Traineeships**, adopted in 2014. DG EMPL carried out an evaluation, based on a study and several stakeholder consultations, including a public consultation ⁽³²⁾. This evaluation will support the update of the Quality Framework for Traineeships announced in the 2023 Commission work programme.

In the context of **teleworking and the right to disconnect**, DG EMPL launched an exploratory study (due to be finalised in the first half of 2023) on the legal, economic and social context and trends in teleworking and the right to disconnect, during and beyond the COVID-19 pandemic. On 15 March 2022, the Commission organised a conference, co-hosted with the European Parliament, on the **right to disconnect and to telework**. The study and the conference form part of the Commission's formal follow-up to the European Parliament's resolution on the right to disconnect, adopted in January 2021.

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

DG EMPL also took an active part in the debate on the future of work in a digital world. The use of **artificial intelligence**, and algorithmic management in particular, present opportunities and challenges in the world of work beyond the platform economy. It is a new phenomenon not yet fully tackled in labour law at EU and national level. The discussion

⁽³¹⁾ [Commission Delegated Regulation \(EU\) 2022/2175 of 5 August 2022.](#)

⁽³²⁾ [Traineeships: Commission evaluation analyses impact of European quality framework - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](#)

continued in 2022 in view of identifying possible EU policy responses. In November 2022, DG EMPL launched an exploratory study on this issue that will run for 12 months.

By supporting the European Network of Public Employment Services (PES), DG EMPL helped:

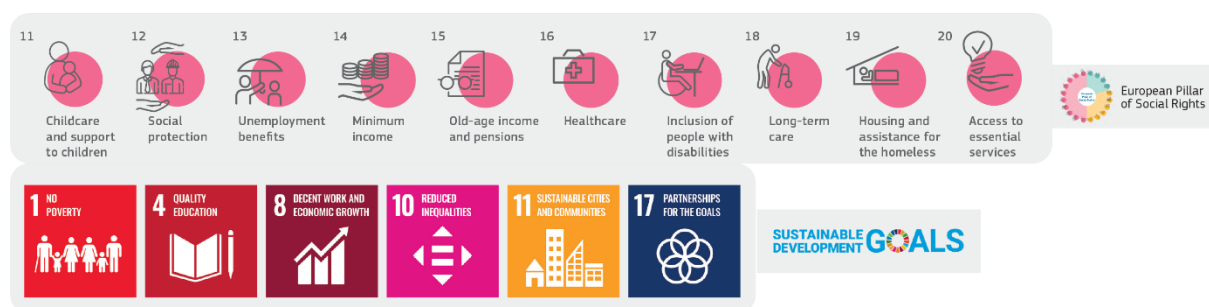
- (i) address new and persisting challenges (such as labour and skills shortages, supporting people displaced from Ukraine),
- (ii) promote the development of active labour market policies and
- (iii) improve their capacity and performance.

Sharing experiences via the network was key. The network was able to implement 17 mutual learning activities, bringing together almost 1 500 participants, assess PES performance in 19 countries and close the third cycle of ‘bench learning’ site visits. Support for people with disabilities was another key priority, with the adoption of a new toolkit as part of the European Commission’s Disability Employment Package in September.

These policy achievements received **financial support** through the ESF+, ESF, EGF and EaSI funds.

Between May 2019 and February 2020, 960 workers were made redundant in sectors ancillary to the shipbuilding sector in Galicia, Spain. The reason for these dismissals was the overall change in the shipbuilding industry globally, resulting in fewer orders and significant expansion of shipbuilding in Asia. The EGF provided EUR 2.05 million in addition to national funding in order to support 521 affected workers. At the time of submission of the final report on this measure, 69.5% of participants in EGF-funded training were back in employment and some were self-employed. Services offered included vocational training in sectors other than shipbuilding, as well as specialised training within the shipbuilding sector and the promotion of entrepreneurship. The regional authorities acknowledge the importance of the intervention for the progressive reduction of unemployment in the region during the years of the implementation of the project, despite the impact of the COVID-19 pandemic and economic crises.

Specific Objective 3.5: Greater social fairness and more effective social protection ⁽³³⁾



The **European care strategy** was adopted on 7 September 2022. The strategy included the Communication on a European care strategy and the Proposal for a Council Recommendation on access to affordable high-quality long-term care, which was subsequently adopted by the Council on 8 December.

In September, the Commission presented its proposal for a **Recommendation on adequate minimum income**, which will support and complement the minimum income policies of Member States, lifting people out of poverty while promoting labour market integration of those who can work. The Council gave political agreement in December 2022 ahead of formal adoption in 2023.

The Commission issued a **Communication on better assessing the distributional impact of Member States' policies** in September, which is instrumental in supporting the transparency and fairness of the green and digital transitions.

DG EMPL contributed to **the report of the High-Level Group on the future of social protection and of the welfare state in the EU**, published in February 2023. The report will serve as the basis for a broad reflection on how to make social protection systems fit for the future ⁽³⁴⁾.

DG EMPL followed up on the implementation of the **Council Recommendation on access to social protection for workers and the self-employed** with a report addressing the gaps in social protection, affecting the self-employed and non-standard forms of work, adopted in January 2023 ⁽³⁵⁾.

⁽³³⁾ The relevant performance table for this objective can be found in the annex 2 (page 17-19).

⁽³⁴⁾ [The Future of Social Protection and of the Welfare State in the EU](#).

⁽³⁵⁾ [Report on the implementation of the recommendation on access to social protection](#).

In 2022, the Commission prepared the **Report on access to essential services**, supporting the implementation of the Pillar principle 20, due for adoption in 2023.

The Commission is supporting the Member States in preparing and implementing the **Child Guarantee** action plans. Regular meetings of European Child Guarantee coordinators are organised serving as a platform for exchange of information and best practices in the areas covered by the recommendation. Up until now, 19 Member States have officially submitted their national action plans, while eight action plans are still pending. The Commission has provided its observations on the received action plans and is organizing bilateral meetings to support Member States in rolling out the measures and monitoring. The Commission is also in regular contact with the authorities from Member States who have not yet submitted their action plans.

An outline for an initial monitoring framework at EU level was discussed in the Social Protection Committee; work will continue with a view of agreeing on a common framework by end of 2023.

In 2022, DG EMPL supported the **European platform on combating homelessness**. Activities included mutual learning on the design of strategies to combat homelessness and on prevention policies, the launch of a project with the OECD to map definitions and data concerning homelessness, the development of a monitoring framework and a policy toolkit, and preparation of a call for proposals on ‘Social innovation practices to combat homelessness,’ an EU-wide counting initiative (Point in Time Count) for people experiencing homelessness ⁽³⁶⁾.

DG EMPL contributed to the implementation of the **2020-2030 EU Roma** strategic framework for equality, inclusion and participation, through: (i) continuation of the implementation of the ROMACT capacity building programme for Roma inclusion in Romania and Bulgaria; (ii) work on the **BIG** (Basic Income Guarantee) ⁽³⁷⁾ and **HERO** (Housing and Empowerment of Roma) ⁽³⁸⁾ pilot projects.

In 2022, DG EMPL continued to support the implementation of the **action plan on integration and inclusion of migrants** with a focus on skills, education, employment and housing as well with ESF+ support. The focus of the actions was on addressing the impact of the refugee inflow from Ukraine. DG EMPL collected data and measures on integrating beneficiaries of the Temporary Protection Directive in the EU labour market and society (SPC/EMCO survey; PES survey published in December 2022). The Ukrainian language was added to the skills profiling tool for third-country nationals. DG EMPL contributed to the

⁽³⁶⁾ European Parliament pilot project – call for tender to be launched Q1-2023.

⁽³⁷⁾ European Parliament pilot project - contract signed December 2022.

⁽³⁸⁾ The HERO pilot project on housing and empowerment for marginalised families, in particular Roma, launched in April 2022 and implemented by DG ECFIN, DG EMPL and the CEB in SK, BG and RO.

Communication entitled *Welcoming those fleeing war in Ukraine* (led by the Secretariat General, March 2022) and published the **Communication on Guidance for access to the labour market, vocational education and adult learning** (June 2022). With the European Training Foundation, Ukrainian authorities and EU Member States, the **European Qualifications Framework** and the **Ukrainian National Qualifications Framework** were compared (from primary to post-doctoral education). In October 2022, DG EMPL, DG HOME and the European Labour Authority, worked together to launch the **EU Talent Pool Pilot** initiative to help persons fleeing Ukraine to get jobs in the EU labour market. EMPL also contributed to the Joint Statement of Commissioners Helena Dali and Nicolas Schmit with social partners on the European Partnership (published December 2022).

The Commission supported a number of European **NGO networks** active in the social inclusion area that have signed a Framework Partnership Agreement. This partnership strengthens the capacity of these networks to contribute to evidence-based and impactful policy-making.

The Commission has supported the meetings of the **Social Protection Committee** and its sub-groups (Indicators Sub-Group, Minimum Income Network, and the Working Group on Pension Adequacy).

DG EMPL contributed with EUR 1 350 414 (2022-2024) to the project '**CRIS - Cooperate, Reach out, Integrate Services**' to develop tools and practices to strengthen integrated service delivery for vulnerable groups to support their inclusions in the labour market and society, drawing on best practices developed in Germany and Slovenia. The support received from CRIS is shown in the latest episode of Euronews' Real Economy ⁽³⁹⁾, which aired on 25 January 2023. It features a family from Bulgaria who migrated to the city of Offenbach in Germany, 10 years ago.

These policy achievements received **financial support** from the ESF, FEAD, EaSI and ESF+.

Thanks to a contribution of EUR 669 096 from the Fund for European Aid to the Most Deprived (FEAD), project 'Frostschutzengel 2.0' provided health and social counselling in multiple languages for 1350 mobile homeless citizens from countries across the EU. It supported individuals' long-term integration into the welfare system by teaching them about the support available to them. Thanks to this initiative, an easy-to-use guide was produced in multiple languages on the social and legal rights of mobile homeless EU citizens living in Germany. The project ran from 2016 to 2022.

⁽³⁹⁾ [Minimum income initiatives helping the EU's most vulnerable households.](#)

Specific Objective 3.6: Enhanced labour mobility ⁽⁴⁰⁾



In 2022, DG EMPL has been preparing an initiative on the further digitalisation of social security coordination procedures to improve the interaction between people who move to a different country and the institutions responsible. Part of the Commission’s work programme for 2023, this initiative builds on the **European Social Security Pass (ESSPASS)** pilot project, the first phase of which ended in December 2022 and was co-led by DG EMPL and the Italian institution, INPS. The second phase began under the leadership of two consortia funded by the Digital Europe programme, including Member States and social security institutions.

DG EMPL also contributed to ensuring that the **electronic system for exchanging social security information (EESSI)** becomes fully operational. By the end of 2022, 32 participating countries were exchanging and digitally processing social security cases for millions of citizens. Some 13 Member States were already fully operational at the end of 2022, 12 Member States are set to be fully operational by end 2023, while the remaining two Member States informed the Commission that they expect to complete implementation of all their business cases by mid-2024.

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

The **European Labour Authority (ELA)** played an important role in coordinating social security systems within the EU through information sharing. In line with its mandate, the ELA progressed towards full implementation of EURES, including to perform its inspections responsibility. It also worked on tackling undeclared work and improving cooperation and

⁽⁴⁰⁾ The relevant performance table for this objective can be found in the annex 2.

mediation. The ELA began collaborating with the Commission and Member States on the digitalisation of labour mobility and social security coordination procedures.

After launching **infringement proceedings** in 2021 against 24 Member States, DG EMPL continued its work in 2022 by pursuing the correct implementation of the **Enforcement Directive on Posting of Workers** (Directive 2014/67) ⁽⁴¹⁾. To that end, after analysing the replies received to the letters of formal notice, DG EMPL held meetings with the Member States concerned to solve the issues, where possible. Following bilateral meetings and written exchanges, seven Member States notified transposition measures to remedy the shortcomings identified in the letters of formal notice. DG EMPL also continued analysing the measures transposing the Amending Directive on posting of workers (Directive 2018/957).

In the field of free movement of workers, DG EMPL launched infringement proceedings against one Member State on the rights of EU citizens who move to seek jobs and against another Member State concerning the rights of mother-tongue language assistants.

In the field of social security coordination, the European Court of Justice ruled against Austria on 16 June 2022 following an infringement procedure on the indexation mechanism in Austrian legislation for family benefits for children residing permanently in another Member State.

DG EMPL ran a **Eurobarometer survey** to obtain an updated overview of EU citizens' attitudes to labour mobility. The previous Eurobarometer on the topic was carried out in 2009. The survey was organised to ensure the two surveys were comparable, while also exploring the impact of Brexit and COVID-19 on labour mobility. In terms of **external communication**, considering that the social security coordination rules directly affect millions of people (e.g. 235 million people hold a European Health Insurance Card), DG EMPL used various tools (studies, reports, seminars, Q&A sessions, databases, websites, animation, videos, etc.) to ensure that the rules and their implications are communicated properly to the public and to the responsible authorities.

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

⁽⁴¹⁾ [Directive 2014/67/EU](#).

These achievements received **financial support** from the ESF+, ESF, EaSI and the prerogative budget lines.

DG EMPL provided EUR 4 643 199.84 of funding for the project 'YfEj 6.0' (2019-2021) under the EaSI-EURES targeted mobility scheme, 'Your first EURES job', which seeks to provide job placements in economic sectors with hard-to-fill vacancies. The project offered a wide range of services tailored to meet the needs of individual employers and young people before, during and after their placement. This included a direct delivery mechanism for information and advisory services, as well as tools, skills development, a comprehensive recruitment package, language and soft skills training and financial benefits for services to support successful placement in another EU country. The project was coordinated by the Agenzia Nazionale per le Politiche Attive del Lavoro (ANPAL) from Italy, with the following participating countries: Romania, Croatia, Portugal, Greece, Cyprus, Bulgaria, Spain and the Netherlands.

Specific Objective 3.7: More jobs created and sustained in micro- and social enterprises ⁽⁴²⁾



In 2022, DG EMPL started the implementation of the measures announced in the action plan for the social economy, adopted in December 2021, to support the fulfilment of the European Pillar of Social Rights and of the UN Sustainable Development Goals 8 and 10.

A call for evidence was launched and extensive consultations were conducted to feed into preparations of a proposal for a **Council recommendation on developing social economy framework conditions**. DG EMPL also carried out preparatory work on a social

⁽⁴²⁾ The relevant performance table for this objective can be found in Annex 2 (page 22-23).

economy '**Gateway.**' The Gateway will provide information and signposting on funding and other relevant resources for social economy stakeholders.

A new contribution agreement with the **Organisation for Economic Cooperation and Development (OECD) was signed** to implement a range of measures in the action plan. They included the launch of a **Youth Entrepreneurship Policy Academy** to improve prospects for young entrepreneurs, with special focus on social entrepreneurs, and analytical reports on social impact measurement and labels/certification schemes for social economy organisations. Due to the time needed to negotiate and design this new collaboration with the OECD, the preparatory work took place in 2022 and it was launched in March 2023.

Communication activities were carried out to disseminate the action plan for the social economy among stakeholders. This included:

- 1) a social media campaign ('Social Economy Voices' with 20 testimonial videos) and an animated video (reach of paid campaign: 554 242, reach of organic campaign: 35 162);
- 2) online public information session with Commissioner Nicolas Schmit (17 February 2022),
- 3) organising several sessions at the social economy conference in Strasbourg 'Social Economy, the Future of Europe. Solutions for People and the Planet' (5&6 May 2022);
- 4) a workshop during the European Week of Regions and Cities (11 October 2022);
- 5) a session during the 2022 Employment and Social Rights Forum (17 November 2022);
- 6) presenting the action plan in several stakeholder events (over 60 presentations, mostly online).

Furthermore, DG EMPL coordinated the preparatory work for the **Social Investment and Skills Window** of the **InvestEU programme**, contributing to the finalising of the negotiations on new financial products and associated advisory initiatives and laying the foundations for the successful deployment of the social window. The social window aims to improve access to finance for micro- and social enterprises, helping them start and expand their businesses, thereby creating and sustaining jobs, generating a positive social impact and supporting social and inclusive entrepreneurship.

Following the signature of the guarantee agreement with the **European Investment Banks Group** in March 2022, the **European Investment Fund** published the first calls for expressions of interest for financial products targeting microfinance and social enterprise finance, which were met with great market interest. Guarantee agreements have also been signed with the Council of Europe Development Bank (CEB, EUR 134 million of guarantee), the European Bank for Reconstruction and Development (EBRD, EUR 28 million), and with France's Caisse des dépôts et consignations (CDC, EUR 125 million). The majority of associated financial products aim to provide funding to social infrastructure projects, such as affordable social housing, health and long-term care, education and training.

In parallel, the **EaSI financial instruments for Microfinance and Social Entrepreneurship** continued to provide support to eligible recipients, helping them to cope

with the uncertain economic situation by facilitating access to and the availability of finance to micro- and social enterprises.

These policy achievements received **financial support** from the ESF+ and EaSI funds.

DG EMPL provided EUR 558 096 of funding for the project 'Seeding social enterprises in Portugal' (2019-2020). There is a need for pre-seed and seed investments in social enterprises, both in Portugal and across Europe. The project assessed more than 1 500 social enterprises and implemented a total of 18 seed investment activities which have resulted in the financing of 18 social enterprises in several countries (Portugal, Germany, Belgium, France and the Netherlands) and investment in all 18 of them. The fund team helped prepare founders through investment-readiness sessions, as well as helping them build relationships with the right co-investment partners and supporting social enterprises in their impact monitoring.

General Objective 4: A stronger Europe in the world

In 2022, DG EMPL continued to contribute to the Commission's objective of further strengthening the EU's role of responsible global leadership and supporting multilateralism and decent work worldwide, through engagement with international organisations and multilateral fora, as well as with bilateral partners on the **future of work and implementation of the UN Sustainable Development Goals**.

To this end, DG EMPL prepared and adopted a **Communication on decent work worldwide**. It reaffirms the EU's commitment to champion decent work both at home and around the world by ending child labour and forced labour.

DG EMPL **actively promoted decent work** in the EU's external action multilateral fora and other EU policy areas by engaging beyond the EU and in global partnerships. It also continued to promote the applicable International Labour Organisation conventions in policy and human rights dialogues with third countries.

DG EMPL continued to actively coordinate the EU's and its Member States' position at negotiations at the International Labour Organisation (ILO), which resulted in the successful elevation of **a safe and healthy working environment** to the level of a fundamental principle and right at work. This work also resulted in ILO Occupation Safety and Health Convention (No 155) and Promotional Framework for Occupational Safety and Health Convention (No 187) being categorised as fundamental. With the EU conveying a strong voice in international fora, the ILO Governing Body was among the first international organisations to strongly **condemn the Russian Federation's war of aggression against Ukraine in a Resolution** adopted in March 2022, and the EU and its Member States continue to spearhead follow-up action. The EU and its Member States were also key negotiators at the International Labour Conference on a new **Recommendation on apprenticeships**, which is expected to be finalised and adopted in June 2023.

The EU also continued to **ensure labour rights are factored into the EU's trade relations**, in line with the 2022 Communication entitled *The power of trade partnerships: together for green and just economic growth*. In this area, DG EMPL contributed to the ongoing **negotiations of free trade agreements**, ensuring they include commitments on fundamental rights at work, occupational safety and health, labour inspections and access to remedies and provisions on decent working conditions. DG EMPL also monitored implementation of labour commitments in existing free trade agreements under the 'Everything but arms' scheme and the Generalised Scheme of Preferences.

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

In 2022, DG EMPL continued to lead the EU's action to support social and economic reforms in the Western Balkans and Türkiye through assessing their Economic Reform Programmes,

regular policy and reforms monitoring, promoting implementation of the European Pillar of Social Rights and its action plan. DG EMPL also promoted alignment to EU law by all candidate countries and potential candidates through the regular subcommittee meetings and the screening process under the accession negotiations with Albania and North Macedonia, opened in 2022.

In the Western Balkans in particular, DG EMPL continued its projects on strengthening regional cooperation and social dialogue, and on supporting the Western Balkans to develop and adopt Youth Guarantee implementation plans based on the EU model.

DG EMPL contributed to the assessment of the replies presented by Ukraine, Republic of Moldova and Georgia to the **questionnaires on the EU membership applications**. This work supported the Commission in making well-informed recommendations to the Council on 17 June to grant a European perspective and to grant EU candidate status to Ukraine and the Republic of Moldova, and to granting a European perspective to Georgia.

DG EMPL developed and strengthened its cooperation with **Southern Neighbourhood partners, focusing on employment and employability of the most vulnerable, especially among young people and women**. As part of the sectoral dialogue on employment and labour, DG EMPL successfully organised a **Union for the Mediterranean Ministerial on Employment and Labour** in May, in Morocco. An **ambitious and action-related Ministerial Declaration** (Marrakech Declaration) has been adopted, as well as a **Union for the Mediterranean Roadmap 2022-2025** implementing the political commitments. The ministers notably committed to continuing and promoting work on community of practices on monitoring and on youth employment.

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

DG EMPL continued promoting international labour standards in **Latin America**. On 4-5 May, DG EMPL organised a **workshop on tackling informality** in the labour market in the Andean Region with representatives from Colombia, Ecuador and Peru, the European Commission, Member States and the ILO. In addition, in Guatemala City in November, DG EMPL held the **EU-Central America Conference on informality, freedom of association and the fight against child labour**. The event was a tripartite conference bringing together around 60 representatives from national authorities, employers and trade unions from the six Central American countries as well as key stakeholders and EU representatives. The aim of the event was to contribute to strengthening labour rights compliance and promoting decent working conditions in the region.

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

These policy achievements received **financial support** from the ESF+ and EaSI.

With a contribution of EUR 862 014.73, the EaSI programme funded the project 'Equality for Work and Life' (EQW&L), implemented by Italy with the participation of Belgium, Norway and Spain. In terms of research design, the project adopted a quasi-experimental approach using quantitative and qualitative methods and pre-test and post-test analysis. The content of the EQW&L toolkit produced was easily integrated into the daily work of public employment service centres and displayed good self-maintenance practice with respect to further legislative developments in Italy's expected implementation of the Directive 2019/11581 in 2020. The project was innovative in its offer of a wide range of tools and ideas to tackle the same problems relating to work-life balance, but in new and diverse ways, especially by paying greater attention to vulnerabilities and the need for assistance.

General Objective 5: Promoting our European way of life ⁽⁴³⁾

Specific Objective 5.1: A skilled workforce to master the green and digital transition ⁽⁴⁴⁾



In 2022, DG EMPL initiated the evaluation of the 2018 Europass Decision. Europass is a framework offering online tools and information through an online platform to support people in their lifelong learning and career management. It can be used by learners, workers, job seekers and volunteers to communicate and present their skills, qualifications and experience clearly and consistently across Europe. The evaluation is ongoing and analysing the effectiveness, efficiency, relevance, coherence and EU added value of Europass, and its take-up and wider impact on the European labour market and up- and reskilling policies. The Evaluation Report will be submitted to the European Parliament and to the Council in the second quarter of 2023.

In 2022 DG EMPL finalised the evaluation of the **2016 Council Recommendation on Upskilling Pathways**, with the completion of an external study and a public consultation to underpin the initiative. DG EMPL prepared the draft staff working document and the Report to the Council, which the Commission will release in the second quarter of 2023, the European Year of Skills. DG EMPL also brought forward the evaluation of the 2017 Recommendation on a European Qualifications Framework, by launching a public consultation open until March 2023.

Following the announcement of President von der Leyen in her 2022 State of the Union address, the Commission adopted the proposal for a Decision on the **European Year of Skills**. The inter-institutional negotiations for its final adoption by the co-legislators was finalised in March 2023, and the year will officially be launched on 9 May 2023.

DG EMPL followed and contributed to the swift adoption **of the Council Recommendation on Individual Learning Accounts**. It recommends that Member States put in place the system of learning accounts as a means of enabling and empowering individuals to

⁽⁴³⁾ The relevant performance table for this objective can be found in Annex 2 (page 25).

⁽⁴⁴⁾ The relevant performance table for this objective can be found in Annex 2 (pp. 26-29).

participate in labour-market relevant training. In 2022 the Pact for Skills continued gaining ground and at year end 14 Large Scale Partnerships of business, administrations and training providers in 13 industrial sectors gathering over 1000 members and committing to a total of 6 million training opportunities over the coming years had been set up.

These policy achievements received financial support from the ESF+, ESF, EaSI and Erasmus funds.

In Luxembourg, students, teachers and HR departments joined forces to work towards a common goal: understanding the challenges facing the labour market – both today and in the future. Supported by funding of EUR 40 000 from the ESF, the project ‘Digital Challenge’ aims to help students and companies understand what kinds of skills are needed for work now and in the future – including those relating to the green and digital transitions. The project, which took place in 2022, gave 50 students the chance to take part in a day of professional orientation in several companies. In addition, a series of events was organised over several months, including an interactive conference and workshops.

Specific Objective 5.2: Vocational education and training effectively addresses the labour market needs and prepares people for the green and digital transition ⁽⁴⁵⁾



The Commission continued to implement EU actions to **support national reforms in vocational education and training (VET)** as set out in the 2020 Council Recommendation on vocational education and training for sustainable competitiveness, social fairness and resilience.

In 2022, 24 countries submitted their vocational education and training **national implementation plans**, which are well aligned with the objectives of the Council Recommendation and the Osnabrück Declaration ⁽⁴⁶⁾. The European Centre for the

⁽⁴⁵⁾ The relevant performance table for this objective can be found in the annex 2 (page 29-31).

⁽⁴⁶⁾ [Council Recommendation](#) and [Osnabruck Declaration](#).

Development of Vocational Training and the European Training Foundation carried out a first analysis that was presented in the meeting of Directors-General for Vocational Education and Training (Prague, October 2022) and the Advisory Committee on Vocational Training - ACVT (December 2022).

Moreover, **online data were made available on two out of the three quantitative objectives** identified in the Council Recommendation, namely: (i) the employment rate of recent graduates in vocational education and training, and (ii) participation in work-based learning. The employment rates of recent VET graduates stood at 76.4% in 2021, compared to the 2025 target of 82%. Due to the pandemic, this is lower than its peak of 79.1% in 2019 but is showing signs of improvement. In terms of work-based learning, the newly collected data (60.7%) shows that the 2025 target (60%) is reached at EU level, although the situation varies between countries.

Following the call made in the 2020 Council Recommendation on VET, DG EMPL explored the concept of **European vocational core profiles** discussed in the Advisory Committee on Vocational Training in December 2022. While the concept and methodology presented were generally well received, the ACVT decided not to move forward for the time being with the development of actual European core profiles due to concerns regarding subsidiarity and the decision to prioritise work on other files in the area of skills and VET. In cooperation with the EQAVET Network, it developed a manual to help conduct the first round of peer **reviews on quality assurance at VET system level**. The peer reviews provided feedback and recommendations to participating countries to help improve their systems. They also helped improve understanding of the national quality assurance systems among Member States, thus contributing to building trust.

Under the forward-looking projects of the 2022 Erasmus+ annual work programme, DG EMPL launched a call for projects to develop a meaningful set of **core green skills** and show how to integrate these into the curricula of vocational education and training, and into training for teachers, trainers and other staff.

As regards apprenticeships, the **European Alliance for Apprenticeships** continued to promote the supply, quality and image of apprenticeships and the mobility of apprentices through a range of knowledge-sharing and networking activities. Several in-person EAfA events took place like the high-level EAfA event organized in Barcelona in March 2022 to relaunch the European Apprentice Network and the 'EAfA on Track' event in Vienna in February 2022 focusing on the rail sector were highlights in terms of external communication.

Significant progress was made on setting up and developing **European networks of centres of vocational excellence**. In 2022, DG EMPL launched the second call for projects under the **Erasmus+ programme**, attracting more than 52 applications of which 13 will be selected for financing. The **Education and Culture Executive Agency** contributed to this specific objective by managing a set of calls for proposals under Erasmus+.

In 2022, the **European Vocational Skills Week** communication campaign focused on the green transition and reached over 900 000 people. More than 1 400 events were organised at local, regional, national and EU-level by stakeholders covering 33 countries. DG EMPL organised an online survey and a webinar to collect and share information on useful tools and good practices on **welcoming and supporting people fleeing Russia's invasion of Ukraine through vocational education and training**. Moreover, a high-level live discussion on supporting Ukrainians in the EU through apprenticeships was held.

Cooperation with stakeholders and social partners, continued through the Advisory Group on Vocational Training, the Working Group on VET and the green transition, the network of European Associations of VET providers and the European Alliance for Apprenticeships.

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

The policy achievements received **financial support** from the ESF+, ESF, EaSI and Erasmus+.

The Latvian project 'PROTI un DARI!' helps young people find their way into meaningful work by encouraging young jobseekers to participate in education or vocational training. The project, which is part of the Youth Guarantee Initiative, provides mentoring and advice as well as an individual programme for career development to young people. The aim is to give jobseekers a sense of direction and equip them with the necessary skills. Thanks to an EU contribution of EUR 9.96 million, the project plans to help over 5 000 young people. It began in 2015 and runs until 2023.

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

Specific Objective 6.1: Equality ⁽⁴⁸⁾



With the aim of ensuring the economic and social inclusion of people with disabilities, freedom from discrimination and full respect for their rights in the EU, DG EMPL continued to implement the **Strategy for the Rights of Persons with Disabilities for 2021-2030**.

DG EMPL organised three meetings of the **Disability Platform**, bringing together Member States' national focal points for the UN Convention on the Rights of Persons with Disabilities, 14 organisations representing people with disabilities and the Commission. This expert group (created end 2021) supports work to implement the strategy at EU-level as well as national disability strategies. The Platform provides a forum to engage and work together in preparing policy initiatives or legislative proposals in the field of disability and to cooperate and coordinate between the Commission, Member States and stakeholders.

The Disability Employment Package ⁽⁴⁹⁾ was launched to improve the labour market outcomes of people with disabilities, seeking cooperation with the European Network of Public Employment Services, the social partners and organisations representing people with disabilities. The first deliverable under the Package planned for 2022 has been published and presented, the 'Practitioner toolkit on strengthening PES to improve the labour market outcomes of persons with disabilities' ⁽⁵⁰⁾.

DG EMPL signed a contract to create a European resource centre on accessibility (**AccessibleEU**). This cooperation framework brings together national authorities responsible for implementing and enforcing accessibility rules with experts and professionals from all areas of accessibility. The aim is to support Member States in implementing accessibility rules laid down both in EU law and UNCRPD obligations. The resource centre will host events

⁽⁴⁷⁾ The relevant performance table for this objective can be found in Annex 2 (page 31).

⁽⁴⁸⁾ The relevant performance table for this objective can be found in the annex 2 (page 29-31).

⁽⁴⁹⁾ [Disability Employment Package to improve labour market outcomes for persons with disabilities.](#)

⁽⁵⁰⁾ [Practitioner toolkit on strengthening PES to improve the labour market outcomes of persons with disabilities.](#)

(capacity building, peer learning, training), support the monitoring, compliance and surveillance of accessibility, support the development of standards and technical specifications, collect evidence and tools and publish studies.

During the annual **Conference of State Parties** to the UN Convention on the Rights of Persons with Disabilities between 14 and 16 June 2022, DG EMPL organised a structured dialogue in the form of a side event and participated in several other events on accessibility and employment. One of the side events discussed disability policies with other international organisations, such as the Association of Southeast Asian Nations, the League of Arab States, and the African Union.

A study **on social protection and services for people with disabilities** was finalised and published in December 2022. This study examines best practices on disability benefits, income among older age groups, health insurance, cash and non-cash benefits, and the extra costs associated with disability.

A background analytical study was launched in December 2022 for the impact assessment supporting the preparation of a legislative initiative on a **European Disability Card**, a flagship initiative under the disability strategy to be presented by the Commission in 2023. DG EMPL also initiated the related call for evidence.

DG EMPL monitored the **implementation/enforcement of the European Accessibility Act** whose transposition deadline was 28 June 2022. The Commission sent letters of formal notice to 24 Member States that had not yet notified full transposition measures. Close monitoring is ongoing.

In addition, DG EMPL continued to monitor the implementation of **Council Directive 2000/78/EC** prohibiting discrimination in the area of employment and occupation on the grounds of religion or belief, disability, age and sexual orientation. It supported the Directorate-General for Justice and Consumers to advance negotiations on the proposed equal treatment directive, and to propose measures strengthening the role and independence of equality bodies in December 2022.

In relation to **gender equality**, DG EMPL continued promoting measures to create a gender-balanced labour market, to tackle the gender employment gap and the gender pay gap, to support people with care responsibilities and to improve work-life balance, including through the ESF+. It also contributed to the monitoring and reporting on the employment and social affairs strand in the EU gender equality strategy.

In terms of external communication, DG EMPL is carrying out an awareness-raising campaign on implementation of the EU's strategy for the rights of persons with disabilities. It also organised the 13th edition of the **Access City Award** scheme and the annual **European Day of Persons with Disabilities Conference**.

These policy achievements received **financial support** under the ESF+, CERV, ESF, EaSI and REC funds.

Young people with disabilities in Greece have some of the lowest participation rates in higher and tertiary education in the EU, leaving many without basic skills for employment. With the help of EUR 18.3 million of ESF funding, the Greek National Confederation of People with Disabilities (ESAMEA) is helping to change this trend. During an internship lasting 200 working hours, the project offers specialised programmes to help young people with disabilities aged 18-29 who are not in education, employment or training to acquire many of the basic competencies needed in a variety of working environments, as well as compulsory computer skills training. In addition, it provides coaching on interpersonal skills, helping young people prepare for job interviews and for working life. The project, which began in 2021 and runs until 2023, aims to support some 3000 unemployed young people with disabilities.

Managing the 2014-2020 ESF towards delivery of policy results

Implementation of 2021 operational priorities

Performance-based reporting on the implementation of the ESF programmes is carried out by measuring the progress made on six operational priorities and 44 associated indicators. In this framework, **more than 85% of the actions for which indicators were set were reported to be on track or completed** by the end of 2022 with the rest experiencing slight delays or awaiting confirmation on pending data.

In 2022, DG EMPL completed 80% of the ESF and/or multi-fund programme amendments covered by Commission decision on time (83% in 2021). Through the adoption of the initiatives 'Cohesion's Action for Refugees in Europe' (**CARE**) and 'Flexible Assistance to Territories' (**FAST-CARE**), it brought in further flexibility in the rules of the Common Provision Regulation, enabling Member States to use their 2014-2020 budget allocations more easily to provide emergency assistance to people fleeing Russia's war of aggression against Ukraine.

Concerning the monitoring of the programmes with DG EMPL as lead DG, **80%** of the observation letters on the annual implementation reports were sent within the deadline (90% in 2021). DG EMPL also enhanced its programme monitoring with regular online attendance at monitoring committees and annual review meetings.

By December 2022, Member States had completed **1240 evaluations of ESF and YEI operations** (including multi-fund operations). Most of these evaluations analysed the implementation process and progress towards targets, while 29% assessed the impacts (33% of ESF and YEI evaluations, excluding multi-fund).

Assessment of the programmes' performance

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

- financial implementation in terms of **REACT-EU** projects selection by end 2021 ⁽⁵¹⁾;

⁽⁵¹⁾ The 2014-2020 ESF envelope without REACT-EU is almost fully allocated on the ground. The main challenge remaining is the timely selection and implementation of operations financed from the additional REACT-EU allocation.

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

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

When considering the four assessment criteria, **the main difficulties identified are linked to financial implementation** where 19% of programmes were assessed as poor or critical with regard to selected REACT-EU operations and 31% in terms of eligible expenditure declared. In terms of implementing the outputs, 94% of the programmes were assessed as acceptable or good, **proving that the policy delivers results and generates EU added value. Administrative capacity scored very highly** and was assessed as satisfactory, with 92% of the programmes assessed as acceptable or good. However, there is also a slight downward trend in administrative capacity. In 2022, the administrative capacity for 8% of the programmes was assessed as poor or critical, up from 6% in 2021.

The main **implementation challenges** relate to the complexity of programming and planning the measures, delays due to consultation of different public administrations, administrative issues related to tender procedures, problems with the payment system, administrative burden for applicants, requirements from the General Data Protection Regulation, and delays at governance level due to a focus on preparing or setting up organisational or programme management, rather than on attracting proposals. In 2022, additional and considerable obstacles to the successful implementation of programmes were the high inflation rates and, in particular, spikes in energy prices.

All these issues have been addressed in cooperation with DG EMPL during regular meetings held with programme authorities, such as **annual review meetings and monitoring committee meetings**. The programmes have also been adapted in order to better address new challenges or changes in the **socio-economic context**, such as those arising from **Russia's war of aggression against Ukraine**. Implementation progress and challenges are also discussed in the **ESF Technical Working Groups** and **ESF Committee meetings**. DG EMPL has taken measures to address implementation issues, such as sending observations to the programme authorities.

Status of programme implementation and key achievements

By the end of 2022, **the ESF project selection rate was 104%**. In 2022, nearly EUR 12.3 billion was paid to the 2014-2020 ESF programmes and nearly EUR 1.1 billion to REACT-EU, increasing the **absorption rate to 72.5%** (total payments made compared to allocation, including REACT-EU). The cumulative eligible cost of operations selected for support under **ESF was EUR 142 billion and EUR 85.1 billion had been declared by beneficiaries**. Around EUR 87.2 billion had been paid to the Member States in relation to ESF since 2014 (including interim payments and pre-financing, excluding recoveries).

The same level of maturity of implementation was observed for YEI in 2022, for which the total amount paid was **EUR 292.6 million**, increasing the **absorption rate to 86%** (total payments made as a share of the funding allocated). The cumulative eligible cost of operations selected for support under YEI was **EUR 12.1 billion and over EUR 7.9 billion had been declared by beneficiaries**. Nearly EUR 4.7 billion has been paid to the Member States in relation to YEI since 2014 (including interim payments and pre-financing, excluding recoveries).

In terms of simplified cost options under the ESF, **19 Member States and the UK used the unit costs or lump sums** set out in Delegated Regulation 2015/2195 at the end of 2022. The Commission also developed unit cost methods for four additional areas (education, training for unemployed people, employment-related counselling services and training for employees) for use by all Member States. These initiatives **have reduced the administrative burden and facilitated implementation** for both programme authorities and beneficiaries, allowing them to focus on performance and results. Simplified cost options can also help reduce the error rate and facilitate access to funding for small beneficiaries.

In 2022, DG EMPL **adopted a delegated act for ALMA operations**. Member States will be able to use these off-the-shelf tools to simplify implementation of **their ESF+ programmes when implementing ALMA**. In 2023, DG EMPL will adopt one more delegated act on simplified cost options and financing not linked to cost schemes for operations in the field of social inclusion. The act will also introduce increased rates for operations to meet the specific needs of third-country nationals or refugees, including people having fled the **Russian war of aggression against Ukraine**.

By the end of 2020 (latest available data), **55.2 million people had received support from the ESF and YEI under the 2014-2020 period**, of which:

- 6.4 million people had found a job (including self-employment);
- 8.8 million people had gained a qualification;
- 2.6 million people were in education and training as a result of ESF or YEI support;
- 3.7 million young people had benefited from the YEI;
- 3.6 million participants with disabilities received support;
- 8 million migrants and participants with a foreign background received support.

Programming of the 2021-2027

By the end of December 2022, all ESF+ co-financed programmes had been adopted except for one technical assistance programme containing ESF+ contribution, which was carried over and adopted in early 2023. This work took place in parallel to the work on closing the 2007-2013 programmes and implementing the 2014-2020 programmes. The global investment of ESF+ co-financed programmes amount to **EUR 136.1 billion** (of which **EUR 91.5 billion is the EU contribution**). Compared to the previous period, the investment share of employment policy fell from 36% to 32% (EUR 43.4 billion). The share for education and

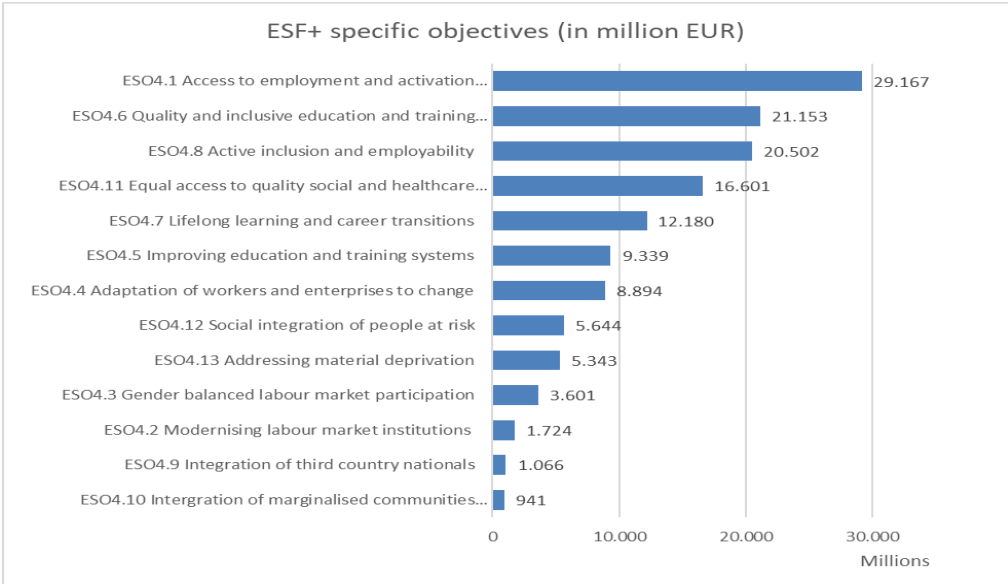
skills remained quite stable at 31% (EUR 42.7 billion), whereas social inclusion increased from 26% to 33% (EUR 44.8 billion).

Table 1: Overview of ESF+ investments by policy area

Employment policy	EUR 43.4 billion	32%
Education and skills	EUR 42.7 billion	31%
Social inclusion	EUR 44.8 billion	33%
Material deprivation	EUR 5.3 billion	4%

In terms of the **ESF+ specific objectives**, as laid down in the **ESF+ Regulation** ⁽⁵²⁾ for the programming period 2021-2027, the largest share of money is allocated to **specific objective 1; improving access to employment and activation measures for all jobseekers** (EUR 29.17 billion). This is followed by investments in quality and inclusive education and training (EUR 21.15 billion) and fostering active inclusion with a view to promoting equal opportunities (EUR 20.5 billion).

Chart 3: Allocation according to ESF+ specific objectives



The programming reflects the regulatory requirements of the ESF+ to allocate an appropriate amount of ESF+ resources to **meet the challenges identified in the European Semester**, and to fulfil certain **‘thematic concentration’** requirements in the area of **social inclusion, youth employment, the fight against child poverty and capacity building of social partners**. All Member States had to allocate at least **25% of their ESF+ budget to social inclusion** and **at least 3% to support the most deprived people**. On youth employment and the fight against child poverty, Member States facing youth unemployment and/or child poverty above the EU average **had to allocate a minimum allocation to these areas** (12.5% on measures supporting youth employment and 5% to the fight against child

(52) [ESF+ Regulation](#).

poverty). In addition, Member States that received a country-specific recommendation (CSR) on the capacity building of social partners and civil society had to allocate **at least 0.25% of their budget to this area**.

Concerning **social inclusion**, with 33% of ESF+ funding, the global allocation goes well beyond the 25% regulatory requirement for Member States. For support to the most deprived, **all Member States comply** with the **3% regulatory requirement** for addressing material deprivation (or, in duly justified cases, social integration of the most deprived). Member States have programmed allocations for support to the most deprived ranging from exactly 3% (Denmark, Sweden) to a maximum of 13.8% (Romania).

On youth, all 9 Member States concerned meet the minimum allocation of 12.5%, with **Italy and Spain planning the highest allocations of nearly 20%**. ESF+ investments to youth employment across all specific objectives reach EUR 17.3 billion (13% of all ESF+ funding). In total, 23 Member States have programmed actions.

ESF+ support to address child poverty has been programmed by **23 Member States** reaching **EUR 8.9 billion**. Actions are programmed under multiple ESF+ specific objectives, notably “Access to services” (EUR 2.8 billion; 31.4%), “quality and inclusive education” (EUR 2.3 billion; 26%), “social integration of people at risk” (EUR 2 billion; 22.6%), “gender balanced labour market” (EUR 860 million; 9.6%) and “active inclusion” (EUR 776 million; 8.7%).

The synergies built between the ESF+ and national recovery and resilience plans (RRPs) in the framework of the **Recovery and Resilience Facility** are also noteworthy. The RRP, which were drafted and adopted mostly in 2021 and early 2022, had to be consistent with country-specific challenges and priorities identified in the context of the European Semester. Often, social measures programmed under ESF+ and RRF complement each other, for example in the domains of healthcare in Italy or childcare in Poland.

Enabling Conditions

For the 2021-2027 period, Member States need to fulfil certain **horizontal and thematic enabling conditions** as laid down in annexes III and IV of the CPR, which are prerequisite conditions for the effective and efficient implementation of the specific objectives of the funds. If horizontal or thematic enabling conditions are not met, expenditure for the corresponding specific objectives **can be submitted in a payment application** to the Commission **but will not be reimbursed**.

For adopted ESF+ programmes, most of the thematic enabling conditions in the areas of **health, education & training, gender equality, social inclusion, Roma and active labour market policies** are met, with 36 exceptions in programmes in 14 Member States.

The horizontal enabling conditions for which DG EMPL is responsible are the effective application and implementation of the **Charter of Fundamental Rights** and the implementation and application of **the United Nations Convention on the rights of persons with disabilities (UNCPRD)** ⁽⁵³⁾. Member States had to self-assess in their programmes whether the enabling conditions linked to the selected specific objectives are fulfilled. With the input of other competent Commission services, DG EMPL and DG REGIO reviewed and the Commission decided whether it agreed with Member State's own assessment on the fulfilment of enabling conditions. When necessary, DG EMPL and DG REGIO provided recommendations to Member States to improve the situation.

All Member States **fulfil the horizontal enabling conditions**, apart from Hungary and Poland ⁽⁵⁴⁾. In the case of **Poland**, the Member State itself considers that the horizontal enabling condition on the Charter of Fundamental Rights is not yet met. The Commission services are in dialogue with the Member State **to ensure that the requirements of the enabling condition are fully met**. This covers notably the institutional and procedural arrangements that are necessary to ensure respect of all relevant principles of Charter in the implementation of the funds at all stages.

In the case of **Hungary**, whilst the authorities assessed that they fulfil **the horizontal enabling conditions on the Charter of Fundamental Rights**, the Commission considered that the implementation of the funds risks violating the Charter. The Commission considers that the provisions of Hungary's law prohibiting access to content that portrays homosexuality or sex change for persons under the age of 18, serious risks to academic freedom and the right to asylum have a concrete and direct impact on the compliance with the Charter in the implementation of certain specific objectives of three Cohesion policy programmes (and of the Asylum Migration and Integration Fund respectively). For the concerned parts of those programmes, Hungary is therefore currently not fulfilling the horizontal enabling condition on **the EU Charter of Fundamental Rights**. The Commission's concerns can be lifted when Hungary has put in place the necessary arrangements that will ensure that the implementation respects the Charter, and when the Commission has agreed that these arrangements remedy the deficiencies. On judicial independence, the Commission considers that Hungary is **committed to remedy the deficiencies**, as the recovery and resilience plan submitted by Hungary includes reforms aiming at the strengthening of judicial independence. Therefore, the horizontal enabling

⁽⁵³⁾ The other two horizontal enabling conditions (for which REGIO is responsible) are an effective monitoring mechanisms of the public procurement market, and Tools and capacity for effective application of State aid rules.

⁽⁵⁴⁾ In addition, Cyprus declared the enabling conditions on the Charters as unfulfilled regarding its AMIF and BMVI programmes.

condition on the Charter of Fundamental Rights will be reassessed and may be considered fulfilled once Hungary has taken the measures on the judiciary to which it has committed under the country's **Recovery and Resilience Plan** and has **resubmitted its self-assessment to the Commission** in line with the procedure foreseen in Article 15(3) and (4) CPR.

Moreover, for **Hungary, the Council also decided in December 2022** specific measures to protect the Union budget against breaches of the principle of the **rule of law (general regime of conditionality)**. Among others, Hungary was asked **to take remedial measures to improve its management and control system for Cohesion policy**. This was also reflected in an “Administrative Capacity Building Roadmap” attached to the adopted Partnership Agreement. This Roadmap aims to improve the transparency of and competition in public procurement, and to improve the prevention, detection and correction of fraud, corruption and conflict of interest. Remedial measures under the general regime of conditionality are also translated into milestones to be fulfilled as part of the Hungarian RRP. Similarly, under the rule of law action plan, measures to improve the independence and operational autonomy of the cohesion policy audit authority were requested. Altogether these should contribute to the sound management of EU funds, including cohesion policy measures in Hungary.

MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

This part explains how the DG delivered the achievements described in Part 1 and how it obtained the assurance, disclosed under the point 2.1.5. It is divided into two sections:

2.1 Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes. This examination is carried out by management, which 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. The following reports have been considered in the assurance building process:

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

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

This section covers the control results and other relevant elements that support management's assurance. It is broken down into four sections: 2.1.1 Control results; 2.1.2 Audit observations and recommendations; 2.1.3 Effectiveness of internal control systems; and 2.1.4 Conclusions on the assurance.

2.1.1. Control results

This sub-section reports on and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICOs) ⁽⁵⁵⁾. DG EMPL's assurance building and materiality criteria are outlined in Annex 5 to this annual activity report. Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Table 2: Expenditure Overview in 2022 per type of activities ⁽⁵⁶⁾

Activity		Payments 2022 (EUR million)	% from total
2021-2027 programming period	ESF+	1425.47	7.5%
2014-2020 programming period	ESF/YEI with REACT-EU	16 692.12	88%
	FEAD	503.54	2.7%
	EGF	27.76	0.1%
2007-2013 and prior programming period	ESF	0.32	0.0%
	IPA	0.0	0.0%
Direct management	Grants	94	0.5%
	Procurement	62	0.3%
	Financial instruments	15	0.0%

⁽⁵⁵⁾ 1) Effectiveness, efficiency, and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (point 2 of Article 36 of the Financial Regulation). The second and/or third internal control Objective only when applicable, given the DG's activities.

⁽⁵⁶⁾ In accordance with table 2 on payments and table 4 on assets from annex 3.

	Cross-sub-delegations given	0.0	0.0%
Indirect management	International organisations and third countries	50	0.3%
	Subsidies to agencies	104.3	0.5%
Non-expenditure items	Intangible assets	6.7	N/A
	Cash and cash equivalents	100.2	N/A
Total		18 976.5	100.0%

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

- No cases of confirmation of instructions were reported in 2022 ⁽⁵⁷⁾;
- DG EMPL financed one activity not linked to costs in the form of a prize under the Access City Award scheme ⁽⁵⁸⁾;
- A framework agreement was signed with the Lithuanian European Social Fund Agency in indirect management mode for the period covering the multiannual financial framework for 2021-2027 ⁽⁵⁹⁾;
- OECD benefits of flat-rate methods for indirect costs above 7% of direct costs ⁽⁶⁰⁾;
- No cases of non-retroactivity pursuant to Article 193 of the Financial Regulation were reported in 2022 ⁽⁶¹⁾.

⁽⁵⁷⁾ Article 92(3) of the Financial Regulation.

⁽⁵⁸⁾ Article 125(3) of the Financial Regulation.

⁽⁵⁹⁾ Article 130(4) of the Financial Regulation.

⁽⁶⁰⁾ Article 181(6) of the Financial Regulation.

⁽⁶¹⁾ Article 193(2) of the Financial Regulation.

1. Effectiveness of controls

a) Legality and regularity of the transactions

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

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

A. Shared management 2021-2027: assurance building process

The assurance building process for 2021-2027 is based on the one for 2014-2020 as described in Annexes 6 and 7A (main changes relate to the level of retention by the Commission on interim payment claims during the accounting year, set at 5% in the regulation instead of 10% in the previous CPR and on the inadmissibility of accounts with residual error rates above 2%).

One simplification in the 2021-2027 is the **carry-over of well-functioning management and control systems**, thus ensuring a seamless transition between programming periods (with authorities and well-established procedures already in place). In the case where systems needed to be adjusted, audit authorities are required to carry out preventive system audits within 21 months of adoption of the programme, to confirm the effective set-up and functioning of the new system. DG EMPL has also planned in its audit strategy to carry out a number of early preventive system audits, to obtain direct re-assurance, in full coordination with audit authorities.

Overall, during the accounting year 2021-2022 and in the second semester of 2022 **Member States did not declare expenditure to the Commission that did not make interim payments** to the 2021-2027 programmes ⁽⁶²⁾.

⁽⁶²⁾ Apart from the regulatory advances paid at the adoption of programmes that are by definition free of risk.

A specific feature of the 2021-2027 period is the need for Member States to **comply with a set of thematic and horizontal enabling conditions** ⁽⁶³⁾. The possibility to reimburse expenditure to the Member States in each specific area is conditioned to the continued compliance with these enabling conditions ⁽⁶⁴⁾.

At the time of adoption of ERDF, CF and ESF+ programmes, in December 2022, around 2/3 of the applicable **thematic enabling conditions** were assessed as fulfilled. Therefore, 22% of the allocation for Jobs and Growth cannot yet be reimbursed due to unfulfilled thematic enabling conditions (for 152 ERDF, CF or ESF+ programmes in 22 Member States in total).

In addition, until it assesses the horizontal enabling condition related to compliance with the Charter of Fundamental rights as fulfilled, the Commission would not be able to process interim payments for **Polish and Hungarian programmes** (with the exception of technical assistance or operations contributing to the fulfilment of the enabling conditions), should either Member State decide to declare expenditure (see details in part 1 page 54).

Moreover, for **Hungary**, the verification of compliance of the 2021-2027 Cohesion policy programmes with the policy objectives (including the implementation of the horizontal enabling conditions) and the design of a solid management and control system for Cohesion policy expenditure ran in parallel to the processes under the **General regime of conditionality mechanism** (under which the Council in December 2022 found that certain remedial measures proposed by Hungary had not been fully or correctly implemented ⁽⁶⁵⁾ and the approval of the Resilience and Recovery Plan (RRP). Most of the remedial measures proposed by Hungary under the general regime of conditionality have an overarching scope and go beyond the legal remedies under the sectorial regulations. There are however key synergies between the sectorial regulations, the general regime of conditionality and the

⁽⁶³⁾ Similar to ex ante conditionalities under 2014-2020.

⁽⁶⁴⁾ The Commission and Member States will jointly monitor that compliance with these enabling conditions continues throughout the programming period. For example, in Croatia, the national strategic plan for waste treatment was assessed as fulfilled when adopting the Croatian programme in 2022. Since it has since then elapsed and needs to be re-adopted, the specific thematic enabling condition is now considered unfulfilled until a new national plan is adopted, and as a consequence payments linked to waste management cannot be processed.

⁽⁶⁵⁾ The Council found that the remedial measures adopted by Hungary present significant weaknesses that seriously compromise their adequacy to address the identified breaches of the principles of the rule of law and as a result there remained a high risk for the Union budget. On this basis the Council suspended 55% of the budgetary commitments under three ERDF/CF/JTF programmes (Environmental and Energy Efficiency OP Plus), Integrated Transport OP Plus, Territorial and Settlement Development OP Plus). The Commission could therefore adopt these programmes in December 2022 but the Commission suspended the related commitments (respectively EUR 352.1 million, EUR 305.1 million and EUR 386.8 million) until this measure is lifted. Under the general regime of conditionality, a measure can be lifted if the Commission finds that, following further remedial measures, the breaches have been brought to an end or that they do not affect or seriously risk affecting the sound financial management of the Union budget or the protection of the financial interests of the Union in a sufficiently direct way.

Impact of programmes annual accounts (2021-2022)

EUR 53.7 billion of certified expenditure (total cost)

EUR 692 million (EUR 549 million EU contribution) prudently withdrawn from accounts (definitively or temporarily based on managing authorities' work and follow up to Commission requests for corrections)

Comprising on average at least 40% as definitive corrections, including **EUR 73 million (EUR 57.6 million EU contribution) from audit authorities' work**

Recovery and Resiliency Facility. The measures taken under these regulatory frameworks are complementary and aim, among other things, to strengthen further control mechanisms, notably on public procurement (to increase transparency and competition), and to enhance the prevention, detection and correction of fraud and conflict of interest. One of the measures taken under the general regime of conditionality, in particular, aims at improving further the independence of the joint audit authority for cohesion policy and the RRP through its operational and financial autonomy. It is expected that the actions under these three legal strands will contribute positively to sound management and to the effective functioning of management and control systems for EU cohesion policy programmes in Hungary. DG EMPL

will continue to closely monitor the effective implementation of all relevant implementation steps and enabling conditions with the other Commission services involved.

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

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

For the purpose of the assurance disclosed in the annual activity report, the Directorate-General reviews, for each programme, all cumulative audit information available at the time of signing the AAR to identify the need for reservations, in line with the materiality criteria disclosed in annex 5, and additional corrective measures required to protect the EU budget. The 2013 Common Provisions Regulation (CPR) provides **safeguards for assurance**. A 10% retention applies on all interim payments during the year (up to 2024, the last year for programme authorities to introduce interim payment claims), thus effectively protecting the EU budget until controls are completed at Member State level and annual programme accounts are accepted. For programmes where serious deficiencies persist when settling the accounts, and in situations where the balance would be positive, the payment of the balance is interrupted.

Programme managing authorities carry out management verifications before expenditure is certified. Audit authorities report (i) on the effectiveness of management and control systems throughout the year and (ii) once a year, audit opinions and representative error rates based on audits of representative samples of operations carried out during the year. **Programme authorities have an interest to apply themselves appropriate corrections** in programme's annual accounts in order to be able to reuse such expenditure. Otherwise, should serious deficiencies in the management and control system of the Member State be identified by the Commission or the European Court of Auditors after the accounts were submitted, and which were not identified, reported and corrected by the Member State's authorities, net financial corrections may apply. It should be noted, however, that the

provisions for net financial corrections adopted by the co-legislators in the Common Provisions Regulation are subject to strict cumulative legal requirements, considerably limiting their scope of application and in practice leading to considerable challenges for the Commission in applying net financial corrections ⁽⁶⁶⁾. However, the mere legal possibility for net financial corrections contributes to further discipline the implementation of the funds (see the multiannual corrective capacity, pp. 70-72). In 2022, the Directorate-General concluded that, subject to a final legal check, the conditions to apply net financial corrections seem applicable in one case involving ESF (procedure to be started in 2023).

With respect to the legality and regularity of the transactions for the 2014-2020 period, the objective is to ensure that the **residual risk of error for each programme**, estimated through the residual total error rate of the amounts certified in the year N-1 accounts (after the control cycle is completed at national level and the required financial corrections were implemented by the programme authorities), **is below the materiality level of 2%** in the annual accounts. Therefore, DG EMPL assesses audit results reported for each programme, carries out its on-the-spot audits as per its risk-assessment and audit strategy, adjusts error rates when deemed necessary and imposes the required additional corrective actions. This includes system improvements (through remedial action plans required from the concerned programme authorities) and financial corrections. DG EMPL has the legal tools to implement these additional corrections and uses them, if necessary, to eventually bring each concerned programme's residual risk below the 2% materiality threshold, after due contradictory procedures. Thus, the adjusted reported error rates of the previous year (after DG EMPL could implement its audit cycle) constitute the best indicator for the legality and regularity of the relevant expenditure reported in the annual activity report.

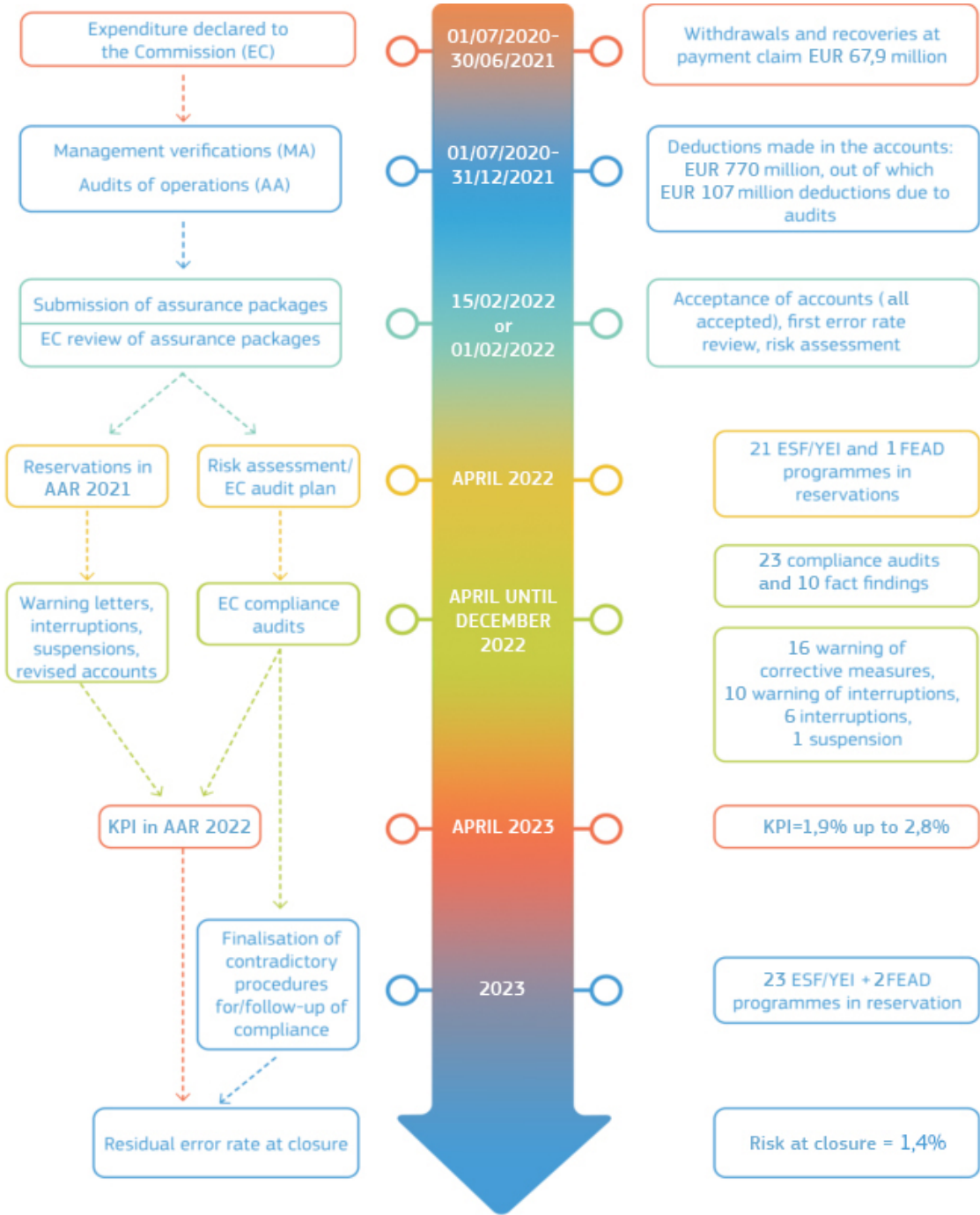
This strengthened assurance model for 2014-2020 is ensuring overall lower error levels for the reporting year compared to the 2007-2013 period ⁽⁶⁷⁾, as demonstrated below. However, error levels remain above 2% for a number of individual programmes each year ⁽⁶⁸⁾. This illustrates that detecting appropriately all material errors remains a continued challenge for programme authorities. **DG EMPL is therefore applying various actions to further reduce the risks** associated with ESF, YEI (and to a lesser extent) FEAD expenditure declared. The illustration below (chart 4) shows the assurance building process for programme accounts submitted and accepted in 2022, as a result of the complete audit cycle reported in the 2022 annual activity report.

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

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

⁽⁶⁸⁾ The situation of the current year is available on page 67.

Chart 4: Assurance building process for programme accounts submitted and accepted in 2022 (annual accounts 2020-2021)



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

DG EMPL carries out systematic desk audit work to assess the situation for each **programme** and accounts accepted in the reporting year. It discloses in the annual activity report **individual error rates for each programme**; these error rates are based on Member empl_aar_2022

States' reporting that DG EMPL has confirmed, where contradictory procedures are completed, including adjusting them as needed, on the basis of its audit review ⁽⁶⁹⁾ and results. **DG EMPL has therefore robust audit evidence showing a differentiated situation for the 215 programmes concerned.**

**Residual Total Error Rate (RTER)
2020-2021**

(before taking account of impact of financial instruments advances)

193 programmes with RTER ≤ 2%

22 programmes with RTER > 2%

KPI4: 1.9%, max. 2.8%

DG EMPL then aggregates programme error rates to report **a total weighted average error rate for ESF/YEI and FEAD**. This is the **key performance indicator on legality and regularity (KPI4)** of the annual activity report, calculated once the control cycle is completed. **In the 2022 annual activity report**, the KPI4 based on the residual total error rate reported for the accounting year 2020-2021 is estimated at **1.9%** ⁽⁷⁰⁾, **with an estimated prudent maximum**

of 2.8% to take into account potential additional risks (including a conservative approach when only desk audit was carried out over the period for a programme and when additional audit work is still required under ongoing contradictory procedures), estimated using flat rates for each individual programme depending on their specific situation ⁽⁷¹⁾. This KPI4 has been calculated after neutralising the impact of advances paid into financial instruments, in line with ECA's 2016 recommendation ⁽⁷²⁾ and with prudent adjustments made when

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

⁽⁷⁰⁾ This is an increase compared to the 2021 annual activity report (1.7%) due to a prudent estimate for 15 programmes; DG EMPL has taken account of preliminary findings reported by the Court of Auditors, pending the contradictory procedure.

⁽⁷¹⁾ Namely to consider additional risks that may be present in that part of the audit sample of the audit authority that was not covered by the DAC audits, as well as additional risks identified during the DAC desk reviews or during ECA audits but not yet communicated. This maximum error rate also includes a possible top-up as follows:

- for programmes not audited on the spot by the DAC or by ECA, but for which the audit authority was audited for another programme in the last three years, the programme residual total error rate (RTER) is topped up by the average increase of the error rate resulting from Commission or ECA audits for the other audited programmes of the same audit authority;
- for programmes only subject to a desk review since the start of the period, the risk of potential undetected errors is estimated at flat rate: 2% for confirmed RTER up to 2%, 5% for RTER above 2% but below 5%, 10 % for RTER above 5%.

⁽⁷²⁾ Advances paid into financial instruments are included in the declared expenditure, which, in line with Article 127 of the Common Provisions Regulation, form the basis for the samples of audit authorities. On this basis, the confirmed residual total error rate is 2%, hence advance payments to financial instruments have a negligible impact on the confirmed residual error rate (0.1 percentage points). In its recommendation n° 2 a) in the 2016 Annual Report (paragraph 6.40), ECA also addressed State aid advances. In line with the Regulation, State aid advances may be partially cleared by expenditure during

necessary. **DG EMPL estimates that this KPI4 and its estimated maximum value reflect a robust, reasonable and fair estimate of the overall risk at payment for all programmes taken together, following a programme by programme analysis.**

DG EMPL therefore concludes on the basis of this range for KPI4 that, overall for ESF/YEI and FEAD, **there is a material level of irregular expenditure remaining in the accepted accounts** despite the control layers and corrections already applied at Member State’s level. Indeed, **for 22 programmes in 9 Member States ⁽⁷³⁾ the individual residual total error rate remains above 2%**. The maximum error rate at 2.8%, beyond the materiality level, also reflects this risk. For these programmes where evidence indicates a remaining error rate above 2%, as well as for any other risks that may materialise and increase further the error rate following the signature of this annual activity report, DG EMPL will carry out the necessary additional corrective actions to ensure that the error rate is brought back below 2% for each and every programme concerned and overall for the Funds by the end of the programming period. The detailed list of confirmed total error rates and total residual error rates by programme, as well as the Commission opinion on the functioning of each management and control system, are disclosed in annex 7B ⁽⁷⁴⁾.

A differentiated situation: identifying and correcting programmes at risk

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

**2020-2021
215 operational
programmes in total,
including 212 accounts
with expenditure for
ESF/YEI and FEAD**

Following the receipt of the **assurance packages by 1 March 2022 (accounts from the accounting year 2020-2021 accepted in 2022)**, the DAC auditors carried out a **thorough desk review of the Annual Control Reports** and assessed the reported total and residual error rates and audit opinions

the accounting year. Given this inherent legal complexity for dealing with such advances in the error rate calculation and the limited impact estimated in previous years, DG EMPL did not remove these advances in the KPI4 calculation.

⁽⁷³⁾ 22 ESF/YEI programmes from Belgium, Czechia, France, Italy, Spain, Poland, Portugal, and Slovakia; and 1 FEAD programme from Luxembourg. In addition, for 16 programmes, whilst the confirmed residual error rate is below 2%, the maximum calculated by the DAC is above the materiality threshold, therefore indicating a risk.

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

Desk review of AA' audit results received in 2022

- 242 system audits
- 4970 operations audited
- Statistical sampling covering 95% of the total certified expenditure
- 11% of expenditure audited

In 2022 EMPL audits covered

- 50 audits in 22 MSs and the UK
- Out of these, 23 were compliance audits in 12 Member States covering
- 29 assurance packages and 65 programmes
- 10 fact finding missions
- 17 thematic audits

against all cumulative audit information ⁽⁷⁵⁾, in view of deciding on reservations qualifying the assurance declaration in the 2021 annual activity report (published in June 2022).

Subsequently, for a number of programmes/audit authorities for which specific risks have been identified, the DAC carried out in 2022 and early 2023 **on-the-spot compliance audits** to re-perform during 2022 the work done by the concerned audit authorities. Details on the audits performed are available in annex 7F.

Out of the **29 assurance packages** it audited **covering 65 ESF/YEI or FEAD programmes in 12 Member States and the UK**, the DAC identified further irregularities to the ones

detected by the audit authorities and **re-calculated residual risk** at this stage of the contradictory procedure **in eleven assurance packages** covering 15 programmes (52% of the ACRs reviewed or 27% of the OPs covered). In **eight of these cases (2 FR, 3 ES, 1 IT, 1 CZ, 1 PL)**, the DAC recalculated a **residual total error rate above 2%**, from an error rate initially reported by the concerned audit authorities below materiality. This shows weaknesses in the management verifications carried out in first instance by managing authorities to prevent and detect irregularities. It also demonstrates weaknesses in the work of a limited number of audit authorities which failed to detect all irregularities: **DG EMPL requested improvements for 7 audit authorities** (or their control bodies) out of the 100 audit authorities in charge of ESF/YEI and FEAD programmes (in charge of auditing 8.5% of ESF/YEI and FEAD allocations, see Annex 7).

At programme level, At programme level, for the accounts accepted in 2022, DG EMPL confirmed a **residual total error rate below materiality for 193 programmes** (90%, including in some cases after adjustments made without a material impact) ⁽⁷⁶⁾, and above

⁽⁷⁵⁾ The desk review of 100% of received annual control reports and audit opinions takes also into account the cumulative knowledge and previous audit work carried out on the audit authority and operational programme concerned. It entails communication with the programme audit authorities to clarify information from the annual control reports, possibly completed by fact-finding missions. For the assurance packages received in 2022, DG EMPL was able to recalculate the reported residual error rate for 36 programmes based on the desk review of the assurance packages.

⁽⁷⁶⁾ In addition, for 29 operational programmes (from France, Greece, Italy, Lithuania, and Poland), the estimated residual total error rate is above 2% once the advance payments to financial instruments are removed (however, the residual total error rates reported below the materiality by the audit authorities or recalculated by the Commission are below 2%).

materiality for **22 programmes** ⁽⁷⁷⁾. For these programmes, the residual total error rate above 2% is the result of **DG EMPL's recalculation or reassessment at flat rate** (pending all audit information). For 10 programmes, the residual total error rates are prudently re-calculated to consider draft ECA reports identifying errors with financial impact and for which the contradictory procedure is ongoing. For 7 programmes in DE, ES, FR, IT, LU and PL, the recalculated residual total error rates have led DG EMPL to conclude on deficiencies at the level of the control body. For the remaining programmes, the recalculation is due to individual errors which do not put in question the overall reliance that DG EMPL can put on the work of the concerned audit authorities.

DG EMPL took these results into account to assess the need for possible adjustments to the 'reportable' error rates for **the next accounting year 2021-2022** (assurance packages received by 1 March 2023).

For the accounting year 2021-2022, all but three assurance packages were received by 1 March 2023 ⁽⁷⁸⁾. The most recent audit findings and audit opinions reported in these assurance packages, adjusted when considered necessary based on experience obtained from the results of the assessment of reported errors in the previous year and with all other relevant information available to the Commission, **were the basis to decide on the need for reservations in this 2022 annual activity report.**

DG EMPL has carried out a thorough assessment ⁽⁷⁹⁾ (desk review) of the information reported in the annual control reports and checked whether the reported audit opinions are in line with all other relevant information available to the Commission. This assessment was completed at the time of signature of the annual activity report for all programmes.

Following its assessment, DG EMPL concludes as of mid-April 2023 that **210 accounts with ESF/YEI or FEAD expenditure can be accepted** ⁽⁸⁰⁾. The Commission expects to formally accept these accounts by 31 May 2023, in line with the regulatory deadline.

⁽⁷⁷⁾ 22 ESF/YEI programmes from Belgium, Czechia, France, Italy, Spain, Poland, Portugal, and Slovakia; and 1 FEAD programme from Luxembourg.

⁽⁷⁸⁾ 1 FR, 2 IT.

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

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

Spain – double funding detected by the audit authority

The audit authority of Andalucía identified that additional staff hired to reinforce the regional health system against the Covid-pandemic was co-financed at the same time by ESF (via SCOs) and by ERDF (real costs). The irregular expenditure has been quantified for ESF for a total of EUR 30 million with a resulting total error rate above 7%. The necessary financial corrections have been implemented in the accounts and the system was reinforced to exclude double funding in the future.

Regarding the reportable residual total error rates reported in the latest assurance packages received by 1 March 2023 (either as reported by the audit authority or adjusted by the DAC auditors), DG EMPL notes that for 77 programmes the audit authorities reported a total error rate (a measurement of the effectiveness of management and control systems) above 2%, however the programme authorities applied sufficient financial corrections in the reported accounts in 55 cases to bring the residual risk below or equal to 2%. **For the remaining 22 programmes** ⁽⁸¹⁾, the accounts submitted by 1 March 2023 **are still affected by material**

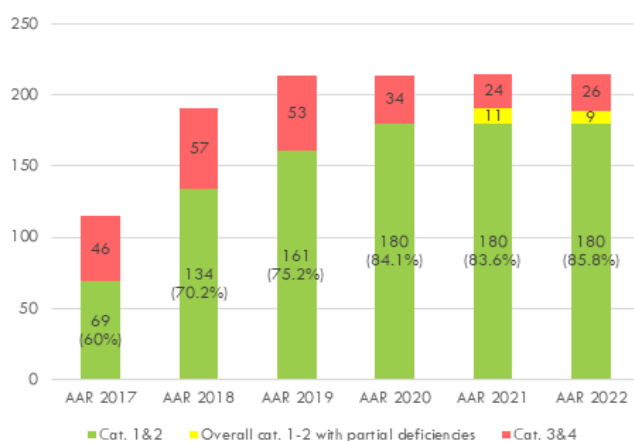
residual total error rates and DG EMPL will apply additional financial corrections, as necessary, upon finalisation of the assessment and resulting contradictory procedure. These programmes are put under reservation as the relevant expenditure in the reporting year is materially affected (details available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

In 2022, the Commission requested audit authorities to pay particular attention to new risks related to the multiplication of Funds (and additional funding under NGEU), **in particular the risk of funding of the same expenditure twice from different funding source (so-called) 'double funding', in particular with the RRF** ⁽⁸²⁾, conflict of interest, fraud or corruption. Moreover audit authorities and the Commission audits continued to be particularly attention to the **risks linked to the flexibilities introduced with the CRII/CRII+ amendments as well as to the unjustified use of emergency public procurement procedures**. This risk materialised in some cases. DG EMPL paid attention in its desk assessment of annual control reports whether such risks were audited, identified and whether appropriate corrective measures were taken

⁽⁸¹⁾ In one of these programmes, the audit authority itself reported a residual risk above 2% due to insufficient financial corrections applied by the certifying authority in the certified accounts (Romania).

⁽⁸²⁾ To address these risks more effectively and to enhance the assurance, EMPL/REGIO and ECFIN agreed on concrete actions to enhance the cooperation between their respective audit services (e.g. systematic exchange of audit reports and of any information on serious risks identified, coordination (to the extent possible) of on-the-spot audits, sharing of the DAC assessment of national management and control systems for common bodies etc. which will contribute to their respective risk assessments and preparation of audit plans). These actions have been formalised in a Memorandum of Understanding signed between the services in April 2023.

Chart 5: Assessment of the management and control systems, number of programmes and % of expenditure in accounts



Based on its assessment of all national audit results received and analysed by DG EMPL at the date of this report, including audit opinions provided by audit authorities in the latest annual control reports, as per the results of their system audits and audits on operations, and taking account of its own audit results and further EU audit results, DG EMPL can conclude by mid-April 2023 that the management and control systems:

- **function well or sufficiently well for 189 ESF/YEI and FEAD programmes** (88%), covering 86% of expenditure under assessment ⁽⁸³⁾. This provides assurance that the underlying transactions and expenditure declared in these accounts, as well as expenditure further declared by these programmes in 2021 under the ongoing accounting year 2021-2022, are not affected by a risk of material level of irregularities.
- **present serious deficiencies for 26 programmes** ⁽⁸⁴⁾, representing 14% of expenditure certified in the 2021-2022 accounts. For these programmes, the management and control system (or part of this system for a specific priority or intermediate body) works only partially and substantial improvements are needed.

In line with the materiality criteria (Annex 5), **DG EMPL issues reservations in the annual activity report** for all programmes or part of programmes for which the management and control system (MCS) is assessed in category 3 or 4 due to serious deficiencies identified and the risk to the EU budget is estimated above the 10% payment retention ⁽⁸⁵⁾. In 2022, **23 ESF/YEI programmes and 2 FEAD programmes** from the 2014-2020 period are in reservation ⁽⁸⁶⁾. The reasons for reservation are: significant deficiencies in the functioning of the management and control system (1) or in part of the system (8), programmes with residual rate above the materiality level of 2% (15, including 2 cases with error rate above materiality since previous year), deficiencies in the functioning of the management and control systems combined with residual rate above the materiality level of 2% (1).

⁽⁸³⁾ This include 9 programmes with only partial deficiencies, as shown in chart 5.

⁽⁸⁴⁾ In Germany, Spain, France, Hungary, Italy, Luxembourg, Poland, Portugal, and Romania.

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

⁽⁸⁶⁾ See Annex 9.

Chart 6: Reservations per Member State/UK and the year of the Annual Activity Report

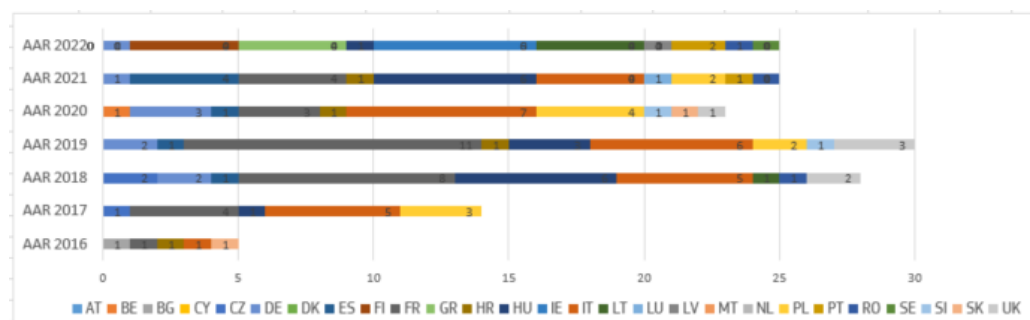
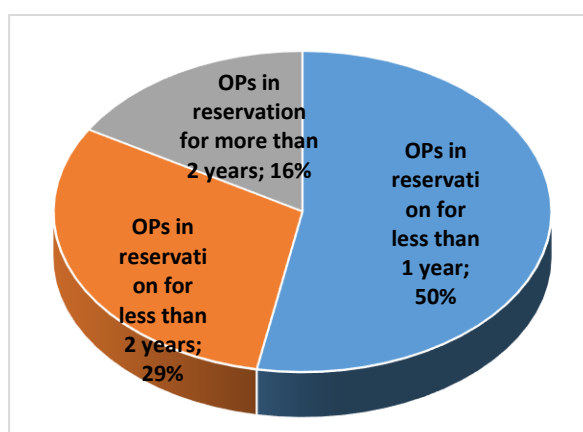


Chart 7: Programmes in reservation over the 2014-2020 period



Reservations are only lifted once programme authorities have taken sufficient corrective measures. **The fact that 79% of DG EMPL reservations last less than two years shows the effectiveness of corrective measures put in place.**

DG EMPL also **systematically transmits suspicions of fraud to OLAF** and applies financial corrections (2 cases in 2022) based

on OLAF final case reports received, following a contradictory procedure with the authorities and beneficiaries concerned. 100% of OLAF financial recommendation were fully implemented, as presented in Annex 7L.

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

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

Programme authorities withdraw important amounts from the programme accounts each year, when they detect irregularities or when doubts arise concerning expenditure previously declared during the year. **EUR 536.5 million of ESF/YEI and EUR 12.3 million of FEAD contribution** deducted in the accounts received by 1 March 2023, corresponding to **EUR 692 million** (for all funds) of total expenditure ⁽⁸⁷⁾ deducted

⁽⁸⁷⁾ In total expenditure declared (including public –European and national– and private contributions).

respectively. Some of these deductions concern prudent, temporary withdrawals by programme authorities to allow for further verifications on the legality and regularity of the concerned expenditure ⁽⁸⁸⁾. Part of these temporary withdrawals may be redeclared (and subject to audits by audit authorities) once the respective managing authorities have ascertained the regularity of the concerned expenditure ⁽⁸⁹⁾, otherwise, the withdrawn expenditure becomes a definitive correction ⁽⁹⁰⁾. These definitive implemented corrections were the result of audits by audit authorities (EUR 57.6 million of EU contribution), management verifications, or follow up to accepted findings from Commission and ECA audits or OLAF investigations ⁽⁹¹⁾.

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

In **addition to the Member States' corrective capacity**, if it detects system deficiencies at the level of managing or audit authorities throughout the year, or recalculates an error rate beyond 10% (before corrections) for a programme, **DG EMPL uses the regulatory tools** at its disposal to **stop payments** (interruptions, suspensions, details in annex 7G). DG EMPL also requests **remedial actions to improve the functioning of the management and control systems** and of the concerned programme authorities with a view to prevent

⁽⁸⁸⁾ Estimated by DG EMPL at 60% of these total amounts withdrawn on average; DG EMPL can only establish an estimate since the regulatory basis does not require Member States to provide separate figures in the accounts, apart for definitive corrections stemming from audits.

⁽⁸⁹⁾ In 2022 DG EMPL requested audit authorities to provide an audited reconciliation, in view of and by closure, of all amounts cumulatively withdrawn since the start of the period.

⁽⁹⁰⁾ As a follow-up to an ECA recommendation in their 2020 Annual Report, DG EMPL has requested information from audit authorities how much of these temporary withdrawals were re-declared as eligible expenditure in the accounts submitted by programme authorities. This information is therefore being assessed by REGIO for each programme as part of the assurance package assessment. A complete picture will be presented at closure.

⁽⁹¹⁾ EUR 17 million of EU contribution.

irregularities from recurring ⁽⁹²⁾. DG EMPL does not resume payments until it has audit evidence that the systems were improved and/or appropriate financial corrections applied.

DG EMPL has in place an effective mechanism for correcting remaining errors when Member States failed to do so (or not sufficiently) in first instance. Since the beginning of the programming period, **DG EMPL's corrective capacity amounts in total to EUR 151.5 million of additional corrections (EU contributions)** ⁽⁹³⁾.

And as a last step of the assurance process, where DG EMPL recalculated a residual total error rate above 2% for a programme, it **required additional financial corrections** to the Member States to bring the programme's residual risk below 2%, following due contradictory procedures to respect the right of defence. DG EMPL estimates that, for the accounting year 2020-2021 under review, once it will have applied the required additional financial corrections, the 'risk at closure' (after such additional corrections) will **come down to 1.4%, well below materiality** ⁽⁹⁴⁾. For previous annual activity reports, this led to **additional corrections of EUR 43.1 million cumulatively** (EU contribution) since the start of the programming period (see table with applied corrections for each accounting year in Annex 7H). DG EMPL can thus report that, following corrective measures taken and additional financial corrections effectively accepted / implemented following previous annual activity reports, **the risk at closure for all previous accounting years is now effectively below 2%** based on evidence, as estimated in previous years' annual activity reports. **This confirms the effectiveness of the Commission's multiannual corrective capacity mechanism.**

Annex 7G presents details on the number of payments stopped, warning letters sent and suspension procedures opened, and annex 7H on the financial corrections made in 2022.

Actions undertaken in 2022 to improve the programme authorities' administrative capacity and effectiveness of management and control systems

- Every year, DG EMPL implements several actions to improve the effectiveness of management and control systems in reducing the error rate (more details and examples

⁽⁹²⁾ This includes the follow-up to agreed ECA findings on individual operations, which may point to the need for system improvements for the audited programmes. See in particular ECA recommendations in their 2021 and previous Annual Reports, which are systematically followed up (see ECA section, pp. 85-86).

⁽⁹³⁾ Financial corrections accepted by the Member States in the year, as a result of DG EMPL audits, follow up to ECA audit findings and to OLAF investigations; details are available in annex 7H.

⁽⁹⁴⁾ The amount at risk at closure in the 2022 annual activity report is calculated by applying the estimated risk at closure to the 2022 relevant expenditure.

of the action taken in 2022 can be found in Annex 7E). **Support to the managing and audit authorities to improve their administrative capacities** through guidance, targeted support, continuous training and professional development, and transnational networks to simplify and avoid excess procedures. Errors and irregularities should be detected and corrected by managing authorities in the first instance. If it is found that managing authorities have missed errors, DG EMPL requires targeted remedial action to improve the quality and quantity of verifications carried out by the authorities concerned before declaring expenditure.

- Audit authorities are a second control layer and verify whether managing authorities worked effectively to prevent errors. When DG EMPL identifies that individual audit authorities do not appropriately, exhaustively or timely detect errors, targeted and technical support is provided to them in order to ensure they work up to expected standards and improve their detection capacity. DG EMPL requires that they apply targeted actions to improve their audit methodology and capacities.
- **Promotion of less error-prone simplified cost options** and financing not linked to cost **Promotion of less error-prone simplified cost options** and financing not linked to costs (FNLC) by providing assistance and support to programme authorities to prepare and assess the planned SCOs and FNLCs for 2021-2027 programmes as well as to understand the requirements in terms of control. Following the successful implementation of unit costs or lump sums in 19 Member States and the UK set out in Delegated Regulation 2015/2195, for 2021-2027 programmes cooperation continued with the adoption of 109 SCO methodologies (in 10 Member States covering EUR 4.4 billion) and 4 FNLC schemes (in 4 Member States covering EUR 1.2 billion), in addition to the new mandatory use of SCOs for operations with total cost less than EUR 200.000. Such simplified cost options, less error-prone can facilitate access to funding for small beneficiaries by reducing the administrative burden of funds implementation and also help reduce the error rate
- **Provision to Member States**, free of charge, of the data mining tool Arachne to increase capacities to detect irregularities, fraud suspicions or possible conflicts of interest. EMPL and REGIO promoted further the use of the tool in 2022 to reluctant Member States, achieving some progress in SE and DE for example, and developed further some functionalities of the tool, for example to help managing authorities carry out ex ante verifications before granting funds or benefit from a new indicator on fund concentration under beneficial owners of recipients of EU funds (including their contractors).

Examples of general administrative capacity-building actions

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

In 2022, the Commission also adopted a Delegated act for off-the-shelf sampling, to provide further legal certainty in the use of statistical methods, and discussed with the audit authorities the updated audit methodologies related to the assessment of management and control systems, accounts, annual control report and audit opinion. These tools will help audit authorities in their work for the 2021-2027 period, and will provide a harmonised methodology for audit opinions allowing comparing and using reported audit results. The audit methodologies are also shared with managing authorities who can thus usefully have clarity on how auditors will assess their work, for example the effectiveness of management and control systems.

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

Tackling the non-detection of errors by some audit authorities

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

For example, non-detected errors in the areas of public procurement (cartel in AT), State aid (SK), retrospective projects (IT), conflicts of interests (PL) were reported in 2022 and are under contradictory procedure or led to implementation of corrective measures, including additional financial corrections.

Annex 71 provides more details on **the most common irregularities reported in 2022 by audit authorities** (as not detected by managing authorities) and by DG EMPL (as errors not detected by both audit and managing authorities), following the common typology of errors agreed and shared between

the Commission and the Member States.

C. Shared management – closure of ESF 2007-2013

In 2022, DG EMPL assessed the additional information provided by Member States for the closure of the remaining 2007-2013 ESF programmes. As a result and following up to the reservations from the 2022 annual activity report, DG EMPL could close in 2022 one additional programme for which an amount of EUR 5,2 million was recovered. In addition, the audit findings open for an Italian programme (Calabria), that led to a reservation last year, is now solved (findings accepted by the managing authority and findings closed). The closure of the programme can therefore now be launched.

Table 3: Closure of 2007-2013 programmes

Indicator	2022
Number of programmes (pre)closed at 31/12/2022	114
Remaining allocation to settle (RAL) at 1/1/2022 (in EUR million)	272
Remaining allocation to settle (RAL) at 31/12/2022 (in EUR million)	268

Four ESF programmes in three Member States (Italy, Romania (2) and Slovakia) remain open, including the Romanian one in reservation. For these remaining programmes serious issues and litigations remain and therefore the Commission cannot authorise the closure payment yet. The only remaining reservation for one Romanian programme (Human Resources Development) is due to open follow-up to various ECA findings, which are not yet settled and that exceed the financial retention of 5% of the overall allocation made at programme level.

DG EMPL continues to monitor the process with the three Member States concerned in order to (pre)close these programmes as soon as possible. However, the final payment for these programmes will only take place when the required level of financial corrections is accepted

and implemented by the Member States (or through a Commission decision). Therefore, no payment was made in 2022 in relation to the four still open programmes.

97% of the 118 operational programmes fully closed (101) or pre closed (13) for the uncontested part. 4 programmes remain open due to litigations. Residual risk rate at closure is **0.6%**

Taking into account all additional financial corrections implemented after closure and up to end 2022 DG EMPL is able to conclude that **the residual risk rate applied to the expenditure certified for the whole programming period 2007-2013 is now 0.6%**. The list of programmes with error rates/residual risk rates and closure status is available in annex 7J.

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

D. Conclusion on control effectiveness as regards legality and regularity

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

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

In addition, **DG EMPL** has in place **an effective mechanism for correcting errors**, through ex-ante and ex-post controls, resulting in **preventive and corrective measures, respectively. Member States** play an important role in this corrective mechanism and part of the benefit stems from their actions. The below table gives an **overview of the preventive and corrective measures for 2022**:

Table 4: Preventive and corrective measures

	Preventive Measures (million EUR)	Corrective measures (million EUR)
Implemented by the Member States	417	132
of which from Member States controls	417	115
• <i>ESF/YEI 2014-2020</i>	406	114.5
• <i>FEAD 2014-2020</i>	11	0.5
• <i>EGF</i>	0	0
of which from EU control ⁹⁵	0 ⁽⁹⁶⁾	17.2
• <i>ESF/YEI 2014-2020</i>	0	16.5
• <i>FEAD 2014-2020</i>	0	0.7
Implemented by the Commission	1.05	9.33
of which from Member States controls	0	2.82
• <i>ESF 2007-2013</i>	0	2.82
of which from EU controls	1.05	6.51
• <i>ESF 2007-2013</i>	0	6.40
• <i>EGF</i>	0	0.04
• <i>Direct Management</i>	1.05	0.073
• <i>Indirect Management</i>	0	0
EMPL total	418.05	141.33

Based on all the above, DG EMPL presents an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year in **table 5** below.

⁽⁹⁵⁾ As a result of Commission controls and audits (including additional corrections to ensure a risk at closure below 2%), OLAF investigations or ECA audits.

⁽⁹⁶⁾ Expenditure not declared in first instance in payments claims by the Member States as a result of Commission supervisory role (“ex ante corrections”) are not reflected in this table (for example, public procurement expenditure in Hungary to the extent of at least EUR 17 million preventively not declared in payment claims to the Commission by the programme authorities as a result of DAC audits).

Table 5: Estimated risk at payment and at closure ⁽⁹⁸⁾

DG EMPL	Relevant expenditure (for 2022; EUR million)	Estimated risk at payment (for 2022; EUR million) (min-max)	Estimated future corrections and deductions (for 2022; EUR million) (min-max)	Estimated risk at Closure (for 2022; EUR million)
-1	-5	-7	-9	-10
2021-2027 ESF+	0,00	0,00 - 0,00	0,00 - 0,00	0,00
2014-2020 ESF/YEI	15 895,05	297,68 - 445,22	72,28 - 219,82	225,40
2014-2020 FEAD	490,91	2,82 - 3,23	0,04 - 0,45	2,78
2007-2013 ESF	0,00	0,00 - 0,00	0,00 - 0,00	0,00
2000-2006 ESF	0,32	0,00 - 0,00	0,00 - 0,00	0,00
EGF	0,00	0,00 - 0,00	0,00 - 0,00	0,00
IPA	8,04	0,00 - 0,00	0,00 - 0,00	0,00
Centralised Agencies	152,11	1,72 - 1,72	0,00 - 0,00	1,72
	88,63	0,00 - 0,00	0,00 - 0,00	0,00
DG total	16 635,06	302,22 - 450,17	72,32 - 220,27	229,90

The **estimated overall risk at payment** for 2022 expenditure amounts to **EUR 302.22 - 450.17 million**, representing **1.8% - 2.7%** of the DG's total relevant expenditure for 2022. This is the authorising officer by delegation's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will subsequently be subject to *ex post* controls and a proportion of the underlying errors will be detected and corrected in subsequent years, following contradictory procedures. This amount of **EUR 72.32 - 220.27 EUR million** corresponds to the conservatively **estimated future corrections** for 2022 expenditure.

The difference between those two amounts results in the **estimated overall risk at closure ⁽⁹⁹⁾** of **EUR 229.90 million, representing 1.4%** of the DG's total relevant expenditure for 2022. There is a slight increase compared to 2021 (1.3% of the DG's total relevant expenditure for 2021).

In conclusion, DG EMPL has set up internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying

⁽⁹⁸⁾ The full detailed version of the table is provided in annex 9.

⁽⁹⁹⁾ This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.

transactions, considering the multiannual character of programmes as well as the nature of the payments concerned.

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

b) Fraud prevention, detection and correction ⁽¹⁰⁰⁾

DG EMPL developed and is implementing its own anti-fraud strategy for direct management since January 2010 on the basis of the methodology provided by OLAF. The last update of this strategy was in January 2020. Together with DG REGIO and DG MARE, DG EMPL is also implementing a Joint Anti-Fraud Strategy (JAFS) established on the basis of a 2019 risk assessment and covering the period 2020-2025. The JAFS is fully embedded and aligned with the objectives of the Commission's 2019 over-arching Anti-fraud Strategy (CAFS).

The implementation of the DG EMPL anti-fraud strategy for direct management and of the JAFS is being monitored and reported to the management yearly with the AAR.

During 2022, **all actions planned by the CAFS** were successfully implemented or are continuously being implemented. They included the following key anti-fraud measures:

- Review and improve the ARACHNE risk scoring tool. Continue to promote its use among Member State authorities. In 2022, a new major release improving the reporting and introducing a new ex-ante calculation module was made available to the MS as of mid-June;
- Provide technical assistance to Member States through various spending programmes, including the EU Anti-Fraud Programme. Encourage Member States to put in place national anti-fraud strategies, provide advice and support in this respect and, where appropriate and possible, reinforce Member States' obligations for the post-2020 MFF throughout the anti-fraud cycle.
- Promote integrity pacts for safeguarding EU funds against fraud and corruption.
- Closely monitor Member States' follow-up of OLAF's financial recommendations. DAC ensures a regular follow-up of all recommendations from OLAF addressed to DG EMPL and DG REGIO, through a close monitoring of all the fraud case for both DGs, from the opening of the case by OLAF to the closure of the case by the DG concerned.

⁽¹⁰⁰⁾ More details are available in Annex 7L.

During 2022, **all actions planned in the frame of the JAFS** were successfully implemented or are continuously being implemented. More particularly, in 2022 the following key anti-fraud measures were implemented:

- **The European Institute Public Administration (EIPA)**, organised trainings, which were provided by experts with the participation of DAC.7 and were followed by a total of 101 practitioners from almost all Member States.
- DG EMPL participated with OLAF in 10 anti-fraud network meetings (FPDNet), in 4 bilateral meetings targeting specific fraud cases and in 6 meetings on more general topics, allowing to enhance its knowledge basis and to increase cooperation on fraud prevention.
- The DAC created in 2022 a new e-learning module focusing on anti-fraud awareness raising.
- In order to support the programme authorities in strengthening their work to identify and prevent fraud and corruption affecting cohesion policy funds, the Commission continued to encourage Member State to make systematic use in the project selection, award and implementation phases of the Commission specific data-mining and risk-scoring tool **ARACHNE** and in particular of its newly released ex ante module (as per Action No2 of JAFS). The use of the tool, which remains currently voluntary, can help the programme authorities to identify, among others, possible risks of irregularities and fraud. In 2022, the number of connections as well as the number of active users increased, while additional progress was obtained with Member States so far reluctant to use the tool (SE, DE) following dedicated workshops organised jointly by EMPL/DAC where live presentations of the tool were provided (SE, DE, DK, NL). Finally, new fields and indicators related to the data on beneficial owners required under the 2021-2027 CPR for beneficiaries, their contractors and recipients of financial instruments were introduced in the tool. The use of such data will increase the transparent information available to programme authorities and the Commission on the use of Cohesion funding and may help proactively addressing potential conflict of interest issues.

DG EMPL also ensured a regular follow-up of OLAF's financial recommendations with the following results. During 2022, DG EMPL completed the follow-up of two OLAF final case reports with financial recommendations issued by OLAF. DG EMPL recovered EUR 4.8 million, which corresponds to **a recovery rate of 100% of OLAF financial recommendations for these two cases.**

DG EMPL has also taken care that Member States put in place effective and proportionate anti-fraud measures, specifically following adoption of CRIII/CRII+ and REACT-EU measures to mitigate the effects of the pandemic. Moreover, a more detailed analysis of new emerging risks will be carried out during 2023, in particular related to the start of the 2021-2027 period.

On the basis of the available information, DG EMPL has reasonable assurance that the anti-fraud measures in place are overall effective.

In relation to the effective implementation of mitigating actions by Member States to avoid conflicts of interest, DG EMPL has continued to carry out targeted audits in relation to programmes considered at risk.

In 2022 DG EMPL carried out or launched two audits (**1MT, 1BG**) to cover the measures taken by specific programmes or Member States to avoid **conflicts of interest**. For the concerned programmes considered at risk DG EMPL considered that overall measures are in place to avoid conflicts of interests, subject to some recommendations for further improvements in the system.

c) Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)

Safeguarding of assets

The main assets of DG EMPL are its financial instruments, which encompass the EaSI Guarantee Instrument, the Capacity Building Investment Windows and the Funded Instrument. All three instruments are implemented by the European Investment Fund. The Fund manages the assets in accordance with the principles of sound financial management and following appropriate prudential rules.

The regular supervision of these instruments did not identify any particular issue that could have a material impact on the assurance and would require reporting in the 2022 annual activity report. Therefore, DG EMPL considers that its safeguarding of assets is effective and appropriate.

Intangible assets

DG EMPL's intangible assets are related to the IT project Europass. It is a system developed by DG EMPL that is running and subject to depreciation. The accounting revision programme of DG EMPL includes a control of the accounting entry of the IT projects assets and a follow-up of their status (research, development or production phase). Once in production, a linear depreciation over 10 years is applied. The control objectives are fully met for 2022.

EaSI financial instruments

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

Cash and cash equivalents

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

Current financial liabilities

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

Reliability of reporting

Similarly to previous years, DG EMPL's geographical desks carried out plausibility and consistency checks on output and result indicators reported in the Annual Implementation Reports (AIRs) in line with the AIR quality checklist. Their work is supported by a dedicated LaunchPad report that flags indicator values whose plausibility should be verified and by quick fix reports that identifies inconsistencies in reporting.

After the specific audits it has carried out ⁽¹⁰¹⁾, DG EMPL draws reasonable assurance on the reliability of performance data indicators from the audit results reported by audit authorities (including on the effectiveness of systems in place to ensure the reliability of performance data, key requirement KR6) and performs also direct testing during its on-the-spot compliance audits. Since 2019, system audits on KR6 are indeed part of the audit authorities' audit plans and audit authorities also have the obligation to review the reliability of reported performance data as part of their audits of operations. Results of such audits are reported in system audit reports and in the annual control reports reviewed by DG EMPL. Furthermore, geographical units check the plausibility and consistency of data reported in the annual implementation reports. Deficiencies in the reliability of performance data or monitoring systems detected either by the Commission or audit authorities are closely followed up and can lead to a procedure for suspending interim payments, as provided by the legal provisions. No such procedure was launched in 2022.

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

2. Efficiency of controls

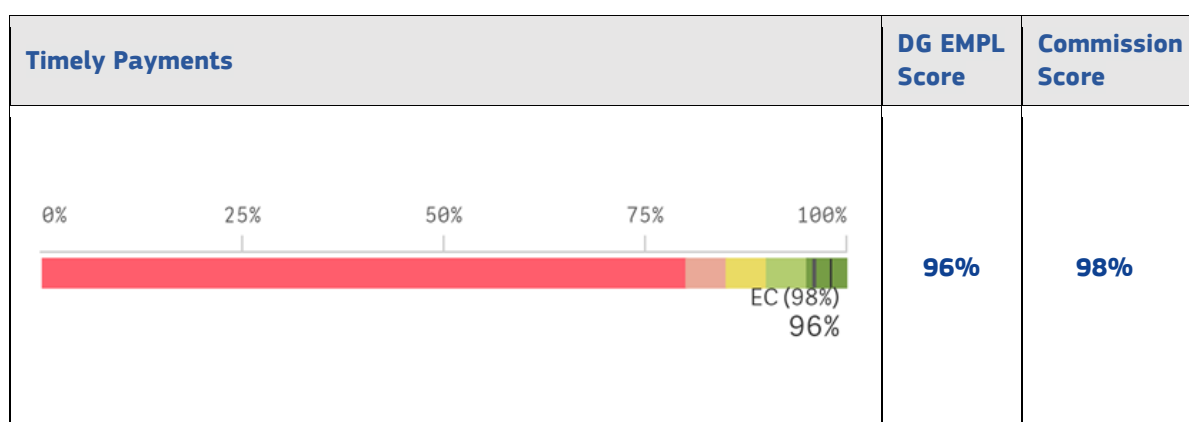
This sub-section outlines the indicators used to monitor the efficiency of the control systems for each management mode. As described in the introduction to Section 2, DG EMPL manages funds under several management modes:

⁽¹⁰¹⁾ 22 audits carried out in 13 Member States between 2017 and 2021.

Table 6: Share of DG EMPL's budget by management mode

Budget 2022	Share in overall amount of payments
Shared management	98.3%
Direct and indirect management	1.7%
Total	100.0%

In terms of timely payments, DG EMPL's performance in 2022 was slightly below the level achieved in 2021 (96% compared to 97% in 2021) and slightly below the Commission result (98%). DG EMPL processed more than 3 600 payments altogether, and only three generated late interest for EUR 1 560.45. Although this is below the overall performance of the Commission, it is worth considering that the DG EMPL paid out close to **EUR 19 billion**.



A. Shared management

Table below shows the results registered in 2022 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year. Average time to pay was slightly below the level reached in 2021 (97.3% compared with 98% in 2021) and was mainly due to IT issues (communication between different tools).

Table 7: Indicators on control efficiency for shared management

Indicator	2022
Budget execution (payments in EUR million)	18 649.22
% of payments on time	97.3%
Average time to pay (days)	25
% timely interruptions and suspensions of payments notified to Member States (impacted by the time required by Member States to react)	100%

B. Direct and indirect management

Table below the results registered in 2022 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year.

Table 8: Indicators on control efficiency for direct and indirect management

Indicator	2022
Budget execution (payments in EUR million)	327.2
Time-to-inform (days) ⁽¹⁰²⁾	138
Time-to-sign (days) ⁽¹⁰³⁾	108
% of Commission payments on time	97.9%
Average time to pay (days)	18

Time to inform was reduced from 212 to 138 days, below the time limits set by the Financial Regulation. Time to sign increased by 20%, mainly owing to the legal entities validation for a few organisations participating in the National Contact Points and Posting of Workers calls for proposal which took much longer than expected to process (the indicator is based on the final contract signed in each call for proposal). The 13 calls for proposal were launched in the 'e-grant' IT tool. The overall average time to grant (TTI+TTS) improved year on year. The percentage of on-time payments stood at 97.9% in 2022, above the levels recorded in 2020 (97%) and slightly below 2021 (98%), while average time to pay fell significantly, from 26 days to 18 days.

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

Cost claim for grants awarded in the new 'e-grant' IT system are now submitted, assessed and paid using this tool.

Furthermore, the RDIS2/COLI2 contract management module has been expanded to all of DG EMPL's framework and specific contracts. This makes it possible to generate, approve and store contracts in a seamless and efficient manner. The standard use of qualified electronic signatures has also significantly reduced time to sign.

In 2021, DG EMPL joined the Commission-wide grant management 'e-grant' IT system and used it to launch its 13 calls for proposals. In 2022, DG EMPL used the e-grant tool to launch calls for proposals and to accept and control the first final reports using that tool.

⁽¹⁰²⁾ Average time to inform applicants of the outcome of the evaluation of the application (Article 128(2) of the Financial Regulation – maximum 6 months).

⁽¹⁰³⁾ Average time to grant (Article 128(2) of the Financial Regulation – maximum 3 months).

3. Economy of Controls

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

The assessment resulted in a total cost of controls for 2022 of 0.2% (EUR 37.7 million) of the funds managed (EUR 19 billion), meeting the target set in the 2022 management plan ('remains below or equal to 0.2% of funds managed') despite the increase in the diversity of activities managed by DG EMPL. The total cost of controls increased from 0.18% in 2021 to 0.2% in 2022 primarily because the overall budget managed by DG EMPL decreased in 2022 compared with 2021 (from 19.7 billion in 2021 to EUR 19 billion in 2022) and the inflation increased the average cost of personnel (cost of FTEs went up by 10%).

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

A. Shared management

The cost of controls for shared management for 2022 stands at 0.12% (EUR 22.9 million), which is slightly above the level observed in 2021 (0.11%), mainly due to the decrease of budget managed by DG EMPL under shared management in 2022 compared to 2021 (EUR 19 billion in 2022 compared to 19.4 billion in 2021).

B. Direct and indirect management

The cost of controls during the reporting year was 3.59% (EUR 11.7 million), below the level observed in 2021 (4%), partly due to the increase in budget managed (EUR 327 million in 2022 compared with EUR 280.5 million in 2021).

C. Horizontal

The cost of controls of the horizontal tasks cannot be calculated as there is no relevant expenditure to calculate a ratio for horizontal expenditure.

4. Conclusion on the cost-effectiveness of controls

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

2.1.2. Audit observations and recommendations

Section 2.1.2 sets out the observations, opinions and conclusions of the auditors, including the limited conclusion of the internal auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the

achievement of the internal control objectives, and therefore on management's assurance.

A. European Court of Auditors

The **Statement of Assurance** concerning cohesion policy (DG EMPL and DG REGIO funds together) **in ECA's annual report for 2021** focused as per the Court's methodology on the audit work already performed at national level to establish the level of error in declared accounts, before the Commission could complete its own audit work described above.

For its annual report the ECA reviewed 33 assurance packages for 2014-2020 ERDF/CF/ESF programmes (31) and 2007-2013 ERDF/CF/ESF closures (2). Audit authorities had reported 56 quantifiable errors in the sample examined in those assurance/closure packages for the 225 transactions the ECA sampled, which mainly concerned ineligible costs and infringements of internal market rules (public procurement). The ECA identified and quantified 30 additional errors that had not been detected by the audit authorities. Taking account of the errors previously found by the audit authorities and corrections already applied by programme authorities (total of EUR 458 million for both programming periods), **the ECA estimated the level of error to be 4.1% in 2021 for cohesion policy funds** (compared to 3.5% in 2020, 4.4% in 2019 and 5.0% in 2018).

The Commission notes that over one third of the ECA error rate estimate results from a single national programme under the European Social Funds and was caused by a very specific issue. In addition, it mentioned in its written replies that in the case of two ERDF transactions from one 2007-13 programme, the ECA identified issues for which, however, the Commission considered that there is no legal basis that would allow imposing financial corrections. The Commission considers that the error rate it reported in the 2021 AAR (1.7% with a maximum rate of 2.4% for DG EMPL), resulting from a detailed analysis of the situation of each programme, reflects a fair estimate of the level of risk. It also notes that the maximum value of its error rate for cohesion policy as reported in the AMPR (2.5%) falls within the ECA error range estimate for the third year in a row.

DG EMPL systematically follows up on all accepted recommendations issued by the ECA in its Annual Reports and ensures for all cases that corrective measures take place, including financial corrections where legally possible, or that appropriate remedial action plans are implemented in the concerned systems to prevent errors in the future. In its 2021 Annual report, the ECA assessed that the recommendations issued in previous years whose implementation date was due, have been implemented, either fully or in most/some respects. Regarding the 5 recommendations issued in the 2021 Annual report for Cohesion policy, the Commission accepted all of them except one related to the request to provide information in the AARs on ongoing rule of law procedures against Member States (at least as long as these procedures are not yet decided by the Council). DG EMPL has taken different follow-up actions, in particular, to address system issues with respect to reimbursing beneficiaries when SCO schemes are applied to determine the EU contribution (ECA recommendation on Ireland), so that the reimbursement between all stakeholders are based on the same methodology. Regarding the verification of the NEET status participants for the 2014-2020

ESF/YEI programmes, the Commission services have requested the programme audit authority to confirm the status of participants in their audits of operations through additional evidence, making the best use of relevant national databases. During its 2022 Annual Coordination Meetings with audit authorities the Commission has discussed the sampling methods and audit trail requirements they have to respect. It has also repeatedly requested audit authorities to provide more information, in the annual control reports until closure, on the follow-up given by programme authorities in the accounts on amounts under ongoing assessment (article 137 paragraph 2 of CPR) , in line with the related recommendation issued by the ECA in its 2020 Annual report.

The ECA's assessment of the work of audit authorities. In 2021, the ECA assessed the work of 23 out of 116 audit authorities for cohesion policy in 19 Member States and the UK.

The additional errors the ECA detected in its sample of transactions already examined by the audit authorities led them to conclude that the residual rate for 12 of the 31 assurance packages for the 2014-2020 period (corresponding to 39% of the expenditure sampled) was actually recalculated above 2%, although it was reported to be below. The Commission had already adjusted and reported in its AARs a residual error rate above 2% for nine of these 12 assurance packages. The ECA concluded that, taking into account both the Commission's adjustments and their own findings, controls currently in place do not sufficiently offset the high inherent risk of error in this area, in particular regarding the management verifications. It however identified and reported an example of good practice of cooperation between managing and audit authorities aiming at improving the quality of checks and consequently reducing the number of residual errors when the expenditure is declared to the Commission.

The Commission noted in its replies that most of the irregularities identified by the audit authorities and the Commission concern the same main categories as those identified by the ECA. This shows that audit authorities appropriately detect the different types of irregularities contributing to the error rate, in particular in the field of public procurement, but not entirely in all cases, owing to the complexity of projects and rules. The Commission considers that it has reasonable assurance on the work of most audit authorities, except for a limited number as reported in its AARs. Tangible improvements were achieved in recent years based on the targeted remedial actions recommended to address the weaknesses identified. The Commission also agrees with the ECA that management verifications, the first line of defence against errors, should be more effective in preventing and detecting errors in the first instance. This is why it continues to provide support to those authorities to improve their administrative capacities.

See Annex 7M for further details on the ECA's annual report for 2021 and the results of **other ECA audits and reports published in 2022** involving cohesion policy and the funding, including the Commission's replies and agreed follow-up actions in response to the ECA's recommendations.

B. Internal Audit Service

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

In this audit, for which the audit report was issued in January 2022, the IAS concluded that there are significant weaknesses (namely that the management decision not to interrupt payments when the risk is covered by the 10% payment retention should be better explained, and warning letters for corrective measures should contain deadlines for the Member States to take the required actions), which affect the effective implementation of the DGs' processes for interruptions, suspensions and financial corrections in the areas of both preventive and corrective measures. The IAS acknowledged that the DGs are operating under the constraints of a very challenging legal framework for net financial corrections, where the conditions for their application are stricter than the Commission's original proposal. Consequently, the audit findings need to be seen in this context.

Implementation of recommendations continued throughout 2022:

- EMPL (and REGIO) has updated an explanatory note on the use and impact of the 10% threshold to interrupt payments, its link with the acceptance of accounts exercise and with the subsequent potential financial correction procedure. In relation to the 2021-2027 period the change in approach (95% reimbursement) will be also clearly explained in the internal guidelines and an analysis of the resulting impact is provided in this AAR. The effectiveness of warning letters and the underlying procedures was already assessed as well in a dedicated internal note. Finally, AARs now provide analysis of the impact of the provisions on net financial corrections on EMPL's corrective capacity (Annex 7H of the AAR).
- The vademecum (operating procedures for application of preventive and corrective measures) was updated and the suggested deadlines introduced in the working procedures.

Audit on cooperation and coordination mechanisms between the European Training Foundation (ETF) and Commission services (2022)

The IAS found that the ETF's geographic mandate is defined by direct reference to the pre-accession (Article 1a of the ETF's founding regulation) and the neighbourhood (Article 1b) instruments. The legal bases of these funding instruments were recently changed and merged whilst ETF's geographic mandate has not been modified. Unless ETF's work is underpinned by a clear mandate, there is a risk that resources are devoted to activities outside its mandate. This could cause reputational damage for both the ETF and the European Commission. To address this risk, DG EMPL, with the assistance of the ETF and in coordination with DG NEAR and DG INTPA, needs to clarify the ETF's mandate, with respect to the countries that are eligible under Article 1b following the entry into force of the Neighbourhood, Development and International Cooperation – Global Europe instrument. It should also regularly monitor any changes to the instruments referred to in its mandate and clarify the implications for the ETF's activities. Finally, it should clarify the ETF's mandate, with respect to the countries that fall under the remit of Article 1c and designate these countries through a formal decision of the Governing Board in compliance with the requirements of this Article. The required action is in progress regarding the recommendation on the ETF's mandate (target date: December

2023); the action plan for all recommendations has been officially accepted on 14 March by the IAS.

Limited review on the reporting of the Commission's preventive and corrective measures (2022)

In 2022, one audit on the “Limited review on the reporting of the Commission's preventive and corrective measures” was concluded. The IAS acknowledged the ongoing efforts of BUDG, EMPL and REGIO to improve the quality and clarity of the reporting on the corrections implemented by the Member States in the cohesion area. Nevertheless, the IAS concluded that, while the corporate instructions for the reporting on the preventive and corrective measures are overall well designed and effectively implemented by the sampled Directorates-General/Services, there remain very important weaknesses on the internal controls in place to ensure that simple, clear, and reliable information is reported in the respective AARs, and in the Commission's AMPR. These concern the availability of quantitative data and qualitative information to effectively substantiate the Commission's overall corrective capacity and the clarity and consistency of the reporting on corrections in the AARs and AMPR. In this regard, EMPL and REGIO were invited to provide in their AARs the data on preventive and corrective measures implemented by the Member States and to clearly explain the purpose and content of the table on ‘multi-annual corrective capacity’ and present the financial corrections related to the EU share of public funding. Following these recommendations, the present AAR reports on the preventive and corrective measures implemented by Member States (notably in Annex 7G) and presents a multi-annual overview of the financial corrections accepted and/or implemented by Member States (see part 2.1.1., section 1, ‘Conclusion on the protection of the EU budget in 2022’ and Annex 7H). Additionally, this annex further explains the purpose and content of the ‘multi-annual corrective capacity and financial corrections.

In addition, there are two ongoing IAS audits that started in 2022 that will be finalised in 2023:

- A. Preparedness for closing the 2014-2020 funds in DGs REGIO, EMPL and MARE: covering the DG's preparedness for the closure of the 2014-2020 programming period, including the design of the internal control system put in place for this purpose.
- B. Joint Audit Directorate for Cohesion (DAC) set up and the effectiveness of its operations: addressing the DAC organisational setup, including mandate, governance structure, working arrangements for administrative processes and cooperation and coordination mechanisms with both DGs and central services. It also covers the DAC operational arrangement, including adaption and harmonisation of the key workflows transferred to the DAC remit, access rights to the IT tools and staff knowledge management processes.

Conclusion

In its contribution to the 2022 EMPL AAR, the Internal Audit Service concluded that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the very important recommendations as specified above. They will be addressed in line with the agreed action plans. DG EMPL considers that, in view of the actions already put in place for risk mitigation, the residual risk related to the above-mentioned very important recommendations by IAS does not affect in a material way the achievement of the internal control objectives, and therefore the assurance provided in the AAR.

2.1.3. Assessment of the effectiveness of internal control systems

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

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

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

A survey using the Internal Control Self-Assessment Tool (ICAT) was conducted in October 2021. DG EMPL had defined indicators for each of the internal control principles in its working group for internal control, which is composed of representatives of each directorate. The working group selected a series of questions for the survey. All managers as well as 100 staff members, who were selected on a representative and random basis, were invited to participate in the survey. The findings were analysed by the working group, taking into consideration other factors, including audits and exceptions. To address the weaknesses identified in relation to the ICAT survey in 2021, DG EMPL replaced the survey with structured discussions, a pilot conducted in 2022 with managers from directorates B, C, D, E and G.

Regarding the action plan for selected internal control principles decided in November 2021, all follow up actions have been implemented. DG EMPL senior management has been informed on it on 2 occasions.

All this work has led DG EMPL to conclude that its internal control system during the reporting year is effective and that the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to **control Principle 6** concerning the collection of information regarding the implementation of very important recommendations from IAS, **control Principle 10** concerning the update of the business continuity plan, and **control principle 11** concerning the implementation of the corporate principles for data governance for DG EMPL's key data assets

Based on this wide-ranging analysis and comparison with the target values, suggestions for improvements were developed. The following actions are planned in this respect: updating the IT tool used by the IAS for its recommendations (TeamCentral) with the work carried out to implement the very important recommendations from the IAS, updating the business continuity plan, and implementing corporate principles for data governance for DG EMPL's key data assets.

Finally, concerning exceptions/non-compliance events in 2022, DG EMPL keeps centralised records of all cases within the financial unit. The number of exceptions/non-compliance events in 2022 compared with the previous year was lower (8 versus 13 in 2021) and the number of non-compliance cases fell again from 2 in 2021 to 1 in 2022.

2.1.4. Conclusions on the assurance

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

For **shared management**, the risk 'at payment' is calculated by applying the residual total error rate of the previous accounting year (2020-2021 in the current annual activity report), as confirmed by the Commission once the control cycle was completed (KPI4) ⁽¹⁰⁴⁾, to the 'relevant expenditure' of the Commission in the reporting year ⁽¹⁰⁵⁾.

The risk 'at closure' indicates the remaining risk to the 2022 relevant expenditure once the Commission will have applied the necessary additional financial corrections to bring the total residual error rates for all programmes down to 2%. By using the confirmed residual total error rate for accounting year 2020-2021 by programme, as detailed in annex 7B, DG EMPL identified for which programmes additional financial corrections are required upon finalisation of the ongoing audit contradictory procedures.

For the 2014-2020 period, the **estimated risk at payment linked to the 2022 relevant expenditure** is calculated at **1.8% - 2.7%**, considering the financial corrections already

⁽¹⁰⁴⁾ After neutralising the impact of the advances paid into financial instruments and included in the sample of audit authorities based on declared expenditure (in line with Article 127 of the Common Provisions Regulation).

⁽¹⁰⁵⁾ Payments made in the 2021 reporting year, excluding new pre-financing, including the 10% retained and the cleared pre-financing, minus the retentions released and any deductions applied in the 2020-2021 accounts.

made and taking a prudent approach for the maximum risk due to possible additional risks undetected ⁽¹⁰⁶⁾.

Table 9: Overall conclusion

Reservation title	Financial impact (EUR million)		Residual error rate 2021	Evolution
	2021	2022		
Reservation concerning ESF/YEI and FEAD management and control systems for 25 programmes of the 2014-2020 programming period in 10 Member States.	79.65	97.02	The individual programmes are presented in annex 9.	Maintained
Reservation concerning ESF management and control systems for 1 programmes of the 2007-2013 programming period in 1 Member State.	0	0	The individual programmes are presented in annex 9.	Maintained

In conclusion, based on the above elements, management has reasonable assurance that, (i) overall, suitable controls are in place and working as intended; (ii) risks are being appropriately monitored and mitigated; and (iii) necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the **Declaration of Assurance** albeit qualified by reservations **concerning 23 ESF/YEI and 2 FEAD programmes of the 2014-2020** period and **1 ESF programme for 2007-2013**. For direct management, the assessment described above and the estimated overall error rate for centralised direct management under the materiality threshold (1.13%) provides reasonable assurance to DG EMPL. For EGF, the error rate of 0.88% provides reasonable assurance on the legality and regularity of the expenditure.

⁽¹⁰⁶⁾ There are 22 programmes for which evidence or indications at this stage point to a confirmed residual total error rate for 2020-2021 above 2% and the need for additional corrections. DG EMPL will ensure that the required additional financial corrections are carried out, following appropriate contradictory procedures.

2.1.5. Declaration of Assurance and reservations

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

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view ⁽¹⁰⁷⁾.

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

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

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

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

- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulations 1303/2013 and 223/2014 (2014-2020 programming period) for identified 23 ESF/YEI and 2 FEAD programmes in Croatia, France, Germany, Hungary, Italy, Luxembourg, Poland, Portugal, Romania, Spain.*
- 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 one identified ESF programme in Romania, which has not been subject to sufficient control and corrective measures by the national authorities for the closure.*

Brussels, 25 April 2023

(e-signed)

Joost KORTE

⁽¹⁰⁷⁾ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2. Modern and efficient administration – other aspects

In addition to the six general objectives set out in the political guidelines of President von der Leyen to which DG EMPL contributes as presented in Section 1, the Commission also aims to adjust its internal procedures and processes in keeping with a more ‘modern, high-performing and sustainable’ institution, which constitutes the seventh general objective of the Commission. Below is a description of the progress made by DG EMPL in this regard in 2022.

2.2.1. Human resource management



In 2022, DG EMPL continued delivering on a number of high-priority files under considerable constraints on human resources. In this context, the thorough screening of all vacant posts continued throughout the year to ensure optimal resource allocation.

To develop and maintain a competent and engaged workforce, it continued to provide **an extensive internal training programme**, including the European Semester training series, regular staff fora and a range of training and info sessions. These were complemented by a series of organisational development events, notably team-building events, to boost cooperation between colleagues. In addition, two onboarding events took place with the aim of facilitating the integration of colleagues who joined DG EMPL at a time when physical presence in the office was strongly restricted.

To facilitate mobility within the DG and contribute to staff retention, in addition to the continued systematic publication of DG EMPL’s vacant posts on the intranet, an **internal mobility scheme** was also organised involving seven middle managers.

With female representation in senior and middle management far above the Commission average and even exceeding the target set for first female appointments to middle management positions, DG EMPL makes a major contribution to **gender equality** in management across the Commission. Over the year, four female colleagues received an individual coaching package to further develop their management skills.

Following a thorough analysis of the results of the 2021 staff survey, DG EMPL has put in place a **follow-up action plan** to address the key challenges identified through the survey. Despite a slight decrease in the staff engagement index, the objective remains to exceed the Commission average in the next survey.

The work to achieve a truly diverse and inclusive organisation continued throughout the year, including through implementation of the local equality mainstreaming work plan and by making the premises of DG EMPL more accessible.

In relation to **internal communication**, the work on continuous improvements to MyEMPLnet as the DG’s main collaborative platform continued in 2022. The focus remained on keeping staff informed and engaged on the latest developments at both DG and

Commission levels. Staff engagement campaigns during the summer and before the Christmas holidays were effective in attracting staff to MyEMPLnet. In 2022, 311 **news items were published on MyEMPLnet** and the number of **page views reached 647 080**, with the period of March-April being the most successful with, for example, a peak of 3 788 page views on 4 April. In 2022, the main highlights included staff-related matters and certain policy-related items.

2.2.2. Digital transformation and information management



As regards **digital transformation**, DG EMPL continued to participate in joint plenary sessions on process automation and in the Paperless Cluster of the European Commission's digital strategy. In 2022, DG EMPL began the integration of Compass Corporate as the main workflow engine for its policy-supporting IT solutions (e.g. MAPAR and COLI2).

The degree of implementation of the digital strategy principles by the most expensive IT solutions that the DG owns (SFC, EURES and EESSI) have enabled DG EMPL to make considerable progress toward a more user-centric approach, better compliance with the 'once-only' principle and the provision of more interoperable and secure-by-design IT solutions.

DG EMPL made significant progress in the digital transformation of its activities in 2022, of which three in particular are worth highlighting: setting the scene for synergies between Eures and Europass; further digitalisation of the social security domain via the proof of concept launched under the initiative of the European Social Security Pass (ESSPASS); and the corporate use of Arachne as the standard fraud prevention tool across all funds.

As a follow-up to **cybersecurity** measures taken in 2021, IT systems owned by DG EMPL were covered by a security plan and associated declaration in the GRC tool at the end of 2022. DG EMPL has kept internal the role of local informatics security officer and will dedicate one full-time specialist to supporting and monitoring the actions required in each system. This strategic decision is the first step in building in-house capabilities and knowledge, while following up on the recommendations from other Commission departments.

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

In terms of **document management**, DG EMPL continued to reduce the accumulated pre-domec paper archives. It promoted and facilitated electronic archiving, access and sharing of electronic files to support the transition to a paperless Commission. It did so by: (i) making

regular use of Hermes Preservation System functionalities, (ii) implementing public procurement management tools, the 'e-grant' and 'e-expert' tools, in the direct management of grants and (iii) integrating IT systems with HermesAresNomCom (HAN), such as SFC2021 for the exchange of documents related to the programmes under Common Provisions Regulation Funds 2021-2027 and RDIS-DM for contract management, which enables electronic documents to be registered and filed automatically in HAN.

In 2022, the Data Protection Coordinator (DPC) of DG EMPL, with the support of the European Data Protection Supervisor and the Data Protection Officer, organised a series of training courses and awareness-raising sessions for DG EMPL staff. These included two general training courses for all DG EMPL staff, two specialised training courses for DAC auditors, daily feedback and support to colleagues, a note for the coordination meeting on the state of play of data protection in DG EMPL and attending meetings organised by EMPL/DAC with stakeholders as an adviser on data protection issues.

MyEMPLnet was regularly updated with the latest developments and information on data protection issues and, in addition, important information was also circulated to all staff via email.

DG EMPL replied to **11 data subject requests** in 2022. For internal monitoring purposes, the DPC created an excel database to track the state of play of each request.

All contracts with external processors are generated using an interface which has templates using the latest clauses of the Data Protection Regulation, provided by DG BUDG, ensuring full compliance.

DG EMPL continues to assess its data processing activities in light of the requirements of the Schrems II ruling. In order to minimise risks to data subjects, the DPC recommends that any transfer of personal data is limited to countries that have a data adequacy decision.

2.2.3. Sound environmental management



To **reduce emissions**, the Director-General of DG EMPL scrutinised internal requests for business trips in 2021 and 2022 to ensure that business travel takes place only if the alternative options available (e.g. video conferences) cannot achieve the same outcome. It applied a consistent approach to all units, resulting in a 65% reduction in the number of business trips undertaken in 2022 compared with 2019.

Following the initiative of the Office for Infrastructure and Logistics, DG EMPL reduced the heating and the air ventilation in 33% of its buildings over Christmas period, which helped to maintain the overall **decrease in energy use** achieved in 2022.

In 2022, DG EMPL **used less paper** in its buildings. Though it did not meet the very ambitious target of an 80% reduction in paper usage, it achieved a significant **41% reduction**

compared with 2019. As tracking paper usage is difficult, this indicator is based on the number of pages printed by DG EMPL users.

2.2.4. Examples of economy and efficiency



To improve the impact of communication on and around the multiple events that DG EMPL organised, efforts were made to streamline the approach to external communication based on a common **multiannual communication strategy for 2022-2025** ⁽¹⁰⁸⁾. This resulted in the organisation of the first edition of the annual flagship event **'The European Employment and Social Rights Forum'** on 16 and 17 November 2022. It focused on the social dimension of the green transition and the event included breakout sessions on EMPL priorities such as the long-term care strategy, the annual review, 'Employment and Social Developments in Europe' (ESDE), the Pact for Skills and the social economy action plan. The event attracted 1260 participants and reached more than 7.6 million interested people, generated 340 000 clicks on DG EMPL's website and 14 million views of the event video. The occasion also marked the 5th anniversary of the European Pillar of Social Rights.

DG EMPL's geographical units **reassessed and reshuffled their internal portfolios** to accommodate new responsibilities without sizeable additional human resources. This was done to take account of: (i) the particularities of 2022 as a transition year between the 2014-2020 and the 2021-2027 multiannual financial frameworks and (ii) the programming of REACT-EU and two large, new funds (the Just Transition Fund and the Recovery and Resilience Facility).

In 2022, DG EMPL completed the process to move to **the e-grant IT system** and used it to launch all its calls for proposal and almost all its direct grants, except for the financing of Presidency events. Average time to grant improved slightly compared with previous years, though time to grant varied significantly between calls.

DG EMPL also upgraded **the tool it uses to pay commercial invoices (RDIS)** and the tool it uses to generate contracts (COLI). Time to pay improved from 2% of late payments in 2021 to 1.3% in 2022.

⁽¹⁰⁸⁾ [DG EMPL Communication Strategy 2022-2025](#).