

Comparing Denmark and Spain: Two different kinds of ALMP decentralization*

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Abstract: In this paper, we review the recent Danish and Spanish economic situation to underline the effects of the economic crisis in each country. We then present the different kinds of employment policy decentralization pursued by each country, revealing that, in spite of their great differences, they are not so far apart in some aspects. Finally, we clarify the main ideas underlying the Danish flexicurity model in order to find those elements that may result useful for Spain, taking its special features into account and showing how some recent changes makes the Danish case less interesting for Spanish necessities. We stress the possibilities of the local level as a point in common to develop active policies focused on enhancing human capital.

Keywords: Flexicurity, Employment Policies, Denmark, Spain.

1. Introduction

The current economic crisis has had a strong impact on the principal economies around the world. Europe has not been an exception and Europeans are living its effects, especially in employment. Spain is one of the countries where this impact has been stronger.

In order to find a solution for its unemployment problems, the Spanish Government is pursuing a variety of reforms. One of these is related to the improvement of employment services and active labour market policies. After labour market reform and pension reform, the modernization of employment policies is an essential part of the Spanish plan to manage the post-crisis period.

The Danish flexicurity model has been a point of reference, even before crisis, not only because of its influence in EU employment strategies, but because it has some especially interesting features for Spain's situation.

In this paper, we review the recent Danish and Spanish economic situation to underline the effects of the economic crisis in each country. We then present the different kinds of employment policy decentralization pursued by each country, revealing that, in spite of their great differences, they are not so far apart in some aspects. Finally, we clarify the main ideas underlying the Danish flexicurity model in order to find those elements that may result useful for Spain, taking its special features into account

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and showing how some recent changes makes the Danish case less interesting for Spanish necessities. We stress the possibilities of the local level as a point in common to develop active policies focused on enhancing human capital.

2. Some data about Danish and Spanish Economies. Current situation of their Labour Markets

A large number of international researches have focused on the Danish and Spanish economies. In the first case, because it is an example of flexicurity model, a hybrid between the liberal and Nordic welfare states (MADSEN, 2005). The success of its results for employment, but also for other important macroeconomic indicators as inflation, GDP growth or the employment rate, has attracted the interest of other countries and, specially, the EU, which has seen in the Danish case a model of how to make compatible a strong welfare state and international competitiveness.

On the other hand, before the international economic crisis, Spain was also considered to be an example of success. Its GDP growth rate was one of the highest in Europe, above 3%, enabling Spain to surpass average European GDP for first time in its history. Spain's GDP per capita was higher than Italy's in 2007. Also, the unemployment rate, traditionally high in this Mediterranean country, fell back to the European average, around the 8%. All these factors permitted many to speak about "the Spanish miracle".

Figure 1. GDP Growth Rate.

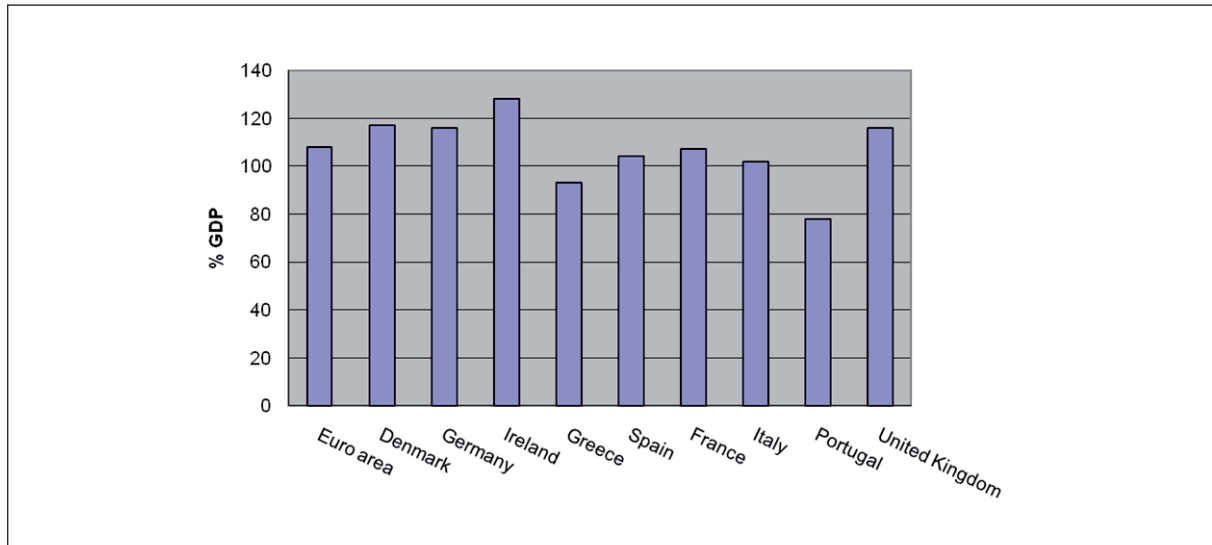


Data: Eurostat.

Figure 1 shows the GDP growth rate of our two countries before the crisis. Spain grew more than the rest of European countries during the entire period. Denmark also registered good growth rates, especially from 2003 and increased its GDP more than the European average in 2005 and 2006. The result of this growth is shown in Figure 2; as mentioned, Spanish GDP was over the European average and the Italian result, and closer to the GDP levels of France and the Euro area before the crisis (2007).

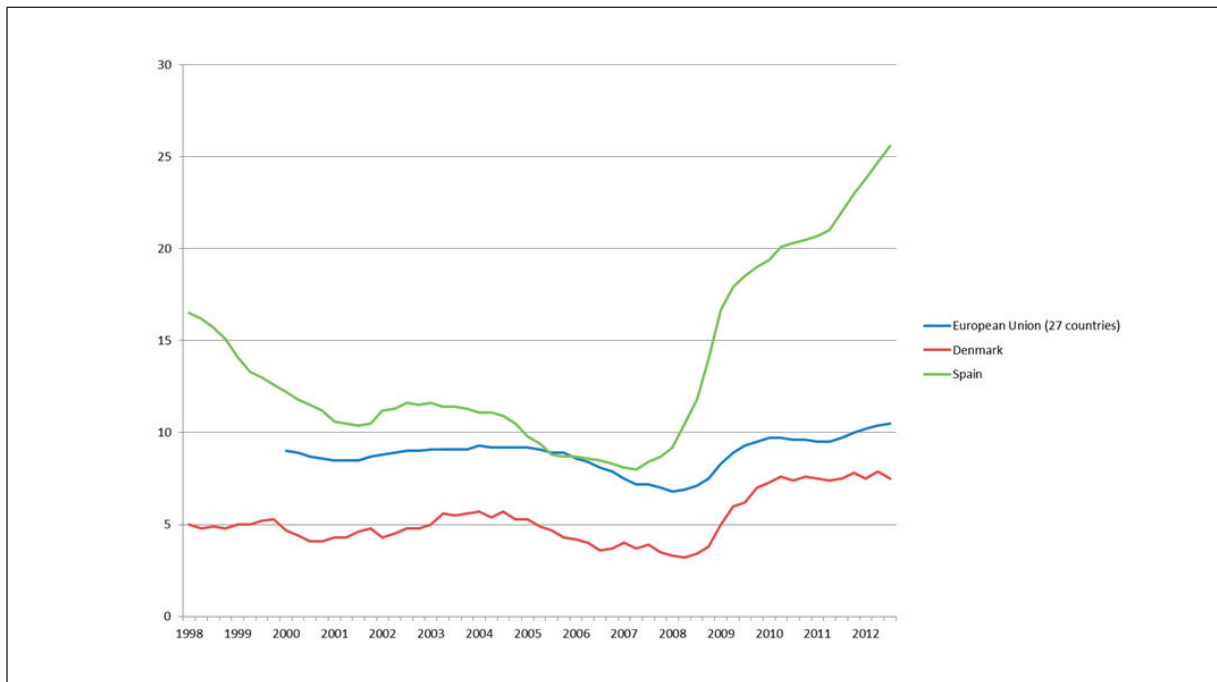
Finally, Table 1 lists some of the most important macroeconomic variables of these two countries compared with the European level before the crisis (2006).

	Denmark	EU 27	Spain
Unemployment	3.9%	8.2%	8.5%
Employment	77.4%	64.5%	64.8%
Inflation	1.9%	2.3%	3.6%

Figure 2. GDP per capita in PPS.

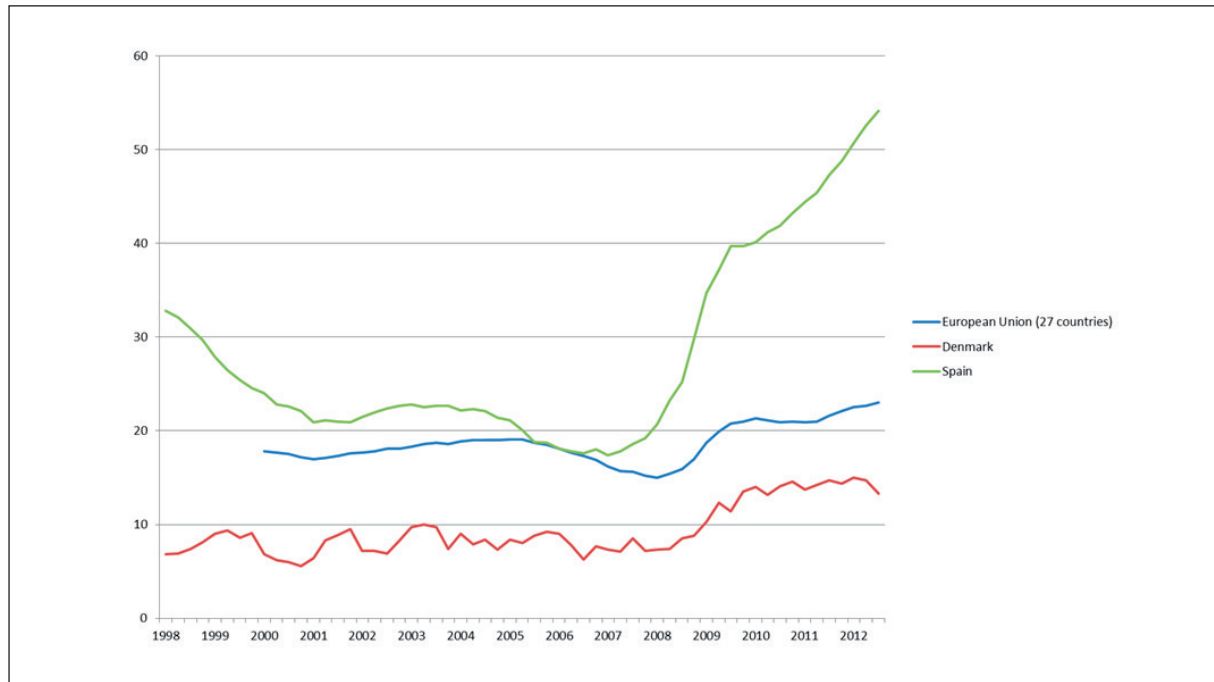
Data: Eurostat.

The economic crisis has put an end to this period of success. Especially dramatic has been the increase in the Spanish unemployment rate that passed from 8% to 25%. This is probably the most important effect of the current crisis for the Spanish economy. Whereas all countries are suffering the economic depression in the employment, in the Spanish case the impact is notably high.

Figure 3. Unemployment rate.

Data: Eurostat.

If these data are disaggregated, we can see that the panorama is particularly difficult for young people, who have seen their unemployment rate go up to more than 50%. Moreover, if we follow the trend, we can see that from the third trimester of 2008, youth unemployment has increased faster than the general rate.

Figure 4. Youth unemployment rate.

Data: Eurostat.

The Spanish Government is trying to respond to this extraordinary situation with two different kinds of instruments applied in two different fields. On the one hand, from the economic point of view, after a first period in which a countercyclical policy was adopted that saw the deficit increase to 11% of GDP, the target today is to reduce this big deficit. In order to achieve this goal, all kinds of taxes, especially, an added value tax, have been increased and a painful reduction of government expenditures implemented. The Government prevision is that the Spanish deficit will be reduced from 7% to 4.5% in 2013 and 2.8% in 2014 (The European Stability and Growth Pact establishes a limit of 3% of GDP); in contrast, European Commission forecasts reduction to only 6% and 6.4%, respectively.

However, our attention is focused on labour and social policy. In this area, some measures have already been taken, while others are going to be implemented. In the first group, labour reforms must be underlined; the second group is formed by pension reform and employment services modernization.

This strategy, which reflects the Spanish government's conviction that creating employment requires not only economic measures, but also employment policies as an indispensable complement, has apparently been stopped by the new Government, which is more focused on reducing the deficit.

Concerning employment policies, there were until recently some explicit signals of a Spanish determination to improve employment services:

“An appropriate response to new challenges means to be capable of creating new jobs, giving new competences, greater adaptation capacity and mobility to our labour force [...]. Future entails more flexibility and mobility in professional careers. Public Employment Services is going to play an essential role in this new dynamic, in which there will be a bigger number of employment transitions thought the professional life. Actually they are the instruments to get easier those transitions, through properly measures of prospecting, orientation, activation and traineeship. Therefore, Public Employment Services activity is important, both crisis periods and expansion times, to accompany and promote the changes related to access and improve of employment and make easier the continuous adaptation of employees to the new productive model towards to this new model we want to advance” (ROJO TORRECILLA, 2010 –author’s translation–).

Flexibility, security, transitions, and activation are concepts that will mark the future Spanish employment policies. After a first period, in 1980's and 1990's, characterized by the necessity of giving more flexibility to a highly regulated labour market, today it is necessary to pay attention, not only to flexibility in a more competitive international economy, but also to employment policy and, especially, to active employment policies and social protection.

Spaniards have seen the good and the bad face of a more flexible labour market. On the one hand, Spain was capable of creating more than one third of total employment in Europe. On the other hand, in the worst period of the financial crisis, it destroyed the same percentage of total employment as the rest of the EU. Flexibility is a double-edged weapon if it is not accompanied by other instruments that strengthen the security of industrial relations. It is necessary to “combine flexibility and security by establishing institutionalized ‘bridges’ at critical junctures in individuals working lives” (SCHMID, G., SCHÖMANN, K.; 2006).

In this new strategy, employment services will have to play a central role. But what is the current situation of Spanish employment services? What can we learn from the Danish experience? Is there any point in common?

3. Denmark and Spain: Two different kinds of decentralization

Denmark and Spain both share two levels of decentralization, regional and local. However, Spain has more than 46 million inhabitants whereas the Danish population is about 5.5 million, making the weight of each administrative level very different. Moreover, the complexity of non-central administration is higher in Spain.

Denmark, after the 2007 Municipal Reform, is divided in five regions. Their populations vary from 1,645,825 inhabitants in the biggest one (Hovedstaden) to 578,839 in the smallest (Nordjylland). Spain is formed by seventeen Regions or Autonomous Communities (*Comunidades Autónomas*). The most populated is Andalucía with 8,353,843 people, while the least populated is La Rioja, with 321,702. Fifteen of the seventeen Spanish Regions have more than one million inhabitants.

The local level in Denmark is formed by 98 municipalities (*kommuner*). In Spain, however, this level is composed by two different entities: Provincial Deputations (*Diputaciones provinciales*), called *Cabildos Insulares* in the archipelagos, and municipalities (*Ayuntamientos*). The first two entities are coextensive with the province, an intermediate institution between regions and municipalities and are used in regions with more than one province as an auxiliary level to coordinate municipalities and help them in matters that require a bigger size or cooperation among municipalities. On the other hand, the number of Spanish municipalities was 8,116 in 2010.

This great number of municipalities situates Spain as a small size of municipalities-country (median 1,400), while Denmark’s municipalities are a medium size example (median, 55,000) (MOURITSEN, 2008). However, if we consider that more than 52% of the Spanish population lives in municipalities with more than 50,000 inhabitants (40%, if we focus on municipalities with more than 100,000) and the demographic size of the Spanish regions (described above), it is possible to say that the Danish regional level is closer to the Spanish local than the regional one, at least from a demographic point of view (¹).

Whereas both countries have adopted a decentralization process for their employment policies, Denmark’s case is focused at the local level (at least, since 2007), while Spain has preferred that regions manage employment policy. In other words, Denmark is a case of “municipalisation”; Spain, an example of “regionalization” (MOSLEY, 2009).

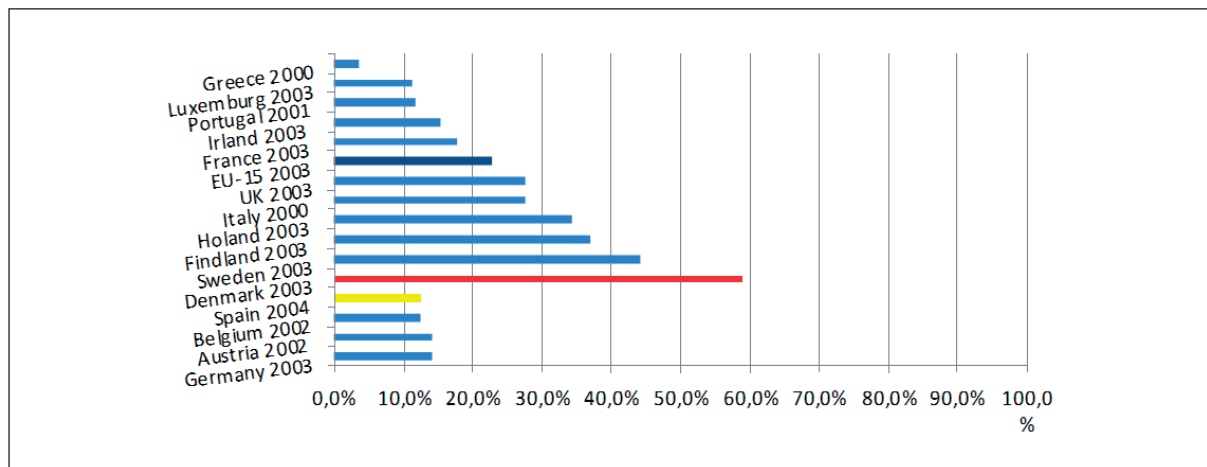
Most active policies were transferred to the Autonomous Communities beginning in 1996 and, today all Communities have their own employment services (the last one was the Basque Employment Service, created by the Budget Law 2/2009 for the Basque Country). The Public State Employment Service (*Servicio Público de Empleo Estatal*), forming INEM, (*Instituto Nacional de Empleo*) the National Institute of Employment, remains exclusively responsible for the administration of unemployment benefits as a part of the Social Security system.

On the other hand, in the Danish case, it is possible to identify two main moments of decentralization: in 1994, the reform focused on the regionalization of active employment policies (MADSEN, 1996); from 2001 and, especially, from 2007, a remarkable process of higher municipalisation of these kinds of employment policies has occurred.

¹ However, this is a general description. Some Spanish regions or provinces that have few inhabitants, can be compared to Danish regions.

These differences regarding the management of employment policies and, in general, about the weight that the local level has in each country, have financial consequences. According to data offered by the Spanish Federation of Municipalities and Provinces (FEMP – Federación Española de Municipios y Provincias), Spain is one of the European countries with the lowest municipal expenditures, well below the European average (UE-15-2003).

Figure 5. Relative weight local public sector (% local expenditure/total expenditure).

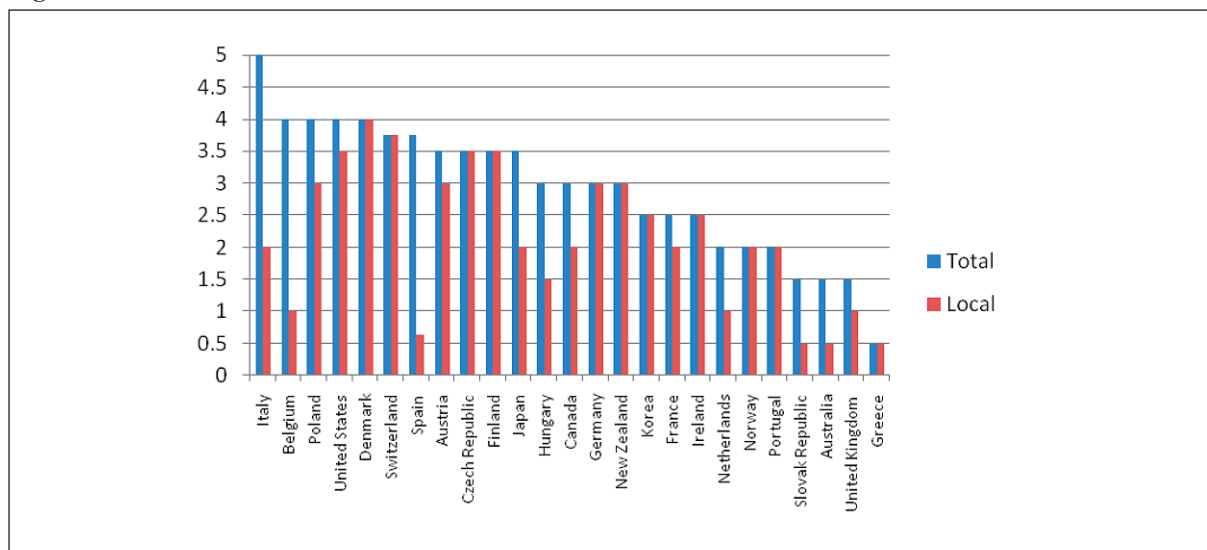


Source: FEMP.

Moreover, if we look at the income side, it is easy to see that Danish municipalities have greater financial autonomy. In Denmark, after the 2007 reform, taxes accounted for 57.3% of total revenues, and fees and charges 18.7%, whereas grants from the central government made up only 22.8 % (MOURITSEN, 2008). In the Spanish case, grants are the greater part of revenue, with 34.13% of the total, followed by taxes, around 32% of total income, while fees and charges are 9.69%.

These data do not mean that Spain is not a decentralized country, but they do show that this decentralization is much more focused on the regional level and to a much lesser degree on the municipalities. This is showed in comparative international research that has tried to explain the degree of decentralization among different OECD countries, taking four variables: budget flexibility, programmed flexibility, eligibility criteria and performance goals (OECD, 2007)

Figure 6.



Source: OECD (2007).

This political and financial structure determines the possibilities for the development of employment policies by municipalities. In terms of defining policies, there are two possibilities. One approach is a three-side agreement between the State, Regions and municipalities. Another path is the development of a pact between an Autonomous Community and municipalities; however, this latter approach depends on the Region's willingness to implement reforms and does not permit the implementation of the same policies all over the country at once.

At the same time, levels of financial support from other administrations determine the number of activities pursued by local employment services and their quality. Both are frequently conditioned by the entity that offers the financing. In other words, as we are going to see, Spanish municipalities do not enjoy a great deal of autonomy to arrange their own employment policies; they are determined by the State and the Regions through the grants that they provide in order to finance employment policies at the municipal level.

Currently, according to the process of decentralization described above, Spanish municipalities do not have any competencies regarding active labour employment policies. The overall distribution of authority for employment policies in Spain is thus as follows: passive policies belong to the State, active policies are in the Regions' hands, whereas municipalities have only a subsidiary roll since their activity depends on the others.

Both the State and the Autonomous Communities finance active employment policies. Nevertheless, there is now a strong trend to transfer some of these resources to other entities and organisms, and even to the private sector. Municipalities are also recipients of these transfers, although these programs are usually co-financed as a compromise of co-responsibility and in spite of the absence of competences.

As a result, around 25% of total of financial resources destined to active employment policies are currently managed by municipalities. This also means that about 7% of total investment in active employment policies is supported by local budgets. "Considering that this is a voluntary service and that municipal budgets are only 14% of total expenditures of all Public Administrations, this degree of financial effort dedicated toward a function assumed without formal competences must be considered extraordinary" (FEMP, 2005, 172 –author's translation-).

Spanish Municipalities have clearly made themselves an important player in the general trend towards an increment of expenditures in active employment policies. From 2002 to 2007, Spain has increased ALMP expenditures by more than 11% of GDP. Spain is still far from Denmark, Holland or Sweden, but above Germany and Italy and close to France.

Table 2. Government Spending as a Percentage of GDP in 2007.

	ALMP					Passive Policies	Total	Unemployment Rate
	Learning and Training	PES	Incentives	Other	Total			
Spain	0.15	0.13	0.32	0.2	0.8	1.45	2.25	8.3
Italy	0.18	0.09	0.15	0.04	0.46	0.71	1.17	6.1
France	0.27	0.22	0.13	0.3	0.92	1.24	2.16	8.4
Germany	0.28	0.27	0.06	0.16	0.77	1.63	2.4	8.4
Netherlands	0.1	0.41	0	0.58	1.09	1.39	2.48	3.2
Denmark	0.33	0.28	0.13	0.57	1.31	1.5	2.81	3.8
Sweden	0.2	0.21	0.48	0.23	1.12	0.66	1.78	6.1
U.K.	0.02	0.28	0.01	0.01	0.32	0.16	0.48	5.3
U.S.A.	0.04	0.03	0	0.06	0.13	0.31	0.44	4.6

Source: Pérez del Prado, D. (2010).

More specifically, we can see that the level of expenditure in passive policies is not low and, indeed, it is situated at the highest level, together with Denmark. On the active policy side, it is also pos-

sible to see that the main item is related to incentives, whereas the lowest one is dedicated to covert Public Employment Services expenses. This is another argument in favor of developing this specific area of Spanish employment policies, as it is clear that Spain has a high deficit in this area compared with the other European countries (except Italy, which has an even lower expenditure). Finally, the percentage dedicated to training is also low, what is related to the situation of the employment services, showing that this is another area that needs stronger support.

These are precisely the two main areas of expenditures in active employment policies in Denmark that are most directly linked to the structure of employment policies in this country.

On the one hand, passive policies, unemployment benefits, are based on a division between those unemployed that are members of an unemployment insurance fund and those who are uninsured (MADSEN, 2009).

This division is also a characteristic for active policies, as we are going to see below. In the first case, the insurance system is based on the so-called Ghent system (CLASEN & VIEBROCK, 2008), consisting of 31 insurance funds recognised by the State. The current version of the system dates back to the last large reform of the unemployment benefits system in 1970, when the state took over responsibility for financing the extra costs of unemployment benefits caused by increases in unemployment. The members of the unemployment insurance fund are therefore only obliged to pay a fixed membership contribution, independent of the actual level of unemployment (²)

The uninsured group is formed by unemployed people who have exhausted their right to unemployment benefits or are not members of any insurance fund because of their own decision or because they do not meet the membership conditions. These people must apply for cash benefits administered by municipalities.

On the other hand, this two-tiered system also applies to active labour market policies. Traditionally, when it comes to active programmes, the municipalities handled the group of uninsured unemployed, while the insured unemployed were in the public employment system administered by the central government. However, recent changes have transformed this model of administration active labour policies, as we are going to see in the following section.

4. The Latest trends in the Danish Model of Flexicurity. What can Spain learn from the Danish Experience?

Denmark's employment policies are a fundamental part of the so-called "model of flexicurity", "a third road between a flexible labour market on the one hand and security and welfare for its citizens on the other" (MADSEN, 2009). Specifically, this model is characterized by a well-functioning relationship between unemployment insurance, employment protection and active labour market policies.

One of the most famous descriptions of this model is its representation as a "golden triangle" (MADSEN, 2006):

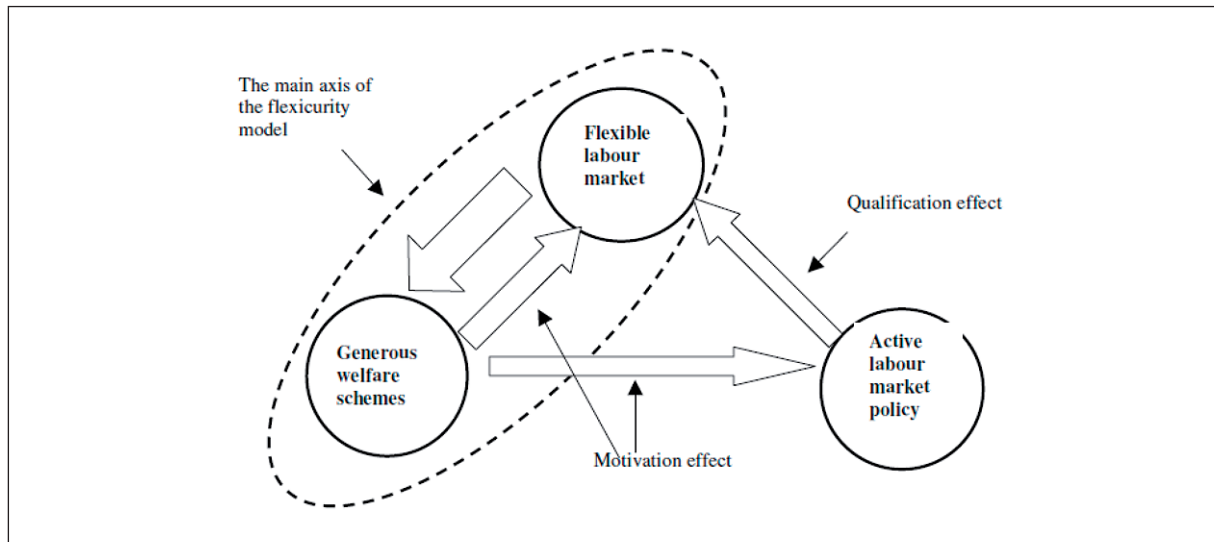
According to this image, the success of the Danish flexicurity model is based on three main elements situated in each vertex of the figure. The pillars of this model are thus a flexible labour market, a generous welfare scheme and active labour market policies.

The flexibility of the Danish labour market is not new; rather it is a "traditional" characteristic of the system that emerged from the so-called "September Compromise" in 1899. This agreement between employers and trade unions meant that the former have the right to manage their own affairs, meaning the right to hire (and fire) the number of workers that they deemed necessary, while the latter are recognized as the legitimate representatives of workers.

This makes the system more flexible and adaptable to constant changes of international and competitive markets, especially for the small and medium sized enterprises that, as in Spain, are the most common type of firms in the Danish businessworld. However, Danish flexicurity has adopted one spe-

² This contribution varies depending on the insurance fund. For 2010, the lowest is 4,368 DKK, while the highest is situated in 5,484 DKK. Weighted Average of contributions (contributions and administrative costs) for the six biggest insurance funds in number of members for 2010 is 5,113.30 DKK (around 686 €). Source: Danish Ministry of Employment.

Figure 7.



Source: Madsen (2006).

cific kind of flexibility –external or numerical flexibility–, as indicated by high levels of worker flows in and out of employment and unemployment.

From the beginning of democracy in 1978, Spain has also tried to make its labour market more flexible. While some of labour reforms have referred to internal flexibility (the 1994 reform and, in part, the more recent labour reforms of 2010 and 2012), it is true that external flexibility is more developed. The strategy to achieve this purpose was not a general reduction of protection through lower severance payments, but rather through the generalisation of fixed-term contracts, especially from 1984. As a result, Spain continues to have one of the highest rates of temporary employment, close to 30%.

Returning to the Danish case, the second vertex is related to a generous system of income support for the unemployed. This is also characteristic of a Nordic welfare state and it becomes Denmark, considering the prior feature, in a hybrid between a liberal state and a classic Scandinavian welfare state (MADSEN, 2006). We have already seen this in section II.

Thirdly, it is necessary to mention the importance of active labour market policies that, in present form, date from the labour market reform of 1994. As we mention above, they are based on a two-period benefit system, with an initial passive and a subsequent activation period. This does not mean that there are not active measures in the first period, but rather that they are compulsory in the second. On the other hand, it is important to underline that the system places a strong emphasis on “rights and duties”, that is, the unemployed have the right to receive an individual “job plan” that details the activities to be undertaken to get back into the employment, but also the duty to pursue this plan.

This last element is crucial because it enables us to distinguish the Danish model from other kind of “workfare” models. It is obvious that if one of the main elements of this model is the “activation”, Danish flexicurity must be considered a workfare system, in the sense that both of them share some disciplinary elements that are linked with the obligation of work. However, the great difference in the Danish version of workfare is that in Denmark, “the unemployed have rights” (JØRGENSEN, 2002).

Two different strategies can thus be identified to incentive the unemployed to return to the labour market. The first is mainly based on disciplinary elements and, because of that, is related to the pure form of workfare. The second emphasises education and training as the best tools for helping the unemployed to re-enter in the labour market. This is the path followed by Denmark.

In other words, the original flexicurity system was focused on social integration rather than social disciplining (BREDGAARD et al. 2003). This latter approach defines the problem of unemployment as an economic problem in which some citizens lack incentives to “make work pay” because of the generosity of the welfare state. Reintegration into the labour market is ensured by demanding work in return for benefits, stressing individual obligations for economic self-sufficiency and applying sanctions in cases

of non-compliance. Social integration, on the other hand, defines the unemployment problem as a result of a deficit in qualifications or competencies. In this case, training has a double task: it improves the unemployed's qualifications and matches them with market requirements.

In short, "the labour market policy strongly emphasizes training and education of the employed as well as the unemployed, not only to cover an immediate demand of labour power, but also as a more long-term strategy because the general qualifications for the labour force have a dynamic effect on the trade composition, and thus also on flexibility and in establishing different types of trades. So: improve skills rather than increase mobility and flexibility. Training and education rather than work in return for benefits!" (JØRGENSEN, 2002)

Precisely this feature is the most interesting for Spain given its current circumstances: on the one hand, in spite of the fact that Spain's unemployment benefits are less generous than the Danish, we have already seen that the data shows a quite generous system with a strong expenditure in passive policies; on the other, one of the main Spanish problems is, precisely, the lack of qualification of certain groups of unemployed. According to the National Statistics Institute (*Instituto Nacional de Estadística, INE*), data for the first semester of 2010 show that more than 80% of Spanish unemployed have a level of studies below primary studies.

Given these circumstances, it is easy to understand why Spain must be interested in, not only activation, but also in improving its employment policies in education and training. Moreover, participation in vocational training "underpins a flexible labour market by increasing the employability of the labour force, i.e. improving their numerical and functional flexibility" (BREDGAARD, 2010a).

Regarding these issues, it is very common to speak about the "qualification effect" which, together with "motivation effect", is a critical element of the golden triangle. The qualification effect is the normal product of a model that is strongly committed to qualification. As a result of training received, the unemployed improve their possibilities for finding a job. Motivation effect refers to the fact that the unemployed look for a job more actively in the period immediately before participating in mandatory activation. Some studies not only show a strong motivation effect in active labour market policies, but, also, that taking these effect into account facilitates evaluation of the qualification effect (ROSHOLM & SVARER, 2008; GEERDSEN, P. L. 2006).

In the Danish case, the implementation of the 1994 reform also meant decentralization towards the regional level. In this sense, it increased the importance of the so-called regional labour market councils, giving the social partners strong influence over the administration of the public employment service. That is, prior to 2007, the social partners served not just as advisors but rather had executive competencies in labour market policies. This was, therefore, another main characteristic of Danish labour market policies (JØRGENSEN, 2002)

This is another interesting element for a hypothetical reform in Spain. There is no executive role for the social partners in the management of employment policies at the regional level, much less at the local one. In other words, they do not have any executive competencies nor can they manage any part of the budget. Their tasks are frequently advisory, as the law usually provides that they given the right to express their opinions in affairs that are related to the labour market or social policy. It is important to be clear that this is a consultative role only, as the Government or Administration is not obliged to follow trade union or employer suggestions.

Nevertheless, trade unions and municipalities usually have close relationships, which facilitates the establishment of different kind of collaborations, frequently connected with the development of training courses. There are also some private actors that develop activities related to employment and that involve trade unions and employers. This is the case of the labour foundations, formed and supported by social partners and that develop different kind of programs, some of which are related to employment (MERCADER et al., 2010). However, these experiences are not situated within the Spanish employment system and do not constitute a stable and regular unit of collaboration with the employment services; rather, they are quite autonomous and have other kinds of purposes besides employment-related issues.

The special configuration of Danish labour market and employment policies, partly a product of their institutional history, makes it impossible to export Denmark's flexicurity model to other countries

directly for at least three different reasons (BREDGAARD, 2010a): lack of social dialogue and mutual trust, difficulties related to transition towards external flexibility and financial implications.

As we have already seen, social dialogue is one of the most important pillars of the Danish flexicurity model. The current configuration of labour market policies, employment policies and benefit systems depends on or are related to the social partners. More specifically, the model has one of its bases in a corporatist system of collective bargaining that is linked directly to the cooperation and mutual trust between the social partners and between the social partners and the Government.

Secondly, the transition from an overly regulated labour market like that in Spain to one characterized by external flexibility presents some difficulties. One of the hardest of these is related to those employed (employed workers and trade unions) who strongly resist changes because they would lose their privileged status (insiders) with respect to others who are living with job insecurity (outsiders).

Finally, it is obvious that generous unemployment benefits require strong financial resources and this means that citizens must be determined to pay a level of taxes that supports the system.

However, for the Spanish case, the impossibility of importing the entire Danish model does not mean that, it is impossible to choose some elements that may be adopted. If Spain wants to improve its employment services following the OECD's suggestions regarding decentralization, it could deepen its current regional system or even undertake a "second decentralization" to the local level. In this latter case, Denmark is without doubt a point of reference, not only because its current situation is focused at that level, but because, as we have already explained, Danish demographic circumstances mean that its regions are more like larger Spanish municipalities.

The participation of the social partners, with executive competencies, in employment policies is another aspect in which Spain may also be interested. The social partners are the actors who know best the employment situation in their specific areas of activity and, as a result, their knowledge and experience may be quite useful in the development of new employment strategies, especially at the local level.

Finally, if Spain wants to advance, not only in terms of flexibility, but also in terms of this security, this will require strengthening its benefit system with higher quantities for shorter periods, combining unemployment benefits with social assistance and establishing connections between active and passive labour market policies. Moreover, better employment services must be accompanied by better programs, that is, an active labour market policies scheme focused on education and training, which is one of the Spanish biggest deficits.

However, the Danish flexicurity model that we have described to this point is not exactly the current model in Denmark. From the late 1990's some reforms have tried to push the model closer to a work-first approach. This means that Danish policymaker have increasingly prioritized the motivation effect rather than the qualification effect, implying that employment policies have gradually shifted from a model focused on human capital to another based on work-first.

This is evident in legislation; however, it was harder to incorporate those changes into the employment services' daily functioning. In 2002, the labour market reform entitled "More people into employment" was the first step towards a more profound work first approach. "The new government intended to 'close down the activation industry' (especially the purportedly inefficient municipal activation projects and expensive education and training schemes). Rather than supposedly 'long-term, inefficient and expensive' activation programs the objective was to reintegrate the unemployed as quickly as possible in the open labour market" (BREDGAARD & LARSEN, 2009)

These reforms included not only policy changes but also organizational changes. These seem to have been decisive for the effective implementation of the reform.

In spite of policy makers' desires, the first reforms did not achieve their intended effects in the employment services. In other words, there was an implementation gap. As some studies showed (BREDGAARD et al. 2003: 4), despite the reforms, municipalities continued to work along the lines of the human capital and social integration approach. This result has been explained by two different variables. On the one hand, policy indicators showed a preference for programs oriented towards the self-motivation of the unemployed, requalification and specific social attention for target groups. On the other hand, organizational indicators showed that municipalities considered activation to be a "pure" public service and only 3% of them had used contracting-out; local governments retained high autonomy in the

implementation of activation policies, mainly because of the lack of a standardization of these kind of policies and the resistance of street level case-workers to breaking down performance measures to the individual level. In general, this implementation gap was explained by the high levels of local autonomy and different perceptions of the problem on the part of the implementing agents and the government.

In order to get over these difficulties, not substantial, but organizational reform took place. Firstly, the Danish Government decided to introduce a local government reform, that meant the abolition of counties (regional level), transferring their competencies to the central government, and an increase in local government size by reducing the number of municipalities. Then, the Government proposed the establishment of job centers in each municipality, whose main task would be the return, as quickly as possible, of the unemployed to the labour market. These job centers had to be organized as an independent municipal agency responsible for job reintegration; however, responsibility for financing, that is, benefit administration, would remain in insurance funds (insured unemployed) and in local government (uninsured unemployed) hands. In other words, the project sought a unification of employment systems (employment services and social assistance), but not benefit administration or the financing system.

In spite of the fact that the Government achieved an agreement to implement this reform partially (the new municipal employment system was only to be tested in 14 pilot centres out of a total of 91), with its total rollout pending the results of an evaluation that was going to take place in 2010, it was finally decided to municipalize all employment services from the 1st of August 2009, even though the evaluation was still ongoing (LARSEN, 2009).

There were several other important changes in this reform. First, in spite of the fact that the social partners are still represented in the national, regional and local employment councils, they have lost their active role in setting employment policies and are now relegated to a supervisory and advisory role. Second, the reform has also meant that the public financing of the insurance system is now based in municipalities. This funding model gives municipalities an economic incentive to provide activation services for people on unemployment insurance but it may also be a guarantee that the municipal cash balance will not be drained with rapid fluctuations in unemployment. This change is being evaluated over 2012 and 2013 (BREDGAARD, 2010b).

Some studies have suggested that, there are other goals in the Danish reforms beyond the officially stated intentions of ensuring equal treatment for the insured and uninsured unemployed and improving coordination and integration of employment services (LARSEN, 2009):

Firstly, one non-explicit intention was to gain strategic control over the municipal implementation of employment and social policies and to push implementation towards work-first. In other words, the Government wanted to reduce the implementation gaps discussed above. This seems paradoxical, as it appears the government sought to decentralize competencies for municipalities while at the same time trying to gain control over local governments. The result is a new mode of government in employment policy called “centralized decentralization” (BREDGAARD & LARSEN, 2009) that tries to gain strategic control over local autonomy and front-line workers while shielding the minister from blame for a notoriously unpopular policy area by apparent delegation of responsibility to the local level.

Secondly, and as we have already explained, the role of social partner organizations has been reduced significantly. Moreover, changes in the financial structure of assisting insured unemployed may also weaken the trade unions if municipalities seek to advance their competencies in the field of insurance funds (LARSEN, 2009).

As a result of all these organizational changes, an update of a study developed in 2001 shows that local employment services are today more inclined to emphasize a work-first approach (BREDGAARD & LARSEN, 2008, LARSEN 2009, BREDGAARD, 2010b). In general, all indicators of work-first (demands/sanctions, work-test and compliance with labour market needs) are now considered more important while indicators of human capital or social integration (improving skills, training, individual consideration and quality of life), are considered less important as compared to 2001. The result is that the majority of municipal job centres today prioritize finding clients a job as quickly as possible over improving employability in the long run or satisfying individual requirements or needs related to social assistance.

In short, “the designers of the formal policy reform, therefore, seem to have succeeded. The perceptions and strategies of the municipalities have changed” (LARSEN, 2009). Some of the factors that

explain this new result are the strengthening of supervision, benchmarking and output and outcome measurement of implementation by the central government; the establishment of specific and clear goals that must be achieved by municipalities and penalties (the possibility of contracting out) if those goals are not met; the standardization of procedures that limit the autonomy of local workers (with a growth of bureaucratization that means less time for the unemployed) and the strict distinction between the job centre, focused on getting people into work, and the benefit and social policy department, in spite of complaining from the municipalities.

For Spain, these new trends in the Danish flexicurity model are less attractive than the prior system. Special characteristics of the Spanish labour market that we have already explained require a model that promotes human capital so, as Denmark moves away from this paradigm, it becomes less interesting as a model for elements that may be useful to improve the Spanish employment services. In this sense, the Danes' decision to reduce the number and variety of active labour policies and limit the participation of the social partners eliminates an important element of innovation and makes the Danish model less interesting as an international point of reference.

However, it is possible to obtain an interesting lesson from this last trend for the Spanish case: the importance of the organizational or instrumental scheme to improvements in the implementation of employment policies. Spain has a stated goal of improving its employment services. Therefore, in this sense, what Spain can learn from the Danish experience is not only lessons about substantive reform, but also the organizational structure capable of ensuring the implementation of the principles and goals of this new system. If Spain decides to turn its employment services in the direction of more and better active policies focused on human capital, policymakers must take into account what is the best structure for carrying this out. And, in this respect, as the Danish experience demonstrates, the local level can play an essential role.

5. Conclusions

In this paper, we have shown how the Danish variety of flexicurity, focused on human capital and social integration, has the best elements to be adopted for Spanish labour market, especially if their development is produced by a decentralization of employment policies to the local level. In spite of the fact that it is not possible to import wholesale any national model, we have underlined those elements that would be most useful given current Spanish circumstances.

Recent trends in Denmark are moving the country's flexicurity model away from its classic features and bringing it closer to a work-first approach. These new characteristics are less relevant for Spanish needs and as Denmark moves away from its longstanding flexicurity paradigm, it becomes less interesting as a source of elements that may be useful for improving outcomes in the Spanish employment services.

However, the instruments used to develop the recent Danish reforms demonstrate that a specific reform needs, not only substantial policy changes, but also instrumental or organizational modification. This must be taken into account by Spain in order to improve its employment services and active labour market policies.

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