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# **Good neighbours or distant friends? The relationship between Dutch ministries and their executive bodies**

*Sandra van Thiel and Kutsal Yesilkagit*

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## **Contact details:**

Dr. Sandra van Thiel  
Public Administration  
Erasmus University Rotterdam  
P.O. Box 1738, room M8-27  
3000 DR Rotterdam  
The Netherlands  
Tel. +.31.10.4082140  
e-mail: [vanthiel@fsw.eur.nl](mailto:vanthiel@fsw.eur.nl)

Dr. Kutsal Yesilkagit  
Utrecht School of Governance  
University of Utrecht  
Bijlhouwerstraat 6  
3155 ZC Utrecht  
The Netherlands  
Tel. +.31.30.3528649  
e-mail: [a.k.yesilkagit@uu.nl](mailto:a.k.yesilkagit@uu.nl)

*Agencification was very popular with most western governments from the 1980s on. Granting autonomy to executive agencies was expected to reduce political interference with policy implementation and give agencies control over their own working conditions. However, it has also caused new problems including new forms of politicisation and distrust between executive agencies and parent departments. In this paper we investigate the effect of autonomy (formal/actual, policy/management) on the quality of the relationship of Dutch executive agencies and their parent department. Hypotheses are tested using data from a survey among 219 organisations. Contrary to the expectations, findings show that the 'closer' an executive agency is to the parent department the better the relationship is reported to be. This could perhaps be explained by the advantages of proximity to the political centre, congruence in organizational cultures, or differences in the reform style of parent departments.*

## **Introduction**

One of the many reforms under the label of New Public Management (NPM) concerns agencification, i.e. hiving off executive units of government and granting them a certain degree of (managerial) autonomy (Pollitt & Bouckaert, 2004; Yesilkagit, 2004; OECD, 2002; Van Thiel, 2001; Feigenbaum et al., 1999; Kickert, 1995). As a result there are nowadays numerous bodies at arms' length involved in the implementation of public policies and/or carrying out public tasks. Not only the number of these bodies has spiralled; governments have also created many different types of bodies, with different legal forms and working conditions. A small selection of examples can illustrate the diversity in types and numbers of executive agencies. The UK government reported 882 non-departmental public bodies in 2006 (of which 198 executive and 448 advisory bodies) and over 100 Next Steps Agencies in 2007 employing over 75% of all national civil servants (source: Website Cabinet Office). In The Netherlands there are now 40 executive agencies but their number is still rising (employing 80% of all civil servants in 2008) and 630 independent administrative bodies called ZBOs with more employees than all national ministries together (sources: ZBO register of the Home Office, Website Ministry of Finance). Such numbers also show the size of agencification in these countries.

In other countries, other types of organisations can be found: the Australians created Statutory Corporations, the Irish created national and local agencies, the French established so-called Public Establishments and Independent Administrative Authorities, in Scandinavian countries executive agencies have a longstanding tradition but more re-

cently state corporations increased in numbers, and in Italy the increase in the number of executive agencies coincided with the devolution of power to regions (OECD, 2002; T. Christensen & Laegreid, 2003; Wettenhall, 2003; McGauran et al., 2005; Allix & Van Thiel, 2005). The use of executive agencies is not limited to the western world though; countries like Latvia, Tanzania, Japan and Thailand are also known to have established semi-autonomous bodies (Pollitt & Talbot, 2004).

For convenience we will use one label in this paper, namely executive agencies, but there are both formal and empirical differences between different types of agencies to which we will return later in this paper.<sup>1</sup>

Granting autonomy to executive agencies was expected to raise several benefits, such as reducing political interference with policy implementation and freeing managers to manage their own organisation (see more below). However, evaluations and research show that not all expected benefits are achieved (see e.g. Boyne et al., 2003). And new problems have developed, such as a lack of possibilities for democratic accountability because of poor accountability requirements and intransparent appointments (democratic deficit; Skelcher, 1998; Flinders, 2001); the need for new instruments and organisational arrangements to restore some of the coordination that was lost by hiving off executive units (Kickert, 2001; Van Thiel & Pollitt, 2007); and reports of distrust and conflicts between parent departments and executive agencies (see e.g. 't Hart & Wille, 2006, on the Dutch case). Most of these problems are attributed to the autonomy of executive agencies, because it has caused agencies to become (too) disconnected from parent departments and to evolve into independent, self-aware entities (cf. Hakvoort & Veenswijk, 2002; Yesilkagit, 2004).<sup>2</sup> This makes them difficult to control.

Governments have taken several countermeasures, such as stricter statutory rules for executive agencies, the establishment of interfaces to improve communications with agencies, and the appointment of independent regulators to oversee agencies.<sup>3</sup> Some authors refer to these countermeasures as a second wave of reform, in search for a balance between political control and agency autonomy (Christensen, Lie & Laegreid, 2007). Examples of this new wave can be found in for example The Netherlands, Australia, the UK and Scandinavian countries.

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<sup>1</sup> Next to differences between different types of executive agencies, there are also differences between 'agencies' in different countries. Different governments may use similar labels like 'agency' but there are many differences in practice (see e.g. Greve, Flinders & Van Thiel, 1999; Pollitt, Talbot, Caulfield & Smullen, 2004; Christensen & Laegreid, 2007; Pollitt, Van Thiel & Homburg, 2007).

<sup>2</sup> Paradoxically, agencification was meant to separate policy and administration. However, politicians and civil servants often did not anticipate the consequences of this separation on the relationship with executive agencies (cf. Pollitt & Van Thiel, 2007)

<sup>3</sup> Several of these regulators are semi-autonomous agencies themselves.

This paper investigates to which extent Dutch executive agencies have been granted autonomy, and what effect autonomy has on the relationship between executive agencies and their parent departments. We will formulate a number of hypotheses on the (expected beneficial) effects of autonomy on the relationship between agencies and departments. Data from a survey among 219 Dutch public sector organisations in 2006 will be used to test the hypotheses. The results of this test could be used to refine the ideas and theories on the autonomy of executive agencies and to predict when chances on distrust or poor relations are higher and/or the need to insert measures to improve political control is stronger.

The outline of this paper is as follows. We begin with a description of the expected benefits of granting autonomy to executive agencies. There are different types of autonomy, on which we will reflect also. Next, hypotheses are formulated, which will be put to the test using survey data (see section on data and methods). In the concluding section, we will assess the results of our analysis and distil some implications for the theory and practice of the relationships between parent departments and executive agencies.

### **The expected benefits of autonomy**

The underlying motives for the establishment of executive agencies are multifold. The literature mentions both the official motives as mentioned by politicians and civil servants to underpin (and legitimize) their decisions to create executive agencies, as well as the not so official motives that are ascribed to the decision makers (cf. Van Thiel, 2001; 2004). In addition, several authors have identified tensions, contradictions and trade-offs between the motives, both among the official motives and between official and ascribed motives (for an overview see Pollitt & Bouckaert, 2004:164ff). We will discuss all these and then deduce what the expected benefits of autonomy will mean for the relationship between executive agencies and parent departments.

Let us begin with the official motives for agency creation. These motives all point to the benefits of autonomy (see e.g. Osborne & Gaebler, 1992). Granting autonomy to executive agencies is expected to:

- Empower clients and make clients hold agencies accountable for their performance (like quality of customer service, cost prices) rather than the parent department or parliament. This is expected to improve performance more directly than hierarchical control;

- Free managers to manage, without the restrictions of administrative rules and regulations, making agencies more business-like and hence more efficient and effective. To this end some executive agencies are allowed to use business-like techniques such as an accrual accounting system, performance indicators, human resource management (e.g. no fixed tenure) and to participate in the capital market;
- Motivate staff because they will have more influence on – but also responsibility for – their own working conditions and performance. Although executive agencies do not have to operate under the conditions of the bureaucratic model, this does not imply that agencies are truly commercial either. For example, most executive agencies can make profits but these are not used for personal gain;
- Reduce political interference and the risks of partiality or partisanship in policy implementation. This is expected to improve the impartiality of (expert) policy implementation, which is particularly important for regulatory tasks such as supervision/-inspection and tribunals (settling disputes). Less political interference also implies less liability (accountability) of politicians, which is appealing to politicians (ministers) for example in case of problems or ill performance; and
- Allow parent departments and executive agencies to focus on their respective core tasks: policy making and implementation. Making use of expertise and specialist knowledge is expected to improve the performance of both actors.

Next to these official motives, there are also motives that are ascribed to politicians because they point to the (political) gains of agency creation for the decision makers themselves (cf. Van Thiel, 2001; 2004; James, 2003):

- Agency creation was often presented as a (new) solution to problems with government bureaucracy. It enabled politicians to show that they were acting decisively, resolving problems and improving public sector performance; all to please the voters. Such behaviour has a high degree of symbolism though, because in most countries agency creation was not a new phenomenon. Executive bodies of different types existed already, although not on the same scale as they were established from the 1980s on (cf. Greve et al., 1999; OECD, 2002; Christensen & Laegreid, 2003; Pollitt & Talbot, 2004). Moreover, agency creation did not always lead to an actual reduction of government bureaucracy; most executive agencies are still paid from public means, and in some cases agency employees are still civil servants.
- Reduction of political accountability allows blame avoidance; politicians can no longer be held accountable for ill performing executive units. In practice, politicians are still often held accountable though, even when they formally are not responsible anymore (residual accountability, Van Thiel, 2001; see also Flinders, 2001). The me-

dia, citizens and even members of parliament still consider executive agents as part of the government and hence the responsibility of ministers and ministries.

- The establishment of executive agencies has led to the rise of a new category of influential officials: agency directors and members of agency boards. The appointment of these new magistrates can be used for political patronage (Weir & Hall, 1996; Feigenbaum et al., 1999; Van Thiel, Steijn & Allix, 2007). An investigation by the Nolan Committee in the UK led the Labour government to establish an official register for public appointments, but that has only created transparency (Denton, 2006). It does not reduce the risk of patronage. (Although one has to consider that in some state systems political appointments are common and accepted, see for example the US spoils system or the influence of the *grand corps* in France.)
- In some cases the establishment of executive agencies is used to decentralize the execution of public policies/tasks, but not to lower levels of government. Particularly in countries with a strong central government and weak local governments, executive agencies can be used as a middle-range solution. Although it is hard to find evidence to support these accusations, it is hinted upon in countries in which agencification coincided with devolution of power, regionalization and decentralization such as Belgium, Italy and the UK (for an overview of reforms in these countries see Pollitt & Bouckaert, 2004).

There are some inherent tensions and trade-offs between the motives we have listed so far. As a result, agencification will not always render the benefits that are expected. For instance:

- Autonomy comes with responsibility; executive agencies have to account for their performance. This will (and has) lead to new or extra accountability requirements. This is known as the re-regulation paradox; instead of simplification of rules agencification calls for new regulations, regulators and audit arrangements (cf. Feigenbaum et al., 1999; J.G. Christensen & Yesilkagit, 2006). Supervision is necessary to (i) assess the performance of executive agencies (managerial effectiveness), (ii) protect individual consumers and citizens from unwanted market pressures like cherry picking and abuse of monopolies (LeGrand & Bartlett, 1993), and (iii) to ensure democratic accountability by (individual) ministers of parent departments (see democratic deficit, Skelcher, 1998). Re-regulation also brings extra (monitoring) costs, reducing the expected efficiency gains from agencification.
- A reduction of political interference is expected to improve the impartiality of policy implementation. However, evaluations show that politicians (ministers, members of parliament) keep interfering with policy implementation – and not only in high profile

cases of scandals and incidents. This makes sense when we consider that there is in fact still some residual responsibility (Flinders, 2001). Moreover, it is the prerogative (or duty) of politicians to keep policy implementing agents in check. Politicians can exert influence in different ways, both at the front (agency creation, working condition, accountability requirements) and at the back (political appointments, patronage). Political influence or control is therefore never far away despite claims of depoliticisation in case of agencification.

- Agencies are assumed to operate more efficiently than government bureaucracy because they are ‘in the market’ or at least ‘closer to citizens’, and because they are allowed to use business-like techniques. However, the need to operate more cost-effective and market-like may conflict with the demand to adhere more to client demands; tailor made services (using all of the ‘bureaucratic’ discretion that street level agents have, cf. Lipsky, 1980) do not match with the need for standardization and economy. Moreover, the client concept is much more complicated in the public domain than in the private sector (Fountain, 2001). Clients do not always pay for services and goods themselves (purchaser-use split), and clients are not always voluntary clients (think of paying taxes or fines, or serving time in prison). Straightforward transplantation of business metaphors to executive agencies in the public sector can lead to unintended consequences (see e.g. Van Thiel & Leeuw, 2002, on performance indicators, cf. Pollitt, Van Thiel & Homburg, 2007).
- Agencification equals specialization; executive agencies carry out public tasks/policies, while parent departments develop policies. Such specialization is expected to improve performance, but it also has an important downside: it can lead to compartmentalization. For example, the same task is attributed to different types of agencies in different policy sectors and/or countries (Pollitt et al., 2004). New forms of coordination then become necessary, and have in fact already been introduced. For example, in the UK joined-up government has been promoted (James, 2004), while in Australia there is talk of restoring the whole of government (Smullen, 2007).

So according to the official motives, autonomy will give executive agencies more control over their own working conditions, which is expected to increase their motivation and performance. The relationship with the parent department would become more business-like (contracts, performance indicators) and neutral (less political interference). This would enable agencies to focus on their own task and expertise, and thus improve their performance, reputation and self-confidence. Following this logic, agencies would be expected to appreciate autonomy and its effects on the relationship with the parent department.

The ascribed motives and trade-offs show that the residual responsibility, re-regulation paradox and the need to restore coordination all lead to continuing interference by the parent department. This threatens the relationship and could lead to conflicts and distrust. So, reductions of autonomy will not be appreciated and will cause problems in the relationship between executive agencies and parent departments.

Now that we have established what the expected effects of autonomy are – both for executive agencies and their relationship with parent departments – we can formulate hypotheses to test these expectations. First, we will however reflect on what kind(s) of autonomy can be granted to executive agencies.

### **Different types of autonomy**

Autonomy is a multidimensional concept (for an overview of the literature, see Verschuere, 2006). There are different types of autonomy, which can also be combined in different ways. In this paper we will make use of two distinctions namely between formal and actual autonomy on the one hand, and between policy and management autonomy on the other hand (cf. J.G. Christensen & Yesilkagit, 2006; Verhoest, 2005; Pollitt & Talbot, 2004). These two dimensions are combined in a two by two grid (see table 1).

Formal autonomy refers to independent rights as laid down in the agency statutes, such as the right to take decisions without needing the approval of a parent department. In case of managerial autonomy, agencies may for example have the right to independently take financial decisions (such as setting fees, or making investments) or personnel decisions (hire and fire). Formal autonomy is thus determined by the legal basis or statutes of an executive agency, rather than by the degree of structural disaggregation from the parent department.

Actual autonomy refers to the freedom that agencies take or receive on a daily basis, regardless of the degrees of formal autonomy. Executive agencies may take more or less liberties than they are formally entitled to, or parent departments may give more or less room to manoeuvre than is determined in the statutes. In case of managerial autonomy it is not uncommon for example that the executive agency takes the lead in drawing up budgets and contracts or developing performance indicators specifying the agency's performance for next year, because it has the expert knowledge to do so. Formally however, it is the minister who has to set the budget, fees and performance indicators. In other instances, parent departments may decide to intervene even though there is no apparent misbehaviour by the executive agencies. There are some well-known examples of such interventions, usually driven by political scandals, like the dismissal of the director

of the UK prison service and the director of the Dutch social benefits agency UWV. Interference like this may harm the relationship because they harm the agency's autonomy.

The aforementioned examples show that management autonomy concerns both (i) the right of an agency to determine its own performance and working conditions as well as (ii) the control or steering by the parent department. Likewise, policy autonomy has two aspects as well: (i) the discretionary authority in carrying out a public task and (ii) the ability to influence the development and content of new policies (cf. Verschuere, 2006). Policy autonomy can be formally attributed, for example by allowing the agency to determine how a specific task is carried out (e.g. protocols, use of forms, complaints procedures). This is referred to as discretionary authority. Alternatively, executive agencies can be granted influence on the development of new policies through the use of ex ante analyses of policy proposals (cost-benefit analysis, feasibility tests, ex ante evaluation). If parent departments are obliged to pre-test their policy processes, the influence of executive agencies is formalized. Consultation of agencies on a voluntary basis would constitute an example of actual (informal) autonomy.

Table 1 summarizes the different types of autonomy discussed so far. In this paper we will consider the effect of these four types of autonomy on the relationship between executive agencies and their parent departments. The examples we have given will serve as operationalisations of the different types of autonomy in our analysis.

**Table 1. Two dimensions of autonomy for executive agencies**

	<b>Policy</b>	<b>Management</b>
<b>Formal</b>	Discretionary authority Mandatory feasibility test	Use of accrual accounting system, statutory rights to take financial (e.g. fees) or personnel decisions (hire and fire)
<b>Actual</b>	Involvement/consultation of agencies in policy making process	Influence on steering instruments e.g. development of performance indicators, informal contacts and consultation

While the literature acknowledges the multidimensional nature of autonomy, we know very little about the relationship between the different types of autonomy. There is an intuitive understanding that the degree of formal and actual autonomy does not have to coincide, nor do management and policy autonomy. It would appear that different combinations can be found, in different cases and at different times depending on the political saliency of the agency's task and/or its institutional history (Pollitt et al., 2004). This will therefore be the first topic to test in this study.

## Hypotheses

As stated before, there is little knowledge about how the different types of autonomy are related, but common sense would suggest that having autonomy in one way will facilitate having autonomy in other ways. For example, it is easier to take more liberties when you already have a number of formal autonomous rights. Therefore, we expect higher degrees of autonomy of one type to correlate with higher degrees of other types of autonomy:

Hypothesis 1: as executive agencies have a higher degree of formal autonomy, they will also have a higher degree of actual autonomy

Hypothesis 2: as executive agencies have a higher degree of management autonomy, they will also have a higher degree of policy autonomy

Next to our interest in the degree of autonomy, we are also interested in the effect of autonomy on the (quality of the) relationship between executive agencies and parent departments. According to the official motives for agencification (see above), autonomy is expected to motivate the staff of executive agencies, giving them more control over their own working conditions and performance. Agencification is also expected to reduce political interference with the daily operations. If these benefits are indeed true, we would expect agencies to appreciate having higher degrees of autonomy and consequently be more satisfied with the relationship with the parent department as they have more autonomy.

Management autonomy contributes to such a positive attitude straightforwardly as it grants control over working conditions, and so does discretionary authority (which is a part of policy autonomy). Influence on policy making contributes indirectly to control over working conditions, as it may help make new policies easier to carry out. Therefore, our hypotheses would be that:

Hypothesis 3: the more managerial autonomy an executive agency has, the more satisfied it will be about the relationship with the parent department

Hypothesis 4: the more policy autonomy an executive agency has, the more satisfied it will be about the relationship with the parent department

The lack of political interference is particularly important for executive agencies with regulatory tasks, as autonomy increases their impartiality. Therefore, we would expect regulatory agencies to appreciate autonomy even more than agencies with non-regulatory tasks, and hence be more satisfied about the relationship with the parent department as they have more autonomy:

Hypothesis 5: executive agencies with regulatory tasks will be more satisfied about the relationship with the parent department than agencies with non-regulatory tasks

## Data and methods

In May-June 2006 we carried out a survey among Dutch public sector organisations. 621 organisations were identified using earlier research and government documents and web-sites. The survey was placed on the Internet and filled out by respondents from 219 organisations (response rate 38%).<sup>4</sup> The questionnaire consisted of 50 questions on different topics regarding for example the financial system in use, audit and accountability, organizational culture, influence on the development of new policies, position and role of the board, and the use of a large number of management techniques like performance indicators, HRM and quality care.<sup>5</sup> Data were analysed using SPSS.

The organisations that participated in the survey can be grouped into five categories based on their legal statutes. This division coincides with an increasing degree of formal (legal) autonomy (cf. Christensen & Yesilkagit, 2006:208):

1. Contract Agencies (in Dutch: *agentschappen*) have no legal personality and all their decisions are subject to full ministerial accountability. They are former directorates of ministries (N=37) Their autonomy is restricted to managerial decisions, within legal and financial boundaries. For example, they can use an accrual accounting system and save 'profits' from one year for investments in the next year – to a maximum of 5% of total revenues. Contract agencies cannot however borrow money or participate in a limited company.
2. Independent Administrative Bodies (in Dutch: ZBOs) have more managerial freedom than contract agencies. Almost all ZBOs have legal personality, which can be based on public (about 60% of cases) or private law (about 40%). Their performance is only in part subject to ministerial accountability; the Minister of the parent department is responsible for the policy that is implemented by the ZBO, the decision to charge a ZBO with this task and the supervision of the ZBO. All other aspects of performance – like customer service and target setting – are up to the ZBO. Performance agree-

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<sup>4</sup> As the response rate for the different types of public sector organisations was not statistically significantly different from their proportion in the population, the sample is considered representative.

<sup>5</sup> This questionnaire is part of an international comparative study into the autonomy and steering of public sector organizations (PSOs). The survey had been carried out before in Belgium, Norway, and Ireland (see [www.publicmanagement-cobra.org](http://www.publicmanagement-cobra.org)). The survey focuses on PSOs at national level only.

ments are laid down in annual contracts or other documents (note that the term contract is used, but only in name; it has no or little legal binding effect).

3. Legal Entities with a Statutory Task (in Dutch: RWT) are statutory bodies with legal personality, either based on public or private law. In practice, most of these bodies are school boards. We have not included boards of primary and secondary schools into our survey because their huge numbers would complicate statistical analyses too much (about 2500 boards exist in The Netherlands). All higher education RWTs were included though. Other examples of RWTs are museums and university hospitals. RWTs are independent organisations, which are appointed by law to carry out a particular public task for which they receive funding from the government. There is no clear description yet of their level of autonomy and ministerial accountability.
4. Polder Boards and other public bodies as determined by article 134 of the Dutch Constitution are the oldest form of non-state government in The Netherlands. Polder Boards (in Dutch: *waterschappen*) were established to safeguard the protection of The Netherlands against flooding. Also, they are in charge of water purification. Since 2004 the Polder Boards are elected bodies (N=28). They are independent i.e. they do not have to have to adhere to a parent department. Other public bodies with the same legal status are the representative organs for specific commercial and industrial sectors (like fishery, farmers, painters and lawyers). They are also independent, but not elected.
5. Government foundations (in Dutch: *overheidsstichtingen*) are foundations established by or on behalf of the government, and involved in some sort of public task. Foundations have legal personality based on private law, and are managed by a board. The Dutch government hardly ever delegates government representatives for these boards. Foundations in our sample are on average small organisations, partly run by volunteers. They include examples like organisations of military veterans, and supporters of a museum. Several ZBOs and RWTs are also government foundations; in case of overlap foundations have been listed only in the ZBO or RWT category. Recently the Dutch government has published a charter document for the establishment of government foundations.

To measure the degree of policy and management autonomy, both formal and actual, we used different questions from the survey. Table 2 gives an overview. Next to positive indicators of autonomy like the right to take decisions independently, we also used two negative indicators in particular on the amount of steering by the parent department.

**Table 2. Operationalisation of autonomy of executive agencies in The Netherlands**

Concept	Operationalisation	Survey question
Policy autonomy	Discretionary authority	Influence of executive agency on choice of target groups and policy instruments (scale 1-5)
	Feasibility test	Does executive agency perform feasibility test? (often, sometimes, seldom)
	Involvement in policy making	To which extent is executive agency involved in policy making? (scale 1-5)
Management autonomy	Financial decisions	Can executive agency set fees independently? (yes, no)
	HRM decisions	Can executive agency hire new staff without approval of parent department? (yes, no)
	Steering by parent department (-)	Number of performance indicators (five intervals)
	Influence on steering	Does agency have influence on formulating performance indicators? (scale 1-5)
	Frequency of reporting to parent department (-)	Number of times per year (five categories)

Finally, the organisations were asked to rate the relationship (degree of trust) with the parent department on a scale from 1 to 10. This will be used to measure their satisfaction about this relationship.

## Results

Our first analysis investigates the degree of autonomy of the five different categories of organisations. See table 3 for our findings.

As far as management autonomy is concerned, the degree of autonomy does – as implied – increase with our legal categorization. Contract agencies have the least degrees of freedom to take decisions regarding financial and personnel matters independently, and the highest requirements about reporting about performance to the parent department. Also, they have less influence on the steering arrangements, such as the development of performance indicators, than other types of organizations. ZBOs have more managerial autonomy than contract agencies, but less than RWTs, and so on. All these differences are statistically significant (verified by one-way analysis of variance)

**Table 3: Autonomy of Dutch executive agencies, 2006 (N=219)**

	Legal basis	Policy autonomy			Management autonomy			
		Discretionary authority (1-5)	Feasibility test (1-3)	Involved in policy making (1-5)	Financial decisions	HRM decisions	Steering: Number PIs (1-5) #Reporting	Influence on steering (1-5)
<b>Agencies (N=16)</b>	No legal personality, full ministerial accountability	2.6 (N=11)	2.0 (N=10)	3.5 (N=12)	15% (N=13)	82% (N=11)	2.9 (N=12) 4*year report (N=12)	3.9 (N=12)
<b>ZBOs (N=84)</b>	Most have legal personality on public (72%) or private law basis, limited ministerial accountability	3.5 (N=50)	1.8 (N=55)	3.8 (N=57)	26% (N=51)	96% (N=55)	2.4 (N=53) >1*year report (N=56)	4.0 (N=22)
<b>RWTs (N=39)</b>	Legal personality on public or private law basis (50-50), ministerial accountability limited	3.5(N=21)	1.4 (N=18)	3.4 (N=23)	64% (N=25)	100% (N=29)	2.7 (N=22) 1*year report (N=22)	4.7 (N=52)
<b>Art.134 bodies (N=13)</b>	Legal personality on public law basis, full independence (elected)	4.3 (N=8)	1.0 (N=8)	4.0 (N=9)	100% (N=10)	100% (N=10)	2.5 (N=8) No report (N=8)	5.1 <sup>a</sup> (N=8)
<b>Foundations (N=67)</b>	Legal personality on private law basis, full independence (board)	3.4 (N=33)	1.3 (N=34)	3.5 (N=42)	80% (N=46)	97% (N=33)	2.0 (N=39) >1*year report (N=37)	4.3 (N=38)

*n.a.=not applicable*

*PIs=performance indicators*

*<sup>a</sup>Art. 134 bodies report 'other' means to influence steering*

When it comes to policy autonomy, there is not such a clear picture though. Based on the descriptive statistics in table 3, it would appear that formally contract agencies have the least discretionary authority, but when it comes to being involved in policy development and performing feasibility tests contract agencies have at least similar or even more autonomy than the other types of organisations. (Most differences are n.s. except for performing feasibility tests.) This could suggest that in the case of policy autonomy formal independence does not coincide with (or reinforces) actual autonomy. Instead there could be an inverse relationship. We will return to this conclusion later on.

For now, we can conclude that hypothesis 1 holds for managerial autonomy only, and is rejected when policy autonomy is concerned. Formal autonomy does not always reinforce actual autonomy. Furthermore, hypothesis 2 is rejected as well; having more management autonomy does not render more policy autonomy, or vice versa.

Next we turn to the effect of autonomy on the (perceived) quality of the relationship between executive agencies and parent departments. As article 134 bodies formally have no parent department, they will be left out of this further analysis.

Table 4 presents the overall evaluation of the relationship as rated by the executive agencies. (Remember they were asked about the level of trust, on a scale 1-10.) Contrary to our expectations, it would appear that the executive agencies with the least degrees of freedom (contract agencies) evaluate the relationship with the parent department most positively. Differences between types of organisations are however not statistically significant. Therefore, to learn more about the effect of autonomy on the relationship between agencies and departments we need to examine the separate effects of different types of autonomy. We will use linear regression for this purpose.

**Table 4. Dutch executive agencies on the degree of trust in parent department, 2006**

	<b>Trust (1-10)</b>	<b>Standard deviation</b>	<b>Range</b>	<b>N</b>
<b>Agencies</b>	7.8	0.9	7-10	12
<b>ZBOs</b>	7.2	1.7	1-10	55
<b>RWTs</b>	6.2	1.2	4-8	19
<b>Foundations</b>	7.2	1.6	3-10	31
<b>Overall</b>	7.1	1.6	1-10	117

The results of the linear regression analysis in table 5 suggest that different types of autonomy have little to no influence on the quality of the relationship between executive agencies and parent departments. In the next section we will discuss some (alternative)

explanations for this conclusion. First we will take a closer look at the findings in table 5, in order to be able to make a decision about the hypotheses.

**Table 5. Effects of types of autonomy on the relationship between executive agencies and parent departments, The Netherlands 2006**

	Model 1	Model 2	Model 3	Model 4	Model 5
Age	.002	.001	.003	.003	.003
Legal basis	.044	-.21	-.026	-.344	-.371
Type	-.013	-.004	.047	.081	.262
Financial decisions		-.07		-.163	-.222
HRM decisions		.13		.17	<sup>a</sup>
Number of PIs		-.14		-.14	-.229*
Reporting		.03		.107	.152
Influence on PIs		.02		.098	.079
Discretionary authority			-.076	-.15*	-.15*
Involved in policy			-.045	-.032	-.056
Feasibility test			.023	.022	.062
Regulatory task					.705***
Intercept	7.58**	8.08***	7.87***	8.90***	7.907***
R square	.009	.056	.045	.211	.33
DF	98	72	84	61	60

<sup>a</sup> excluded from analysis because of too many missing cases

Although hardly any type of autonomy has a statistically significant influence on the assessment by executive agencies of their relationship with the parent department, there are some interesting observations to be made. First, there are several elements of autonomy that appear to be negatively related to a positive relationship: the ability to take financial decisions, having discretionary authority and being involved in policy making. This would contradict some of the most fundamental motives underlying agencification (see the discussion above of official motives and the benefits of autonomy). We will return to this finding in the concluding section of this paper.

Second, having a private law legal basis also leads to a lower appreciation of the relationship with the parent department.<sup>6</sup> Considering that executive agencies with a private law basis (such as some ZBOs, most RWTs and government foundations) do not originate from the government apparatus, it seems reasonable to assume that they have

<sup>6</sup> Legal basis was included as a control variable, together with the age of the executive agency.

less interest in – and appreciation for – the relationship with the parent department. Their principal counterpart is probably their own board.

Thirdly, management autonomy (model 2) may appear to offer a slightly more powerful explanation of the assessment of the relationship than policy autonomy (model 3). However, there are some statistical complications. We have used more operationalisations for management autonomy than for policy autonomy, which will increase their explanatory power. Moreover, not all effects point in the expected direction (and are n.s.). Concerning policy autonomy, discretionary authority proved to be one of the few statistically significant variables, although not in the expected positive direction. Hence, hypothesis 4 has to be rejected (policy autonomy does not lead to a positive assessment of the relationship). On the basis of models 2 and 4, we can not take a decision yet on hypothesis 3 (but see below).

Finally, we expected that agencies with a regulatory task would appreciate their autonomy more than agencies with a non-regulatory task (hypothesis 5) because autonomy is crucial to their task. Regulatory tasks include tasks such as supervision, inspection, developing rules, tribunals, licensing and registration. While a simple t-test did not reveal a statistically significant difference between regulatory and non-regulatory agencies in their assessment of the relationship with their parent departments ( $t=-1.04$ ,  $p=.303$ ), the combined effect of having a regulatory task and agency autonomy does affect the assessment by executive agencies of their relationship with the parent department. Based on model 5 in table 5, hypothesis 5 is accepted (agencies with a regulatory tasks are more satisfied about their relationship with the parent department) while hypothesis 3 should now be accepted (more steering is negatively related to the perceived quality of the relationship) – despite earlier counter indications.

## **Discussion and conclusions**

This paper set out to test the effect of autonomy on the relationship between executive agencies and parent departments. Autonomy is a multidimensional concept, which is why we used different types of autonomy in our analyses. Based on our findings we can conclude that the effect of autonomy on the relationship between executive agencies and parent departments is also complicated or multidimensional. For example, management autonomy seems to have a self-perpetuating effect; when an agency has more formal autonomy, it will also have more actual autonomy. This does not hold for policy autonomy though. In fact, there was evidence that the relationship is partially inverted. Agencies with more legal autonomy have more discretionary power in carrying out public tasks/policies (as expected), but less influence on the development of new policies (con-

trary to our expectation). This could imply that structural disaggregation also increases the distance between policy development and implementation. Executive agencies who remain ‘closer’ to the parent department, stay more (actively) involved in the policy development process. Moreover, such agencies report a more positive relationship with the parent department!

Granting autonomy to executive agencies was expected to render a number of benefits: empowering clients, motivating staff, depoliticisation and increasing efficiency and performance of both agencies and parent departments. Consequently we assumed that executive agencies would appreciate autonomy, and that having more autonomy would also make them more satisfied about their relationship with parent department. The results from our analysis do not support these expectations though, except for the effect of steering which was one of the operationalisations of management autonomy. More steering leads to a less favourable evaluation of the relationship, presumably because it reduces the agency’s autonomy. Other measures of management autonomy have an opposite effect (n.s.) though, like the right to take financial decisions independently. The lack of significant effects makes it difficult to draw clear conclusions, but there are several indications that having more management autonomy does not always contribute to a positive relationship – contrary to what is propagated in the NPM literature. The fact that a private law legal basis of executive agencies also contributes to a negative perception of the relationship, also suggests that in some cases agencies with less autonomy are more satisfied about their relationship with the parent department than agencies with high degrees of autonomy. How could this be explained?

We will offer three alternative explanations, which can serve as new input for future research. The first explanation revolves around executive agencies being closer to the centre of political power, when they are closer to the parent department. Less (formal) autonomy is then compensated by other ways to exert influence on or control over working conditions and performance. To investigate such an explanation, research would have to be done to trace the actual influence of executive agencies on new policies (laws, regulation) that are consequently carried out by those agencies.

A second alternative explanation for the positive assessment of the relationship with the parent department by less autonomous agencies is found in the possible congruence in organizational culture between those actors. Such congruence is most likely to occur when agencies originate from the parent department and/or are less structurally disaggregated. Congruence in organisational cultures and/or values will lead to mutual understanding and shared beliefs about what constitutes a good relationship. Moreover, cultural congruence promotes close relationships. Ergo, when executive agencies and parent

departments share similar cultures and values, they will be closer to each other and more satisfied with that relationship. Such an explanation could be investigated by for example comparing the organizational cultures of agencies and departments (see Van Thiel & Van de Wal, 2007).

The third and final explanation focuses on the reform style of parent departments. Previous research showed that parent departments differ in their style of agency creation (Van Thiel, 2006). Some parent departments create many agencies with high degrees of autonomy (like RWTs and foundations), while others are more reserved and create only small numbers of agencies with limited autonomy (like contract agencies). This style of agency creation does not always coincide with characteristics of the policy sector in which executive agencies operate, potentially causing conflicts between the agencies and parent departments. For example, when a parent department grants executive agencies in a highly professionalized policy sector (such as health care and education) only limited autonomy, the risks of agency dissatisfaction about the relationship with the parent department are higher. To test this explanation, characteristics of the policy sector should be included in the analysis. Alternatively, the effect of the task of an executive agency could be further investigated. In this paper we looked into the effect of regulatory tasks only, because of their apparent need for autonomy, but other tasks might have similar (or contrary) demands of autonomy. For example, the use and development of performance indicators is often linked to the type of task (Wilson, 1989). Parent departments that better match the degree of autonomy of their executive agencies with the required autonomy for the policy sector and/or task at hand, will have better relationships with their agencies.

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