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POLITICAL CONTROL OF ARM’S-LENGTH AGENCIES: ONE STANDARD DOES NOT FIT ALL

JOHAN A. M. DE KRUIJF AND SANDRA VAN THIEL
Radboud University

ABSTRACT: The increased use of semi-autonomous agencies for the delivery of government services has often been criticized for leading to a loss of political control. In the Netherlands, the debate is most strong regarding the so-called ZBOs, which are agencies that produce unilaterally binding legal decisions. Based on data from secondary sources and interviews, an assessment was made of the level and type of controls of 11 ZBOs. Results show that political controls are stronger than expected, negatively affecting ZBOs’ autonomy. Also, there is large variety in the application of uniform guidelines. We introduce a citizen demand perspective of services as a new tool for the explanation of variety in control. This tool, together with political saliency and the legal status of ZBOs, has an impact on the actual levels of control.

INTRODUCTION

In most OECD countries, governments have created substantial numbers of arm’s-length agencies in the past three decades. Such agencies are not a new phenomenon (Hood 1982; Greve et al. 1999; van Thiel 2001, 22–23). Fiscal distress from the 1980s, combined with the advent of New Public Management ideas, led to an increase in the creation of semi-autonomous agencies (Pollitt et al. 2004, 68–69; Verhoest et al. 2012, 3). This process of agencification can be described as “moving [public service–JdK/SvT] functions to bodies subsidiary or separate from ministries” (Gill 2002, 40). The concept covers a wide variety of types of organizations (e.g., Gill 2002; Talbot 2004, 5; Verhoest et al. 2010, 17–18). One type concerns directly controlled agencies (Gill 2002) like the Dutch “Agentschappen” and the British “Next Steps agencies” (Smullen 2004, 189; type 1
A second type of agency consists of indirectly controlled bodies (Gill 2002), including the Dutch “Zelfstandige Bestuursorganen” (ZBOs; van Thiel 2004, 168) and the British Non-Departmental Public Bodies (NDPBs) (Flinders and Skelcher 2012). These latter types of bodies are legally independent entities, based on statutes under public or private law (type 2 according to van Thiel 2012, 20). Typical for services delivered by Dutch ZBOs is that they make legally binding decisions. This can be done in the form of an income transfer, regulation, registration, tribunals, or licensing. Examples of services include unemployment benefits, financial market regulation, statistics, privacy protection, and driving tests. This makes the issue of standardizing or differentiation of the control of ZBOs an especially relevant issue.

The rise of government agencies has been met with criticism, often from audit offices, stating that politicians and ministries have less control over the implementation of public policies. For an overview of this debate in various countries, we refer to the study by Verhoest et al. (2012). Here, we will focus on the Dutch agency debate, on ZBOs in particular.

In the Netherlands, the Netherlands Court of Audit (NCA) has been a major critic of the governance and control of ZBOs. From the mid-1990s on, they published multiple critical reports. The government and parliament responded by taking several measures. Ultimately, the parliament passed a charter law in 2007 to standardize the governance and control of ZBOs. However, in 2012, the NCA still found many flaws in the governance arrangement for ZBOs (NCA 2012) and how ministries exercised control over them. In response to the ongoing criticism, the liberal-social democrat cabinet promised to reconsider the legal position of ZBOs, including a program on budget cuts. This resulted in a report on the so-called “re-positioning” of ZBOs (De Leeuw 2013) in which all ZBOs were evaluated against the existing legal criteria, mostly from the charter law. A large number of proposals were formulated to merge, privatize, or bring ZBOs back under direct standardized governance structures by reorganizing them into “Agentschappen” (type 1 agencies). Most tribunals and regulatory ZBOs (Bouckaert and Peters 2004, 39–43), however, would keep their legal status.

In this article, we will argue that this kind of standardization of governance structures and operational controls is not the best way forward for the management of arm’s-length agencies. Political controls will only work if they complement (“fit”) an agency’s autonomy. However, research into the autonomy and control of agencies has so far shown that only very few variables are relevant influences on the behavior of agencies, not always consistently in the same way or pattern, and often depending on the way in which individual ministries exert controls (Barbieri et al. 2013; Verhoest et al. 2004; 2010; Yesilkagit and van Thiel 2008). We will offer evidence on the fit between the levels of autonomy and control of Dutch ZBOs, and introduce demand for services and political salience as additional variables explaining the levels of control on ZBOs. These variables can then also be used to motivate decisions on (de)-agencifying individual agencies. We do so by focusing on key legal and economic control characteristics that can justify a differentiation in the control levels for different types of ZBOs. This will be done by testing four hypotheses on the level of autonomy of ZBOs.

To be sure, this article deals mainly with what we will call “managerial” autonomy, which refers to both the (internal) management autonomy (like finances and HRM) as well as the management’s autonomy to decide how to carry out the public task with which
the agency has been charged. This should not be confused with policy autonomy, which is the discretion to diverge from general policy in individual cases (Verschuere 2009). In the next section, we will describe the concept of managerial autonomy in more detail. After that, a theoretical framework is presented in which a legal and a financial perspective are used to help to operationalize managerial autonomy and controls. The fourth section focuses on the data and methods used to test the hypotheses. Results are discussed next, followed by a section in which we discuss the results. A conclusion will summarize and discuss the main points of our study.

MANAGERIAL AUTONOMY AND POLITICAL CONTROL

A narrow definition of managerial autonomy is the freedom to decide on how to use the inputs received by an agency to execute a policy program (cf. Verhoest et al. 2004; 2012, 4). This definition is in line with the implementation and delivery of services approach of Bouckaert and Peters (2004, 38) and focuses on decisions on inputs only. It excludes interventions by the agency management in working procedures of programs to improve efficiency. Therefore, we will use a broader definition, including both degrees of freedom in the use of resources as well as autonomy to decide how a program is executed towards citizens or clients. The program itself is not affected by these decisions, nor do they affect possible street-level agent descions in individual cases. (Think, for example, of the autonomy to develop a new application form for unemployment benefits or changing to a digital communication system for motor vehicle registration).

The literature mentions a number of other types of autonomy as well, such as legal autonomy (formal legal type), structural autonomy (organizational independence from departmental structures), financial autonomy (funding and financing), and interventional autonomy (interventions based on performance; see Verhoest et al. 2004 for an extensive discussion). Our concept of managerial autonomy encompasses aspects of management, financial, and legal autonomy.

Management autonomy consists of human resource management and financial management (Verhoest et al. 2010, 19–22). The latter two can be split into strategic issues and operational, or case-based, issues. For our purposes, we will focus more on the strategic dimensions, rather than on internal management issues, of, for example, HRM. This means that general wage negotiations are part of wider managerial autonomy, whereas the use of individual HRM-tools are regarded as management autonomy. Managerial financial autonomy is about the allocation of financial resources within the agency, whereas the financial autonomy concept refers to funding of an agency (profit & loss account), as can be derived from the operationalization by Verhoest et al. (2004, 116). In the case of managerial legal autonomy, we observe that Verhoest et al. (2004) operationalize this as being a legal entity or not. However, there are many more aspects important here; for instance, which legal rights and duties come with being a specific legal entity (public or private). We will include such elements in our study as well.

Politicians and ministries can exercise control by ex ante compliance controls or by ex post performance controls (Verhoest et al. 2010, 25), financially or otherwise. Verhoest et al. (2012, 8) indicate that the ex ante controls usually focus on (operational) legal issues
and compliance to rules, whereas *ex post* controls tend to focus on performance, output, and results. We posit that bringing managerial autonomy together with formal *ex ante* and *ex post* controls and the actual use of these controls will help to create a more sophisticated instrument for organising control structures (cf. Verhoest et al. 2012, for a review of strategies being deployed by governments in other countries).

In the case of Dutch ZBOs, managerial autonomy is connected to the motive for the establishment of the agency. There are three official motives, laid down in the charter law. The first motive is that of improving efficiency for rule-based decision making (van Thiel 2004, 168). In this case, managerial autonomy is crucial to achieve this goal. The second motive refers to the impartiality needed to make decisions that ought not be influenced by government or politicians; for example, in the case of regulators and tribunals (Bouckaert and Peters 2004, 40–42). In these cases, managerial autonomy is supplemented by policy autonomy. Kummeling et al. (1999, 66) note that, in these cases, *ex ante* controls should be limited to setting general rules, requirements on information provision, and accountability. The third motive is related to the Dutch concept of representation (Bouckaert and Peters, 2004, 43), through which societal actors can be involved in the ZBO; for example, as board members. Again, this leads to a mix of managerial and policy autonomy.

Regarding the financial dimension of managerial autonomy, it could, for example, be hypothesized that fully government-funded agencies face (or should face) stronger controls than agencies of the same type that are funded by clients (through fees). Previous research on Dutch ZBOs shows some evidence to that effect (Mol and de Kruijf 2004; Pollitt et al. 2004, 195–196).

With respect to the legal autonomy of ZBOs, it is important to note that Dutch law provides a standard governance format for some types of private law entities. When parliament creates a public-law-based ZBO, it has full discretion in setting the governance format by defining *ex ante* controls. As of 2007, the charter law is the main guideline, but application of the charter law is not compulsory (neither in full, or parts thereof, see Table 3 in appendix) and individual arrangements can always be made.

In sum, only when controls are used that fit with the extent and purpose of managerial autonomy will they be effective.

**LEGAL AND ECONOMIC PERSPECTIVES ON AUTONOMY AND POLITICAL CONTROL**

Many different theories can and have been used to study the autonomy and control of agencies (James and van Thiel 2011). We will use two perspectives that have not been used that often. First, we believe that a legal perspective is paramount—particularly when studying agencies in countries with a Rechtsstaat system, like the Netherlands (Yesilkagit and van Thiel 2012). In addition, we will apply an economic perspective to develop hypotheses on the combination of controls and managerial autonomy. Rather than focusing on transaction costs, property rights, and principal-agent relationships (information asymmetry and monitoring), we will therefore offer a new way of looking at legal and economic aspects that have a direct impact on the autonomy and control of ZBOs.
A Legal Perspective on the Autonomy of Arm’s-Length Agencies

Managerial autonomy is usually determined by a set of legal arrangements. In the Dutch case, a first indicator of autonomy is therefore having a separate legal entity status. This can be based either on public or private law. The charter law states a preference for public-law-type ZBOs. In the case of a public-law-based ZBO, parliament has full discretion to decide on the structure, task, governance, and so on. When a private-law-type ZBO is used, one would expect lower levels of control compared to public-law-based ZBOs, given that key governance issues of private law entities are prescribed in civil law. However, according to the charter law, parliament or a minister can include additional controlling instruments in the statutes of private law ZBOs. Nevertheless, given the preference for using the public-law-type of ZBO, we would expect that a private-law-type of ZBO still has more autonomy than a public-law-based ZBO, so less controls. This leads to the following hypothesis:

H1: A private-law-based ZBO has a lower level of control compared to a public-law-based ZBO.

From 2007 on, the charter law offers a range of control tools. These can be classified into four groups (Kummeling et al. 1999, 39): normative regulations covering general rules on operations and tasks assigned; information regulations covering transparency; governance issues regarding appointment and dismissal of ZBO’s senior management, similar to structural controls (Verhoest et al. 2012, 8); and cyclical rules covering financial and performance accountability items. Normative rules do not regard or impact autonomy as such, as they are intended to define the task of a ZBO and to assure that staff are subordinated to the management of the ZBO rather than to a minister. Therefore, we will only formulate a hypothesis about the other three types of controls.

Having a separate legal entity status is of most importance to those ZBOs that have to regulate markets, society, and the government itself for reasons of credibility (Braun 2002; Ennser-Jedenastik 2016). Therefore, we expect that regulatory ZBOs will be more likely to be granted a separate legal entity status, regardless of public or private law status. And, as a consequence, they will also receive higher degrees of legal autonomy, so less controls:

H2: Regulatory ZBOs have lower numbers of controls compared to other types of ZBOs.

A second important determinant of political control from a legal perspective focuses on who is responsible for the process of service delivery. Our basic argument here is that responsibility goes in hand in hand with accountability, and thus the will to control what is going on. In the case of ZBOs, two important parties share responsibility: the minister (or ministry) and the ZBO. When ministers are more responsible for the service delivery process, they will grant less autonomy and impose more controls on the ZBO. We will explain how this works.

If supply of services is understood as a form of contract between politicians who set the specifications of the services and citizens using the services, four different roles in contracting relations can be identified: defining product specifications, ordering of services,
payment for the services, and the identity of the end-user of the services. Essentially, any public service is either directed towards an individual (e.g., drivers license, income transfer) or to society as a whole in the case of pure public goods (e.g., defense). The same holds for funding of services: either general tax income is used to appropriate resources or individuals are charged (fees) for service delivery. The last issue is the ordering of services. Again, two possibilities exist: ordering is an individual action of a citizen or it is an action on behalf of society as a whole by a minister. If all roles—including defining product specifications—are fulfilled by citizens, then services take a pure-market form. However, in the case of public services, specifications are usually controlled by the political system and three different contracting positions can be identified, given the different roles discussed earlier.

In the case of pure public services, a minister takes all four contracting roles on behalf of society. If public services are addressed towards individuals, two different options exist. In the first case—citizen request—the citizen is beneficiary of the service but payment for the delivery of services through general taxation is authorized by the responsible minister of state. An example of this type of service is an assessment for health service entitlements. Theoretically, a minister is therefore able to specify and control the volume of service production. Actual service delivery starts when an individual citizen requests the service and may end when the ordered production volume is realized. However, in the second case, citizen demand, payment is individualized and production of services is actually triggered by the individual as well, without any restrictions to production volume. Therefore, budgets may vary based on actual demand. An example of this type of service is a driving test. In this case, ministerial authority is not applicable as no resources flow from government, implying that other control tools are needed, if any are used at all.

The variety of roles for citizens in the demand for services results in different levels of managerial and financial autonomy. If service delivery is fully controlled by the political system, we expect less autonomy for a ZBO than when the ZBO’s services are based on the individual demand of citizens paying for the services. This is reflected in Figure 1.

<table>
<thead>
<tr>
<th>LEVEL OF AUTONOMY</th>
<th>CONTRACTING MODELS</th>
<th>DEFINING PRODUCT SPECIFICATIONS</th>
<th>ORDERING</th>
<th>FUNDING</th>
<th>FINAL USER</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>FULL STATE</td>
<td>MINISTER-principal</td>
<td>MINISTER</td>
<td>MINISTER</td>
<td>SOCIETY</td>
</tr>
<tr>
<td></td>
<td>CITIZEN REQUEST</td>
<td>MINISTER-principal</td>
<td>MINISTER</td>
<td>MINISTER</td>
<td>CITIZEN</td>
</tr>
<tr>
<td></td>
<td>CITIZEN DEMAND</td>
<td>MINISTER-principal</td>
<td>CITIZEN</td>
<td>CITIZEN</td>
<td>CITIZEN</td>
</tr>
<tr>
<td>HIGH</td>
<td>FREE MARKET</td>
<td>CITIZEN</td>
<td>CITIZEN</td>
<td>CITIZEN</td>
<td>CITIZEN</td>
</tr>
</tbody>
</table>

Figure 1. Contracting relations in public service delivery (de Kruijf 2011, 148).
Based on this line of reasoning, we hypothesize that:

**H3**: The more ministers are responsible for the service delivery process or parts thereof, the more controls they will impose on the ZBOs that deliver the service.

**Economic Perspective**

From an economic perspective, we consider how the supply and demand for public services are organized. In their analysis of privatization of supply, Boorsma and Mol (1983) identified five different types of service provision based on three criteria: planning, funding, and actual production of services. If these three criteria are all controlled by government, it is classified as consolidated public provision within one organization (e.g., a ministry). If the three criteria are all controlled by the market, it is classified as private provision. Production by a ZBO is neither of these, because government has control of planning and/or funding of services only, affecting autonomy positively, compared to consolidated service provision.

Next to autonomy derived from the production process itself, as described earlier, demand has an impact on managerial autonomy as well. In a competitive market setting, individual demand has no effect on autonomy of the supplier. In a setting in which government is the only organization generating demand, a monopsony case exists which strongly reduces the autonomy of the supplying organization. In a public sector setting, privatization of demand is a concept that refers to changing funding of services from general taxes to individual payments by citizens (Boorsma and Mol 1983; Lane 2000, 157). If privatization of demand is possible, the monopsony case is changed towards a multiple demand setting, also affecting contracting relations. The literature provides a wide array of concepts when referring to the classification of individual payments by services, including words like fees, levies, and contributions (e.g., Buchanan 1991, 159; Taylor 1961, 250–254.). An overarching issue in individual payments is whether or not they are related to a direct individual service. If a direct individual service like a passport is delivered, the price of that service may have an effect on demand. These types of payments are labelled *market biased funding* to illustrate their resemblance to a price paid for market goods. If the price is actually a payment for a collective service like social security insurance, the impact on demand is low, if any at all. In the latter case, the payment has a strong resemblance to taxes. This group of payments is labelled *authority biased funding*, expressing their compulsory characteristics.

The differences in funding have an impact on the autonomy of an organization because production based on market biased funding can be adjusted to actual demand, whereas, in the case of authority biased funding, essentially supply as set by the political system determines the delivery of services. A ZBO that is funded on authority biased funding is therefore expected to have less autonomy compared to a market biased funded ZBO.

Based on the economic perspective discussed earlier, a checklist of assessment criteria for the economic dimension of autonomy was developed (for full discussion, see de Kruijf 2011, 246–248). This set includes criteria such as type of fees, type of budgets, sources of
demand, levels of asset control, as well as some operational control issues. We will use this to test our last hypothesis:

**H4:** Market biased funding of services creates low managerial controls for ZBOs.

**DATA AND METHODS**

In 2014, there were over 100 ZBOs, either singular organizations or so-called clusters (i.e., multiple interconnected ZBOs with the same legal basis). An in-depth analysis of all these entities is not possible. A single case study would not provide answers to the hypotheses, so a multiple case study was implemented.

Case selection was done based on an official overview of ZBOs published in 2007. Table 1 provides general data from that list which was updated to include the 2014 annual reports of ZBOs. A last step was selecting more or less similar cases of ZBOs based on types of services and public or private law statutes. In order to achieve differentiation in legal status and funding, we looked for relatively large entities (operational expenses over €10 mln\(^3\)). Because we wanted to compare ZBOs with similar tasks (van Thiel and Yesilkagit 2014) to observe differences in managerial and financial autonomy within these groups, we focused on “income transfer” and “regulatory” ZBOs. Amongst the selected cases, there were two organizations responsible for payment of benefits, an organization responsible for subsidizing culture programs, three market regulators, and an organization providing quality certificates. The overall restrictions resulted in the selection of six income transfer ZBOs and five regulatory ZBOs (see Table 1).

Once the case selection had been done, data were gathered with respect to fiscal years 2007 and 2008, including relevant regulations to assess the autonomy of the ZBOs selected. Sources included annual reports, legislation, charters, parliamentary documents, and the like. When assessing managerial autonomy, the focus should primarily be on costs of personnel

### TABLE 1

<table>
<thead>
<tr>
<th>Population</th>
<th>2006 ZBOs</th>
<th>2014 ZBOs</th>
</tr>
</thead>
<tbody>
<tr>
<td># entities</td>
<td>128</td>
<td>104</td>
</tr>
<tr>
<td>estimated operating expenses</td>
<td>€ 6½ bln</td>
<td>€ 6 bln</td>
</tr>
<tr>
<td>estimated income transfers expenses*</td>
<td>€ 79 bln</td>
<td>€ 139 bln</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case selection</th>
<th>2006 ZBOs</th>
<th>2014 ZBOs</th>
</tr>
</thead>
<tbody>
<tr>
<td># entities</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>estimated operating expenses</td>
<td>€ 2½ bln</td>
<td>€ 2½ bln</td>
</tr>
<tr>
<td>estimated income transfer expenses</td>
<td>€ 73 bln</td>
<td>€ 136 bln</td>
</tr>
</tbody>
</table>

*Total expenses of central government in 2014 was €259 bln, including the expenditures mentioned earlier.
and operations rather than on program costs like income transfers. Therefore, and in order to achieve a stronger case, interviews were held with key representatives of the selected ZBOs and representatives of the relevant ministeries. Respondents were selected by addressing secretaries to the board of the selected ZBOs and focusing on key staff like the secretaries themselves, controllers, directors and, in some cases, board members who had a key relation with the relevant ministeries. These people mentioned the names of their counterparts at the ministries, mostly account managers responsible for the commissioning of services towards the respective ZBOs. The interviews were organized separately to avoid opinions being influenced by the “other” party. For every ZBO, at least one interview was held with representatives of the ZBO and one with representatives of the relevant ministry. The 29 interviews were held with five ZBO heads, six ZBO controllers, six ZBO strategic staff officers, seven departmental commissioning officers, and five departmental oversight officers. Key questions in the interviews were on governance structure, commissioning, and task assignment as well as planning and control, including reporting to the minister and Parliament.

The legal requirements of the framework law on ZBOs were used as a reference point to see whether regulations were more restrictive or provided more autonomy. The economic dimensions focused on types of services, contracting relations, and planning and control issues. The instrument used to evaluate levels of autonomy and control is shown in the Appendix. The instrument includes, for example, financial information on funding of the ZBO as an indication for origin of demand and information on responsibilities with respect to approval of budgets and questions in Parliament as an indication for political influence. Legal issues covered, for example, appointment and HR-related issues to disclose the distribution of responsibilities between ZBO heads and their political superiors.

Data from secondary sources were analyzed using Excel: first, overviews were created, then data were scored and trends were analyzed. Interview reports were checked by the respondents and then analyzed for conformation or additions of the data from secondary sources. In the next section, we will discuss the results of our analyses.

**RESULTS**

Table 2 shows the overall results. Hypothesis 1 holds; indeed, all private-law-based entities end up in the high actual autonomy range for both economic and legal dimensions. Hypothesis 2 on regulators (A-E) having lower control levels must be rejected, as only one case (C) clearly stands out in formal and actual legal autonomy and three cases end up in neutral or low levels of legal autonomy. Hypothesis 3 on ministerial responsibility for the service delivery process holds. All seven entities with low or neutral actual levels of autonomy and high levels of control can be classified as state demand or citizen request. The entities that do have high actual levels of autonomy are the private ones, which can either be classified as “citizen demand”-type ZBOs (5 and C, see Figure 1), or as mainly privately funded ZBOs (6 and A). Hypothesis 4, finally, must be rejected. It was predicted that ZBOs that deliver individualized services have low controls. Out of the seven cases (income transfers and one regulator, C) that provide individual services, four have high controls and only three ZBOs
(5, 6, and C) have low levels of controls. A fifth observation is that the legal and economic autonomy, both by design as well as in practice, do not match in eight out of the 11 cases.

The question now is whether “type of legal entity” is the key explanation for the differences observed. We think it is not, and will elaborate on this by further analyzing the two groups of ZBOs studied.

Regulatory ZBOs do seem to have more actual financial autonomy than was expected. This is mainly due to the fact that three have a private sector background, which is still reflected in funding by citizens (A, B, C) and their private-law-based status (A and C). In the case of regulator C, the high level of autonomy can also be associated with the citizen demand type of service provision that is relevant here. The third ZBO in this group (B) formally has legal autonomy as almost no rule on structural or planning and control exists. In practice, a departmental monitoring document is used to fill the legal gap, which, in turn, is one of the cornerstones for a comprehensive monitoring document published by the department of infrastructure (minI&M 2013). The negative outlier with respect to regulators is (D), which is subject to the standard budgeting rules of departments; for example, regarding the appointment of personnel. This regulator was a departmental unit before Parliament required its transformation into a ZBO. During the implementation stage, the minister argued that this could be implemented quickly when the ZBO status was only granted to the board and staff would be seconded from the relevant ministry to the board.

When looking at the income transfer ZBOs, we can see that high levels of legal control exist. Based on the underlying information, the following observations can be made. First, the entities 1–4 classify as public law entities funded by government providing individual services (citizen request). Second, both operating and program budgets are important from a total government budget perspective. That leads to high political attention and structural controls, overruling any managerial-demand-based output controls that could theoretically be used for individual services. This is even more clear in cases 3 and 4, which are subject to the exact same legal framework, but still face differences in control. These differences follow from the political stability of the policy programs of these ZBOs, which is rather

<table>
<thead>
<tr>
<th>H2 Economic Autonomy</th>
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</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>H1 legal autonomy</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Neutral</td>
</tr>
<tr>
<td>Low</td>
</tr>
</tbody>
</table>

Note. 1–6: income transfer ZBOs. A–E: regulatory ZBOs. Regular font: formal autonomy. **Bold-italic**: observed actual autonomy. _Underlined_: private law ZBOs.

<table>
<thead>
<tr>
<th>Legal and Economic Autonomy of Selected ZBOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2 Economic Autonomy</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Neutral</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

Table 2

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stable in case 3 but very unstable in case 4. Third, in case 4, a substantial reorganization led to more controls. Whereas in general the work of ZBOs is rather invisible to Parliament, this reorganization required frequent reporting to Parliament, and therefore political attention was maintained.

Fourth, cases 5 and 6 have higher levels of financial autonomy. Both are private law entities with different sources of funding. In case 5, the high level of autonomy is due to the fact that the publicly funded budget, including the program budget, is fixed and decisions are based on expert assessments on grant applications instead of legal rules. As a result, the application for a grant can be characterized more as a citizen demand type of process with a more uncertain outcome than a citizen request type of process, which is the default case for income transfers. It also means that the financial risk for government is low. It is remarkable that this is the only case in which annullment of decisions by the minister is not possible. This has to do with the competition and expert type of assessment of applications, which has elements of (policy) autonomy similar to regulators. Case 6 is an outlier. The income transfers are open ended and similar to those in case 4. In both cases, the ZBOs originate from the private sector, but only case 6 is still a private law entity. In case 6, less stringent controls exist than in case 4. This can be explained because funding in case 6 is outside direct government control with relatively low risks for the government budget. As a result, economic controls are relatively low in this case.

Based on these results, some conclusions can be drawn. First, the origin of the demand for and funding of the public services seem important elements in setting up the controls for ZBOs. This explains the rejection of Hypotheses 2 and 4. It also explains why Hypothesis 3 holds. Second, high political attention for the services and/or the ZBO seems to be an indicator for high levels of control and thus reduced autonomy, and is another reason for rejection of Hypothesis 4. These observations are all related to the services delivered by the specific ZBOs.

The observation of the Netherlands Court of Audit (2012) of a lack of uniform controls is confirmed in this study. Unlike the NCA, we have used a theoretical framework directing towards a diversified set of control based on the controllability of services delivered rather than a standardized control set based on organizational classifications (NCA 1995, 12). Although Hypothesis 1 on legal status holds, our study shows that organizational form should not be decisive in setting up control systems, but the characteristics of the services delivered should.

**DISCUSSION**

The current political debate in the Netherlands on the control of ZBOs has led to several proposals for uniform frameworks. The charter law and the report on the repositioning of ZBOs (De Leeuw 2013) referred to in the introduction are two examples; the most recent proposal by the Ministry of Finance (minFIN 2013) is a third. These proposals all entail a “one size fits all” solution for a perceived problem that does not exist in practice, as we demonstrated. Moreover, our study also showed that the actual application of these guidelines leads to large differences between ZBOs. In this section, we want to move this debate further by stating that it is necessary to distinguish between different types of
ZBOs and adapt control arrangements accordingly (cf. van Thiel and Yesilkagit 2014). ZBOs’ political saliency and tasks, including the demand and funding of services, have proven to be important determinants of autonomy and control.

In the case of citizen-demand-driven organizations, such as the land registry office, prior research indicated that fees are the main control instrument (Mol and de Kruijf 2004; Pollitt et al. 2004, 195–196). This allows for only indirect control by the government, particularly when the continuity of the organization is not at stake, as the budget is not affected and service delivery is not threatened.

If services are based on citizen request, such as housing of asylum seekers, the state has, given its funding role, a stronger stake in the services delivered. In this case, funding is “on budget,” which means that allocation and authorization of resources are political prerogatives.

Services delivered on a citizen request basis can be split up into regulatory services for which impartiality is a key feature (e.g., quality assurance for agricultural products) and a broad array of other services (e.g., assessment of individual (financial) entitlements regarding health services or income transfers). If impartiality is at stake, a separate legal identity is necessary to prevent political interference. In general, regulatory and tribunal services cannot be explicitly measured or funded at a price/volume basis. That means that arbitrary budgetary control, probably input budgets, is required.

In cases where citizen request applies to services other than regulation, the results from our study suggest that political salience is an issue. Particularly if the services require regular political attention due to uncertainty of the policy programs, as was found in cases 3 and 4, close monitoring by the political system is considered desirable (by politicians). This will affect the agency’s autonomy negatively.

From a budgeting perspective, political control in a citizen request case is given. Mol’s (1989) budget typology can be applied here: if services are fully measurable, a volume-based flexible budget may be authorized, whereas in cases of problematic measurement, fixed budgets are the only solution. Controls will thus vary with the measurability of services delivered (cf. Mol 1989; Wilson 1989).

Finally, state demand regards services in the general interest which tend to have a pure public good character. Pure public good services differ from citizen request cases as there is no individual payment for use of a particular service. Therefore, strong controls by government are called for. The level of control in this case can be reduced when impartiality—for example, in the case of tribunals—is an issue.

This study has focused on autonomy and control instruments applied to ZBOs, the Dutch variety of type 2 agencies (van Thiel 2012). One of the limitations of the research is that it only includes a limited number of ZBOs classified by two different tasks. Inclusion of ZBOs with other tasks could generate additional evidence. The same holds for inclusion of type 1 agencies, particularly because they are supposed to be under stronger hierarchical supervision by ministries but also deliver different types of services. This raises the question whether findings on demand for services and political salience would have an impact on these organizations as well. Finally, replication with similar types of agencies in other countries could help to further test the two theoretical perspectives (legal and economic) that were introduced here to the study of agencies.
CONCLUSION

The alleged lack of political control following privatization and agencification is frequently on the political agenda in countries of the world. This study has shown that substantial controls can be applied to arms-length agencies, despite political perceptions that this is not the case. The call for more control by the current Dutch cabinet is therefore not substantiated by empirical evidence. As similar debates are going on in other countries (Verhoest et al. 2012), our findings could also apply there. Therefore, we recommend replication of this study in other countries. Bach (2014) found similar results on control and tasks in Norway and Germany.

Political salience seems to be an important criterion affecting the control of agencies, even more than task or sector. The differences in control levels between income transfer ZBOs are a case in point. When considering decisions on the future of agencies, political saliency should be taken more into account. We have recently seen examples, like the Dutch tax service and the Social Security Bank (SVB) (NCA 2016, 24, 45) of well-managed organizations getting into serious trouble because new tasks created too much complexity, which attracted political attention, leading to interventions, including dismissal of top management.

Next to political saliency, the study shows that relevant elements for agency autonomy and control include the contracting relation of services delivered, the type of legal entity, and the governance and planning and control regulations. These all warrant further research.

NOTES

1. In the case of non-legally binding services, government itself may be the final user of services; for example, in the case of leasing offices for civil servants.
2. The list of ZBOs has been used as a starting point to collect annual reports of ZBOs from 2006 onwards.
3. $n = 38$, total operating expenses 2014 €5.9 bln.
4. There is no reason to assume that things have fundamentally changed since 2008. All entities still existed in 2014.

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**APPENDIX: CONTROLS OF ZBOS**

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