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## Autonomy of State Agencies

### *A Scandinavian Style?*

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*Publication date:*  
2012

*Document Version*  
Early version, also known as pre-print

[Link to publication from Aalborg University](#)

#### *Citation for published version (APA):*

Hansen, M. B., Niklasson, B., Roness, P., Rubecksen, K., & Salminen, A. (2012). *Autonomy of State Agencies: A Scandinavian Style?*. Paper presented at the 2012 EGPA Annual Conference in Bergen, September 5-8., Bergen, Norway. <http://egpa-conference2012.org/list-of-papers/psg-vi-governance-of-public-sector-organisations/>

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## **Autonomy of State Agencies: A Scandinavian Style?**

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First draft – please do not quote

*Paper submitted to the Permanent Study Group VI: Governance of Public Sector Organizations at the 2012 EGPA Annual Conference in Bergen, September 5-8.*

## **Abstract**

Autonomy of state agencies: A Scandinavian style?

NPM-doctrines states that ideal-type agencies should have a high level of managerial autonomy, while being controlled through result-based control instruments, like performance contracts. In this article, the authors present a first preliminary attempt to comparatively analyze the autonomy of state agencies in four Nordic countries: Denmark, Finland, Norway and Sweden. By using survey data from more than 500 state agencies in the four countries, the article analyses whether there is indeed a Scandinavian style of autonomy and result control and assesses which structural, cultural, and environmental variables might explain similarities and differences in the autonomy of agencies.

Outline of paper:

1. Introduction and research questions
2. The Nordic context
3. Theory
4. Data and methods
5. Findings
6. Discussion

## **1. Introduction and research questions**

One of the key features of the public management reforms of advanced economies in the previous decades has been an attempt to create semi-autonomous public agencies and thus transform the traditional hierarchy of public bureaucracies (Verhoest, Roness, Verschuere, Rubecksen, and MacCarthaigh 2010). This process of agencification (Pollitt and Talbot 2004) has been a prominent part of the New Public Management (NPM) movement since the 1980ies (Hood 1991).

In this paper we explore to what extent global ideas of agencification has been adopted in the Nordic national administration and we explore possible antecedents for variation in the patterns of adoption in four Nordic countries. Agencification imply both that organizational units gain more autonomy to let the managers manage and more result control to make the managers manage. In this paper we focus primarily on the former. We analyze the degree of autonomy of Nordic State agencies and we explore the antecedents related to more or less autonomy.

More specifically we ask:

1. How does the autonomy of government agencies vis-à-vis their minister and parent department compare across the Nordic countries?
2. How can we explain variations in the autonomy of government agencies in the Nordic countries?

Though informed by the notions of global processes of diffusion from the sociological institutionalism (Meyer, Boli, Thomas, and Ramirez 1997) and the notions of local path dependencies from the historical institutionalism (Thelen 1999), our approach is basically exploratory. We presume that simultaneous processes of diffusion of global agencification ideas as well as translation or even rejection due to different institutional settings take place. But we don't have strong presumptions concerning which Nordic contexts would be more prone to agencification ideologies than others.

The paper is our first take and any suggestions for improvement are very welcome.

In what follows we first provide a short presentation of the Nordic context (section 2) followed by a review of theory and previous research (section 3). We then present the methods and data used in the analysis (section 4) followed by a section of (preliminary) findings (section 5). In the end we provide a short discussion (section 6).

## **2. The Nordic context**

In comparative perspective, the Nordic countries are particularly interesting since they display a high degree of similarity on a number of key political and societal dimensions. At the same time, they present striking differences in terms of the organization of the state administration (Hansen, Lægreid, Pierre, and Salminen 2012).

The Nordic countries are all comparatively small, open, and affluent market economies. They are relatively homogenous countries with consolidated democracies and comparatively high economic equality. The Nordic countries are also characterized by large universal welfare states and an egalitarian culture with low acceptance of power distance. Generally speaking the Nordic political-administrative culture is characterized by high level of mutual trust between political and administrative executives. Most importantly in the present context, all the Nordic countries have an old and well-established system of central agencies but also a strong international orientation, and thus all have been exposed to the reform ideas associated with NPM and agencification.

However, the Nordic countries also differ in several important aspects. Perhaps the most important difference when analyzing state agencies relates to the institutional models that historically have characterized Nordic state administration. In the most recent comparative Nordic project on this topic, a significant difference between an East Nordic (Finland and Sweden) and a West Nordic (Denmark and Norway) administrative model was emphasized. The East Nordic model is a dualistic model with strong autonomous central agencies and a government where central agencies report to the cabinet, not to a superior ministry. The West Nordic model, by contrast, is more monistic with closer ties between central agencies and the parent ministry through the principle of ministerial responsibility. Furthermore, there are some important differences in their relations to international organizations such as EU.

Agencification in the Nordic countries began long before NPM reform hit the shores of the Nordic region. This means that NPM reform in the 1980s and

1990s, which was implemented rather modestly in the region, took aim at changing the behaviour of already existing organization rather than, as was the case in many other countries, launching executive agencies.

In the first decades after the Second World War all the Nordic countries witnessed a significant expansion of the size of the welfare state, triggering a set of challenges to the organization of public sector in general and the state administration in particular. One response to the challenge was decentralization and delegation from state to regional and local government. Another response was various versions of agencification of the state administration. This agencification process was significantly affected by the previously mentioned East and West Nordic traditions for organizing state administration. In Finland and Sweden there is a stronger historical tradition for autonomous state agencies compared to Norway and Denmark. However, in all four countries a process of agencification took place before the NPM reform of the 1980s and 1990s (Hansen, Lægreid, Pierre, and Salminen 2012).

Based on this account of the Nordic context one should expect more autonomy in Finnish and Swedish state agencies than in Danish and Norwegian.

### **3. Theory and previous research**

In this section a brief review of theory and previous research in organizational agencification in public administration is given. Our basic question to previous research is if there are any clues in the existing academic literature concerning what we should expect to find concerning variations in the autonomy of the Nordic state agencies.

As mentioned in the introduction, though informed by the notions of global processes of diffusion from the sociological institutionalism (Meyer, Boli, Thomas, and Ramirez 1997) and the notions of local path dependencies from the historical institutionalism (Thelen 1999), our approach is basically exploratory. We are not sure what we should expect to find. But in this section we examine what previous research

has produced in terms of speculations of causal processes and empirical evidence related to our subject.

[This section needs to be written]

#### **4. Data and methods of analysis**

The empirical analysis is based on data generated in web surveys carried out in Norway in 2004, in Sweden, between the end of November 2008 and the beginning of April 2009, in Denmark, between the end of April and the end of June 2009 (Hansen, Jensen, and Pedersen 2010) and in Finland in the autumn 2009.

The questionnaires where to a large extent based on the COBRA items (Common Public Organization Data Base for Research and Analysis) (Verhoest 2009). The COBRA network were initiated by Guy B. Peters and Geert Bouckaert in 2001 and it offers a unique opportunity to compare public administration systems in different countries. Apart from the four countries at hand, the survey has also been carried out in many other countries such as the Netherlands, Germany, Ireland, Belgium, Italy, Australia, Hong Kong, Switzerland, Rumania, and Lithuania.

The population in all four countries where state agencies with some kind of hierarchically subordinated relation to a ministerial department. However, the exact interpretation of this criterion varies somewhat between the four surveys. The response rate was reasonably high in all four countries: More than 60 % in Denmark, [Ari and Kristin could you insert for Finland and Norway here?] and more than 70 % in Sweden for most items (Hansen and Andersen 2012; Hansen, Jensen, and Pedersen 2010; Niklasson 2009; Niklasson 2012).

In the analysis in the present paper we have constructed two summative indexes as indicators for our theoretical concept of autonomy: One index (four variables) for financial autonomy and one index (two variables) for policy autonomy (see table 1).

<i>Table 1: Survey facts and information of the variables in the two autonomy indexes</i>				
	Denmark	Finland	Norway	Sweden
Survey year	2009	2009	2004	2009
Number of respondents	175	93	155	254
<i>Variables included in two autonomy indexes</i>				
Financial autonomy: Can your organization itself take loans?	0=No; 1=Yes;			
Financial autonomy: Can your organization itself set tariffs?	0=No; 1=Yes;			
Financial autonomy: Can your organization itself shift personnel and running costs budgets and investment budgets?	0=No; 1=Yes;			
Financial autonomy: Can your organization itself shift between budgets of different years?	0=No; 1=Yes;			
Policy autonomy: Choice of policy instruments	4 point scale: 0=parent ministry most decisions; 0,33=parent ministry after consultation; 0,66=organization under or after consultation; 1=organization or with minor restrictions			
Policy autonomy: Who decide on organizations tasks?	4 point scale: 0=parent ministry most decisions; 0,33=parent ministry after consultation; 0,66=organization under or after consultation; 1=organization or with minor restrictions			

In both indexes 0 indicates the lowest possible autonomy, while 1 indicates the highest possible autonomy: Thus the higher the value the more autonomy of the organization.

Our indexes should be perceived as formative indexes rather than reflective (Diamantopoulos and Siguaw 2006). Thus lack of positive correlation between the variables included in an index does not represent a problem to the validity of the indexes.

But the correlation of the variables and the indexes they constitute may still provide useful information concerning how different dimensions of autonomy are related. Below is presented the bivariate pearson correlations of the dependent variables of our empirical analysis (table 2). As can be seen from the table all variables correlate positively and most variables correlate significantly at a 99% level. However the four variables of the financial autonomy index show a rather weak positive correlation, which is also indicated by a low Cronbachs alpha value of 0,49 as contrasted to the policy autonomy index with a Cronbachs alpha value of 0,72 (shown in italics in the table).

Table 2: Bivariate Pearson Correlations of autonomy variables

	1	2	3	4	5	6	7	8
1. Index Policy Autonomy	<i>0,72</i>	<b>,313</b>	<b>,855</b>	<b>,909</b>	<b>,259</b>	<b>,291</b>	<b>,115</b>	<b>,129</b>
2. Index Financial Autonomy	<b>,313</b>	<i>0,49</i>	<b>,312</b>	<b>,247</b>	<b>,632</b>	<b>,673</b>	<b>,659</b>	<b>,544</b>
3. PA1: who decides on organizations' tasks?	<b>,855</b>	<b>,312</b>	1	<b>,561</b>	<b>,268</b>	<b>,258</b>	<b>,131</b>	<b>,134</b>
4. PA2: choice of policy instruments	<b>,909</b>	<b>,247</b>	<b>,561</b>	1	<b>,201</b>	<b>,258</b>	<i>,076</i>	<i>,096*</i>
5. FA1: take loans	<b>,259</b>	<b>,632</b>	<b>,268</b>	<b>,201</b>	1	<b>,296</b>	<b>,243</b>	<i>,101*</i>
6. FA2: set tariffs	<b>,291</b>	<b>,673</b>	<b>,258</b>	<b>,258</b>	<b>,296</b>	1	<b>,240</b>	<b>,130</b>
7. FA3: shift personnel-running cost and investments budgets	<b>,115</b>	<b>,659</b>	<b>,131</b>	<i>,076</i>	<b>,243</b>	<b>,240</b>	1	<b>,157</b>
8. FA4: Can your organization itself shift between the budgets of different years	<b>,129</b>	<b>,544</b>	<b>,134</b>	<i>,096*</i>	<i>,101*</i>	<b>,130</b>	<b>,157</b>	1

**Bold.** Correlation is significant at the 0.01 level (2-tailed). **\*** Correlation is significant at the 0.05 level (2-tailed). Cronbachs alpha values for indexes shown in italics

Table 1 and 2 present some basic information of the dependent variables of the analysis and in the following analyses we will use the two indexes of policy and financial autonomy.

Concerning independent variables we use three groups of variables.

Since our main concern is country level differences we have constructed dummy variables for each of the four countries.

Since the tasks of the agencies may also be significantly related to autonomy we use four task variables: Policy formulation; Regulation/control; Other public authority tasks and general public services.

Since the size of the state agencies vary significantly between countries and since size may also in itself be related to autonomy, we have constructed dummy variables of the number of employees in the organization: Up to ten employees; 11-20 employees; 21-50 employees; 51 or more employees.

Descriptive statistics of the variables included in the analysis can be seen in table 3.

	N	Mean	Med.	Std. Dev.	Min	Max
Index Policy Autonomy two items alpha 0,72	547	0,85	0,83	0,17	0,17	1
Index Financial Autonomy four items alpha 0,49	516	0,47	0,5	0,30	0	1
Norway	677	0,23	0	0,42	0	1
Finland	677	0,14	0	0,34	0	1
Sweden	677	0,38	0	0,48	0	1
Denmark	677	0,26	0	0,44	0	1
Policy formulation as (primary or secondary) task? Regulation/scrutiny/control/inspection	570	0,16	0	0,37	0	1
(primary or secondary) task?	570	0,37	0	0,48	0	1
Other kinds of exercising public authority (primary or secondary) task?	568	0,36	0	0,48	0	1
General public services (primary or secondary) task?	576	0,82	1	0,38	0	1
Organization with up to 10 employees	677	0,08	0	0,28	0	1
Organization with between 11 and 20 employees	677	0,08	0	0,27	0	1
Organization with between 21 and 50 employees	677	0,11	0	0,32	0	1

## 5. Findings

In table 4 a multivariate OLS regression analysis of our findings is presented.

Our findings indicate that country level differences are significantly related to differences in the autonomy of state agencies.

Sweden seems to be the country with most autonomy for the state agencies while Norway according to this analysis is the country with the least financial autonomy and Finland is the country with least policy autonomy.

The tasks of the agencies seem to be significantly related to financial autonomy but not to policy autonomy. State agencies providing general public services seem to have significantly more financial autonomy than state agencies conducting regulation, control or other public authority tasks.

Concerning the size of the state agencies as measured by number of full time employees, the small state agencies with up to 10 employees seem to have significantly less financial autonomy but significantly more policy autonomy.

*Table 4: Regression analysis of the degree of policy and financial autonomy for Nordic state agencies*

Multiple OLS regression	Index 1 Policy Autonomy	Index 2 Financial Autonomy
1. Norway	-,348***	-,533***
2. Finland	-,388***	-,358***
3. Denmark	-,002	-,184***
4. Sweden	Ref	Ref
5. Policy formulation	-,008	-,010
6. Regulation/control	-,067^	-,193***
7. Other public authority tasks	-,046	-,170***
8. General public services	Ref	Ref
9. Size: Up to 10 employees	,085*	-,089*
10. Size: 11-20 employees	,046	-,026
11. Size: 21-50 employees	,071^	,006
12. Size: 51 or more employees	Ref	Ref
N	531	506
R2	0,213	0,265
Adjusted R2	0,200	0,252

Note: Standardized regression coefficients.

Level of significance marked as: ^p<0.1 \*p<0.05 \*\*p<0.01 \*\*\*p<0.001

Looking at the R2, the model accounts for 21 % of the variation in policy autonomy and 27 % of the variation in financial autonomy. Most of this variation is accounted for by the country level differences.

## 6. Discussion

The findings presented in the previous section are preliminary and need to be further examined. But if we take them at face value we have some interesting results.

First it seems like the distinction between an East and a West Nordic model is not appropriate for predicting differences in the autonomy of state agencies. According to our findings Danish and Swedish state agencies tend to have more autonomy than their Finnish and Norwegian counterparts. And in terms of financial autonomy, the Swedish state agencies have more autonomy than any of the other Nordic countries.

Second, national traditions rather than the size of the organization and its tasks seem to be the most important predictor of variation in the autonomy of state agencies.

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