Tobias Bach

Policy and management autonomy of federal agencies in Germany

This article focuses on the autonomy of federal agencies in Germany in relation to their parent ministries. The academic debate on agencies has been strongly influenced by the practitioner’s model of agencification, which proposes high levels of management autonomy in combination with some form of performance contracting as main ingredients for improving administrative effectiveness and efficiency (Pollitt et al., 2004; Talbot, 2004). However, numerous studies show that the ideal-type agency is hard to find in reality (Pollitt et al., 2004; Roness et al., 2008; Verschuere, 2007). Also, it soon became apparent that agencies and other types of autonomous public organizations have existed for a long time in many countries (Bouckaert and Peters, 2004; Hood and Schuppert, 1988; Wettenhall, 2005). Taking the debate on agency autonomy as its point of departure, this research presents comprehensive empirical data on the autonomy of federal agencies in Germany. Also, it introduces policy development autonomy as another important dimension of agency autonomy that until now has not gained much attention.1

The first purpose of this study is to report empirical findings from a comprehensive survey of federal agencies in Germany, which have a long history going back to the 1870s when the first imperial authorities were established. The federal administration is an excellent case for studying agency autonomy in the context of typical Rechtsstaat administrative system which is dominated by traditional ways of managing public organizations such as hierarchical

1 This article is written as part of an international research network on public organizations (COBRA - Comparative Public Organization Data Base for Research and Analysis).
coordination, input-orientation, and rule-bound decision making. In contrast to the local level, where some management reforms have been adapted, the federal administration followed a reform trajectory of maintaining that only resulted in gradual changes (Bach and Jann, 2009; Pollitt and Bouckaert, 2004; Schröter, 2007). In other words, the assumption is that the average federal agency is quite the opposite of the practitioner’s model agency, having low levels of autonomy and being subject to high levels of hierarchical control.

The second purpose of this chapter is to elaborate on different dimensions of agency autonomy, with a special focus on policy development autonomy. Autonomy is a multi-dimensional concept (Bouckaert and Peters, 2004; Verhoest et al., 2004). Also, it is a relational concept; because the autonomy of an actor depends on either one or several other actors that may grant or withdraw this autonomy (Lægreid, Roness and Rubecksen, 2006). Here, the focus is on the relationship between public sector organizations and their parent ministries. For public sector organizations, a distinction can be made between management autonomy and policy autonomy. Management autonomy is related to the management of the resources or inputs of an organization. In the empirical analysis, the focus is on human resources management (HRM) autonomy and financial management autonomy. In contrast, policy autonomy is related to the core task of the organization, such as monitoring environmental pollution or paying social security benefits. Very often, this term is used for bureaucratic discretion in the implementation of policy programmes (Lægreid, Roness and Rubecksen, 2006; Roness et al., 2008; Verhoest et al., 2004). Yet another type of policy autonomy describes the involvement of agencies in initiating and developing policies (Elder and Page, 1998; Verschuere, 2009; Yesilkagit and van Thiel, 2008). Throughout this chapter, the first notion of policy autonomy is termed implementation autonomy, whereas the second meaning is referred to as policy development autonomy. The debate on agencification has
mostly neglected both dimensions of policy autonomy, but especially the second dimension. Also, several studies show that an agency’s formal-legal type frequently does not correspond to perceived levels of organizational autonomy (Lægreid, Roness and Rubecksen, 2006; Verhoest et al., 2004; Yesilkagit and van Thiel, 2008). Whether this is also the case in the context of a highly legalistic and rule-dominated administrative system is a key issue that will be addressed in this study. The research questions are the following: (1) How much autonomy do federal agencies have in practice? (2) How can differences in organizational autonomy be explained? Does perceived autonomy correspond to formal levels of agency autonomy? What other factors play a role in determining perceived levels of agency autonomy?

The chapter is structured as follows: First, the politico-administrative context is presented, together with the different agency types. Second, drawing on two schools of organization theory, several hypotheses regarding the relationship between structural-instrumental and task-specific variables and organizational autonomy are developed. Third, data collection and methodology are presented, followed by the empirical results. The chapter ends with a discussion of the findings and concluding remarks.

The politico-administrative context

Germany is a federal state with a parliamentary, multi-party system of government. There is a functional division of labour between the federal and state levels, according to which the states implement most federal legislation, and in which the state governments participate in federal law-making via the Bundesrat, the second chamber of parliament. The origins of the federal administration trace back to the first imperial authorities of the 1870s. It is rather small compared to the state and local levels of government, and federal agencies do not have their own regional and local offices, with some exceptions such as the customs and tax
administration, the border police, and the federal employment services. In 2008, about 80
non-ministerial organizations of different legal types were in operation on the national level
(Bach and Jann, 2009).

The ministers’ parliamentary accountability for their ministerial portfolio strongly affects the
relationship between federal agencies and the ministerial bureaucracy. With very few
exceptions, agencies are fully answerable to their parent ministries, which may include
ministerial instructions in individual cases. Also, each minister independently conducts the
affairs of his ministerial portfolio, yet within the political guidelines set by the chancellor and
the cabinet’s decisions. In practice, the principle of departmental sovereignty dominates
everyday policy making and is jealously guarded by ministers and ministerial bureaucracy
alike (Mayntz and Scharpf, 1975).

Germany is a typical example for the Rechtsstaat or rule-of-law administrative tradition (Benz
and Goetz, 1996; Wollmann, 2000). In this tradition, the principle of legality is highly valued,
according to which each administrative action requires a codified legal basis, usually a
statutory law. Thus, the genuine role of the administration is to apply law to individual cases
(even though it may have considerable discretion in practice), whereas the parliament’s role is
to select among policy alternatives. Another characteristic feature of the Rechtsstaat tradition
is a highly specialized body of administrative law ensuring comprehensive individual rights of
appeal against administrative acts before specialized administrative courts. Therefore, legal
skills and training are highly valued in the public sector. Finally, the public sector is heavily
regulated by a large number of statutory laws and secondary legislation (e.g. civil service,
financial management, business trips etc.) and specific collective agreements for public
employees (Schröter, 2007). Thus, ensuring the legality of administrative actions is generally
valued higher than efficiency and effectiveness. However, the tension between the rule-of-law-principle and effective administration is usually eased by informal decision-making procedures and “a good deal of pragmatism and informal flexibility” (Benz and Goetz, 1996: 16). This research will shed light on how federal agencies deal with these tensions.

There are two basic types of public-law based organizations within the federal administration, namely the direct administration, which is legally part of the state, and the indirect administration, which has its own legal personality. The direct administration consists of the ministries and all other organizations operating under full ministerial oversight. Here, a distinction is made between legal oversight concerning administrative affairs and functional oversight which includes instruction rights in policy matters (Bach and Jann, 2009). As a rule, indirect administrative bodies are more remote from political control. They are generally subject to legal, but not to functional oversight (Loeser, 1994). Also, financial management and staff regulations uniformly apply to the direct administration, whereas indirect administrative organizations may be granted higher levels of financial and human resources management autonomy (Döhler, 2007). In sum, the form of affiliation has important consequences for formal autonomy, accountability, and control. In 2008, the direct administration counted about 100 agencies at either national or regional level (Bach and Jann, 2009). All of these were included in the total population for the survey, except for some agencies that had just been restructured, resulting in a total sample of 90 direct administrative agencies. The large majority of the indirect administrative agencies are subject to legal oversight by a direct administrative agency and were not included in the survey. In total, the questionnaire was sent to 32 indirect agencies.

Theoretical approach
In addition to describing levels of policy and management autonomy, this research aims at explaining variation in the dependent variables. To this end, the survey data are analyzed both from a structural-instrumental and a task-specific perspective, which offer quite different explanations for organizational autonomy (Verhoest et al., 2009). Thus, following the strategy of contrasting different theories, their relative explanatory power will be assessed in the analysis (Roness, 2009).

A structural-instrumental perspective

The structural-instrumental perspective focuses on the effects of formal rules and regulations, organizational structure (e.g. vertical and horizontal coordination, specialization and standard operating procedures) and organizational capacity on decision-making in and between organizations (Egeberg, 1999; Lægreid, Roness and Rubecksen, 2006). How public organizations are organized, what formal goals they have, and what rules they have to follow will affect how much autonomy they have.

According to this perspective, the perceived autonomy of an organization should reflect its formal autonomy, and particularly so in the context of a rule-of-law administrative system. In terms of formal autonomy, direct administrative organizations are closer to the ministries compared to the indirect administration which has its own legal personality. As a consequence, the former are potentially subject to more ministerial control, but potentially also have a better access to policy decisions in the ministry (Egeberg, 1999). In addition, the indirect administration is characterized by the involvement of societal actors in its decision-making structures, allowing for high autonomy in policy implementation (Loeser, 1994). Also, the various internal public sector regulations fully apply to the direct administration,
whereas the indirect administration may have higher degrees of management autonomy. Thus, the first hypothesis regarding the form of affiliation can be formulated as follows:

H1 – Indirect administrative organizations perceive lower levels of policy development autonomy, but higher levels of management autonomy and implementation autonomy compared to direct administrative organizations.

Another structural-instrumental factor that strongly affects the formal relationship between ministries and agencies is the type of oversight exercised by the ministry (Döhler, 2007). Functional oversight implies full ministerial instruction rights and full answerability of the agency to any request made by the ministry, whereas legal oversight is much more restricted. Although the exercise of legal oversight is usually associated with the indirect administration, there are several examples of indirect administrative organizations that are subject to functional oversight despite having a legal personality on their own.

H2 – Organizations that are subject to legal oversight perceive lower levels of policy development autonomy, but higher levels of implementation autonomy and management autonomy compared to organizations that are subject to functional oversight.

The structural capacity for decision making is another structural-instrumental factor which is likely to affect organizational autonomy (Egeberg, 1999). All other things being equal, the more agencies are connected to a ministry, the lower the ministry’s oversight capacity towards its agencies because of limited resources for attention. However, the total number of
agencies per ministry is a rather imprecise measure of the ministries’ oversight capacity. A better measure which takes into account the relative size of ministries and agencies is the ratio of staff numbers between parent ministry and its agencies. This leads to the following hypothesis on the relationship between oversight capacity and autonomy:

H3 – The higher the oversight capacity of the parent ministry in relation to its subordinated bodies, the lower the organizations’ perceived levels of policy autonomy and management autonomy.

Finally, agency size, which can be measured terms of staff numbers, is likely to affect agency autonomy, too. This variable is a proxy for structural capacity devoted to the performance of a given task. Also, larger organizations are more likely to build up their own expertise based on experiences gained from policy implementation. Finally, all other things being equal, the larger an organization, the greater the difficulties of the parent ministry to control the organization (Verhoest et al., 2009). In sum, the following hypothesis can be formulated:

H4 – The higher the structural capacity of an organization (i.e. the more staff it employs), the higher its perceived policy autonomy and management autonomy.

A task-specific perspective

If the head of a public organization were to deliver a speech on his organization, he would probably mention the organization’s form of affiliation and staff numbers. Maybe he would say something about the organization’s formal relationship with the parent ministry. However, he will spend most of the time talking about what the organization actually does.
This is the core of the task-specific perspective, according to which characteristics of the primary task of a public organization strongly affects its internal management and its stakeholder relations (Pollitt et al., 2004; Verhoest et al., 2009; Wilson, 1989).

James Q. Wilson (1989) classifies public organizations based on the observability and measurability of outputs and outcomes of an organization, from which he develops four ideal-types, each being confronted with characteristic management problems. A major lesson from this typology is that there is no single best way of managing public organizations (Pollitt et al., 2004). The extent to which outputs and outcomes are observable and measurable affects how well elected politicians and generalist bureaucrats in the parent ministry understand what an organization actually does and whether it does a good job. All other things being equal, it is much easier to grasp and control production organizations where both outputs and outcomes are easily observable (e.g. tax collection) in contrast to craft organizations which have an observable output but no observable or measurable outcome (e.g. health promotion).

An alternative way to classify public organizations is according to activities (Bouckaert and Peters, 2004; Verhoest et al., 2009). In the survey, the respondents were asked for the main activity and up to two secondary activities of their organization. Although a perfect match with the abovementioned types is not possible, it can be argued that organizations with service delivery tasks come closest to a production organization with allegedly higher levels of implementation and managerial autonomy (Verhoest et al., 2009). Thus, the following hypothesis can be formulated:
H5 – Organizations having service provision functions perceive higher levels of implementation and management autonomy compared to organizations with other functions.

Another type of activity that is likely to affect the perceived autonomy of public organizations is regulation. According to the functional logic of credible commitment, politicians deliberately create independent regulatory agencies with high levels of policy implementation autonomy in order to create policy stability beyond electoral terms (Majone, 1997). The legitimacy of regulatory agencies then relies on transparent and participatory modes of decision, high levels of expertise and professionalism, and a clear definition of stable policy objectives, rather than on political majority rule (see Yesilkagit and Christensen, 2009 for an overview of political explanations of agency autonomy). In sum, regulatory organizations are expected to operate at considerable distance from parent departments, but supposedly have a lot of relevant expertise for policy development:

H6 – Organizations having regulatory functions perceive higher degrees of policy autonomy and management autonomy compared to organizations with other functions.

Whether the activities of an agency are directed towards the administration itself or external actors is likely to affect agency autonomy, too. All other things being equal, the administration is probably a more stable and predictable target group compared to private companies. Thus, following the basic assumption of contingency theory that the decision-making of an organization reflects key characteristics of its environment (Scott and Davis, 2007), organizations with external target groups will have more management autonomy.
H7 – Organizations having the administration itself as target group will perceive low levels of management autonomy, whereas organizations having external parties as target group will perceive high levels of management autonomy.

The political salience is another key task characteristic which is likely to affect organizational autonomy (Judge, Hogwood and McVicar, 1997; Pollitt, 2006; Verhoest et al., 2009). Among others, this rather elusive concept has been operationalized as budget and staff size, the extent of direct contact with citizens, policy area, and the number of parliamentary questions. In this research, the perceived level of parliamentary attention towards the agency serves as a proxy for political salience. In accordance with other studies, the expectation is that highly politically salient agencies perceive lower levels of autonomy than organizations with a low political profile.

H8 – The higher the political salience of an organization, the lower its perceived policy and management autonomy.

Finally, whether an agency generates income in addition to budget appropriations is also considered as an important task characteristic (Pollitt, 2006; Verhoest et al., 2004; Verhoest et al., 2009). The higher the income generated by an agency, the smaller its dependence on the parent ministry for its overall revenues. Here, additional revenues are operationalized as the percentage share of incomes via user fees in the organization’s annual budget. In sum, a hypothesis can be formulated as follows:
H9 – The higher the share of additional revenues in the total budget of an organization, the higher its perceived management autonomy.

The next section summarizes the research methodology.

**Methodology**

The analysis is based on a survey that has been conducted in 2008 among all 124 federal public-law organizations operating under ministerial oversight. The questionnaire was an adaptation of similar surveys that have been conducted in several countries (see chapters on Hong Kong and Italy in this volume) and was addressed directly to the president or managing director, together with a short description of the project. The sample comprises national organizations with and without regional or local units, as well as regional organizations directly reporting to a ministry. While collecting the data, two organizations were excluded from the population, which had either been dissolved or have no operational staff, resulting in a sample population of 122 organizations.

In total, 73 agencies returned the questionnaire. The overall response rate is 59.8 per cent, while response rates of the different forms are 57.8 per cent for direct administrative agencies and 65.6 per cent for indirect administrative agencies. As a result, the direct administration is slightly underrepresented in the dataset compared to its share in the total population. When it comes to ministry affiliation, no major deviations regarding ministry affiliation between sample and total population can be found.

**Descriptive results: How much policy and management autonomy?**
In terms of policy development autonomy, the survey included several questions on activities that are usually understood as key functions of the ministerial bureaucracy. The respondents were asked whether these activities are typically performed by the ministry, the organization, or both. The data show that the ministries are generally perceived as main actors for policy development and evaluation (Table 1). However, several organizations report rather high levels of policy development autonomy.

**Table 1: Policy development autonomy (percentages)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Only by ministry</th>
<th>Mostly by ministry</th>
<th>Ministry mostly by organization</th>
<th>Mostly by organization</th>
<th>Only by organization</th>
<th>Does not apply</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation and feedback regarding policy effectiveness</td>
<td>9.6</td>
<td>26.0</td>
<td>30.1</td>
<td>12.3</td>
<td>4.1</td>
<td>17.8</td>
<td>73</td>
</tr>
<tr>
<td>Formulation of regulations and guidelines</td>
<td>16.4</td>
<td>31.5</td>
<td>15.1</td>
<td>21.9</td>
<td>1.4</td>
<td>13.7</td>
<td>73</td>
</tr>
<tr>
<td>Supporting political initiatives</td>
<td>17.8</td>
<td>38.4</td>
<td>20.5</td>
<td>8.2</td>
<td>-</td>
<td>15.1</td>
<td>73</td>
</tr>
<tr>
<td>Commenting on draft laws or decrees from other ministries</td>
<td>25.0</td>
<td>44.4</td>
<td>8.3</td>
<td>8.3</td>
<td>-</td>
<td>13.9</td>
<td>72</td>
</tr>
<tr>
<td>Formulating of draft laws or decrees</td>
<td>28.8</td>
<td>39.7</td>
<td>12.3</td>
<td>6.8</td>
<td>-</td>
<td>12.3</td>
<td>73</td>
</tr>
</tbody>
</table>

The respondents perceive the highest levels of policy development autonomy for the evaluation of policy programs and the formulation of guidelines and regulations. Most importantly, these are the only activities for which some organizations report either high or very high autonomy. Also, quite surprisingly, almost 29 per cent report high and medium levels of policy development autonomy with regards to the support of political initiatives such as developing idea catalogues. Finally, most organizations perceive rather low levels of autonomy when it comes to the formulation of laws and governmental decrees or commenting.
on drafts from other ministries. These findings are in line with empirical observations on the pivotal role of ministerial bureaucracies in policy formulation (Mayntz and Scharpf, 1975). This corresponds to the dominant self-role perception of ministerial bureaucrats who consider policy development as their own business and nobody else’s.

For further analysis, the five items were recoded into binary variables (1=medium, high or very high levels of autonomy, 0=low or very low levels of autonomy) from which a summative index of policy development autonomy was constructed. The index ranges from zero to five. Most organizations have an index value of either zero (31.9 per cent) or one (26.4 per cent), 32 per cent score two or three, whereas only few organizations reach index values of four or five (9.8 per cent).\(^2\)

The survey also included several items measuring policy implementation autonomy. Answer categories ranged from very high implementation autonomy (“the organization takes most of the decisions itself, the parent ministry is not involved in the decision making process and sets no restrictions”) to low (“the parent ministry takes most of the decisions, independently of the organization”) or very low implementation autonomy (“neither the parent ministry, nor the organization decides on this matter, since the involved legislation leaves no room for discretion on that matter”). A large majority of the respondents perceives either very high or high levels of implementation autonomy across all items. Almost seventy per cent of the respondents decide alone or with only minor involvement of the ministry on how they carry out their core tasks and set priorities, whereas the remaining organizations take most decisions after consultation or under explicit conditions set by the ministry. When it comes to the exact delineation of the organizations’ target group, about 50 percent of the respondents perceive

\(^2\) Cronbach’s Alpha=.643
very high or high levels of autonomy, whereas 40 percent report intermediate levels of autonomy. For the selection of policy instruments, the picture is pretty much the same.

For the explanatory analysis, all items were recoded into binary variables (1=very high or high autonomy, 0=all other values) from which a summative index of implementation autonomy was constructed. The index ranges from zero to three. Most organizations (40.3 per cent) have the highest index value, 17.9 per cent of the organizations have index values of one or two, respectively, whereas 23.9 per cent score zero.

Table 2 summarizes the descriptive findings on strategic and operational HRM autonomy, i.e. whether an organization can take decisions in the field of human resources management without the approval or involvement of the parent ministry. Here, a distinction is made between strategic HRM autonomy, which comprises general decisions such as guidelines and standard operation procedures, and operational HRM autonomy, which is about day-to-day decisions regarding individual staff members (Lægreid, Roness and Rubecksen, 2006; Verhoest et al., 2004).

Table 2: Strategic and operational HRM autonomy (percentages)

<table>
<thead>
<tr>
<th></th>
<th>For all staff</th>
<th>For most staff</th>
<th>For some staff</th>
<th>For no staff at all</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic HRM autonomy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General criteria for recruitment</td>
<td>31.5</td>
<td>47.9</td>
<td>4.1</td>
<td>16.4</td>
<td>73</td>
</tr>
<tr>
<td>Criteria for staff evaluation</td>
<td>37.0</td>
<td>12.3</td>
<td>2.7</td>
<td>47.9</td>
<td>73</td>
</tr>
<tr>
<td>Criteria and conditions for staff promotion</td>
<td>20.8</td>
<td>33.3</td>
<td>5.6</td>
<td>40.3</td>
<td>72</td>
</tr>
<tr>
<td>Criteria and procedure for staff reduction</td>
<td>23.9</td>
<td>21.1</td>
<td>9.9</td>
<td>45.1</td>
<td>71</td>
</tr>
</tbody>
</table>

3 Cronbach’s Alpha=.784
With regards to strategic aspects, most organizations perceive high or very high autonomy for general criteria for recruitment, respectively. For general criteria of staff evaluation, conditions for promotion, and staff reduction, the picture is more mixed. Here, most respondents perceive no strategic autonomy at all, although quite a few respondents perceive very high or high strategic autonomy. Finally, almost three quarters of the responding organizations perceive no strategic autonomy at all with regards to the level of salaries.

For operational HRM autonomy, the general picture is very different. Here, virtually all respondents perceive very high or high autonomy for evaluating individual staff. Also, the majority of organizations perceive high levels of autonomy for each of the other items measuring operational HRM autonomy. In sum, the respondents generally perceive considerably more operational HRM autonomy than strategic HRM autonomy. This finding is supported by similar research on public sector organizations in other countries (Lægreid, Roness and Rubecksen, 2006; McGauran, Verhoest and Humphreys, 2005). Also, both for strategic and operational HRM management, only few organizations report having autonomy only “for some staff”. This indicates high levels of uniformity within the organizations regarding the management of human resources.

<table>
<thead>
<tr>
<th>Level of salaries</th>
<th>8.2</th>
<th>17.8</th>
<th>-</th>
<th>74.0</th>
<th>73</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational HRM autonomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluation of a single employee</td>
<td>63.0</td>
<td>35.6</td>
<td>-</td>
<td>1.4</td>
<td>73</td>
</tr>
<tr>
<td>Dismissal of a single employee</td>
<td>34.7</td>
<td>51.4</td>
<td>8.3</td>
<td>5.6</td>
<td>72</td>
</tr>
<tr>
<td>Recruiting a new staff member</td>
<td>27.4</td>
<td>54.8</td>
<td>5.5</td>
<td>12.3</td>
<td>73</td>
</tr>
<tr>
<td>Promotion of a single employee</td>
<td>23.3</td>
<td>56.2</td>
<td>5.5</td>
<td>15.1</td>
<td>73</td>
</tr>
<tr>
<td>Wage supplement for a single employee</td>
<td>34.2</td>
<td>35.6</td>
<td>9.6</td>
<td>20.5</td>
<td>73</td>
</tr>
</tbody>
</table>
For the explanatory analysis, two summative indices were constructed, after recoding the items for strategic and operational HRM autonomy into binary variables (1=for all staff or for most staff, 0=for some staff or for no staff). The indices range between zero and five. In terms of strategic HRM autonomy, most organizations (24.3 per cent) have a moderate index value of three, whereas 17.1 per cent have the lowest and 15.7 per cent the highest possible value.\footnote{Cronbach’s Alpha=.754} In contrast, 58.3 per cent score five on operational HRM autonomy, and another 18.1 per cent have an index value of four, whereas no organization scores zero on the operational HRM autonomy index.\footnote{Cronbach’s Alpha=.698}

Table 3 summarizes the results for financial management autonomy. For all items, the respondents were asked to what extent the organization can take financial decisions independently of the parent ministry. The most obvious finding is that the majority of the respondents either answered “does not apply” or “not at all” across all items. Here, the data reflect the formal budgetary procedure, in which the budget is approved by parliament. This includes decisions on a more flexible financial management such as transferring funds between budget items or across budgetary years. Taking the high numbers of organizations without any autonomy into consideration, most organizations have at least some autonomy with regards to transferring funds to the next budgetary year or between personnel and running costs. These measures were part of a reform in 1997 which increased budgetary flexibility, but left the basic features of the traditional line-item budgetary system unchanged (Schröter, 2007). For all other items, the picture is rather mixed, except for decisions on tariffs and charges where only a minority reports high or very high levels of autonomy. In sum, the data show that most organizations perceive rather low levels of financial autonomy,
with some exceptions. Thus, despite the very detailed and cumbersome budgetary laws and regulations, there clearly is some variation as to how the traditional input-based financial management of the federal administration is put into practice.

Table 3: Financial management autonomy (percentages)

<table>
<thead>
<tr>
<th></th>
<th>To a very</th>
<th>To a large</th>
<th>To some extent</th>
<th>To a small extent</th>
<th>Not at all</th>
<th>Does not apply</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fix prices for services or products</td>
<td>18.3</td>
<td>16.9</td>
<td>19.7</td>
<td>12.7</td>
<td>2.8</td>
<td>29.6</td>
<td>71</td>
</tr>
<tr>
<td>Transfer of funds between personnel,</td>
<td>20.3</td>
<td>17.4</td>
<td>17.4</td>
<td>10.1</td>
<td>7.2</td>
<td>27.5</td>
<td>69</td>
</tr>
<tr>
<td>running costs and investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of funds between personnel</td>
<td>23.5</td>
<td>16.2</td>
<td>17.6</td>
<td>13.2</td>
<td>7.4</td>
<td>22.1</td>
<td>68</td>
</tr>
<tr>
<td>and running costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of funds to the following</td>
<td>17.6</td>
<td>16.2</td>
<td>27.9</td>
<td>13.2</td>
<td>11.8</td>
<td>13.2</td>
<td>68</td>
</tr>
<tr>
<td>budgetary year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fix the level of tariffs and charges</td>
<td>5.6</td>
<td>9.9</td>
<td>15.5</td>
<td>14.1</td>
<td>15.5</td>
<td>39.4</td>
<td>71</td>
</tr>
</tbody>
</table>

For the explanatory analysis in the following section, all items were recoded into binary variables (1=very high or high autonomy, 0=all other values) from which a summative index of financial management autonomy was constructed. The index ranges from zero to five.\(^6\) The majority has an index value of zero (38.8 per cent), and 25.4 per cent score three on the financial management index.

**Bivariate and multivariate analyses**

---

\(^6\) Cronbach’s Alpha=.743
This section addresses the relationships between the independent and the dependent variables, thus testing the hypotheses regarding structural-instrumental and task-specific organizational characteristics. First, bivariate correlations are tested, followed by multivariate linear regression in order to assess the relative explanatory power of the independent variables.\textsuperscript{7}

Table 4 shows that structural-instrumental features make some difference for management autonomy, but very little for policy autonomy. When it comes to form of affiliation, direct administrative organizations do not perceive higher levels of policy development autonomy; neither do indirect administrative organizations perceive higher levels of implementation autonomy. However, indirect administrative organizations perceive higher levels of strategic HRM autonomy and financial management autonomy than direct administrative organizations.\textsuperscript{8} Thus, H1 gets partial support for management autonomy, but not for policy autonomy.

\textsuperscript{7} For the analysis, interval scaling of the items in the questionnaire is assumed.

\textsuperscript{8} If the index of operational HRM autonomy is constructed by including only those items indicating very high autonomy or by including all values, the correlation is positive and statistically significant.
### Table 4: Bivariate correlations (Pearson's R)

<table>
<thead>
<tr>
<th>Form of affiliation</th>
<th>Policy development autonomy</th>
<th>Implementation autonomy</th>
<th>Strategic HRM autonomy</th>
<th>Operational HRM autonomy</th>
<th>Financial management autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.21</td>
<td>0.29*</td>
<td>0.05</td>
<td></td>
<td>0.30*</td>
</tr>
</tbody>
</table>

| Type of oversight   | -0.06                       | 0.36**                  | 0.08                  | -0.20                   | 0.14                          |

| Oversight capacity  | 0.01                        | -0.06                   | 0.16                  | 0.01                     | -0.10                         |

| Structural capacity | 0.02                        | -0.24                   | -0.33**               | -0.16                    | -0.08                         |

| Service provision   |                            |                         |                       |                         |                               |
|                     |                            |                         |                       |                         |                               |
| main task           | 0.01                       | 0.17                    | 0.06                  | 0.05                    | 0.25*                         |
| secondary task      | -0.09                      | -0.40**                 | 0.02                  | -0.02                   | -0.19                         |

| Regulation          |                            |                         |                       |                         |                               |
|                     |                            |                         |                       |                         |                               |
| main task           | -0.13                      | -0.13                   | -0.26*                | -0.13                   | -0.36**                       |
| secondary task      | 0.26*                      | 0.02                    | -0.04                 | -0.06                   | 0.10                          |

| Target group        |                            |                         |                       |                         |                               |
|                     |                            |                         |                       |                         |                               |
| internal            | -                          | -                       | -0.24*                | -0.15                   | -0.08                         |
| external            | -                          | -                       | 0.27*                 | 0.37**                  | 0.10                          |

| Political salience  | 0.30*                      | -0.26*                  | 0.02                  | 0.08                    | -0.11                         |

| Income via fees (%) | 0.04                       | 0.02                    | 0.25*                 | 0.07                    | 0.03                          |

** significant at 0.01-level (two-tailed), * significant at 0.05-level (two-tailed)

In contrast, type of oversight positively correlates with implementation autonomy, but not with management autonomy. Agencies that are subject to legal oversight have more implementation autonomy than organizations that are subject to functional oversight which encompasses all aspects of policy implementation. In sum, H2 gets partial support.

Interestingly, type of oversight makes a difference for policy autonomy only, whereas form of affiliation only matters for managerial autonomy.
Turning to the oversight capacity of the parent ministry, which is a relative measure of the total number of staff in the ministry and all subordinated organizations, no correlations with either policy or management autonomy are found. Thus, H3 gets no support.

The agencies’ structural capacity (i.e. staff numbers) matters for strategic HRM autonomy, but in the opposite direction than expected (H4). Large organizations perceive themselves to have lower levels of strategic HRM autonomy than small organizations. A possible explanation for this finding is that most large organizations are part of the direct administration, which according to this research perceive lower levels of strategic HRM autonomy than indirect administrative organizations.

When it comes to task-specific variables, the overall picture is rather mixed, too. Organizations with service provision as main task perceive themselves to have higher levels of financial management autonomy than organizations with other tasks, which is in line with H5. However, those organizations having service provision as secondary task perceive lower levels of policy implementation autonomy than organizations having other secondary tasks, which is the opposite of H5. In sum, H5 is confirmed for financial management autonomy, but not for implementation autonomy.

The hypothesis on the relationship between regulatory functions and perceived autonomy is only supported for regulation as secondary task (H6). For management autonomy, the empirical findings are the exact opposite of what was expected. Organizations having mainly regulatory functions perceive lower levels of financial management autonomy and strategic
HRM autonomy than organizations with other main functions. However, H6 gets support for policy development autonomy, yet only for organizations having regulation as secondary function. Thus, it could be the combination with other functions rather than only the regulatory function which makes a difference for policy development autonomy. Also, the counter-intuitive findings on financial autonomy may be the result of a considerably higher proportion of direct administrative agencies perceiving regulation as main task compared to indirect administrative agencies.

The bivariate analysis confirms the hypothesis on the effect of target group on management autonomy (H7). The more the activities of an organization are addressed towards the federal administration itself, the lower the organization’s strategic management autonomy. In contrast, organizations focussing on external target groups (i.e. private companies) perceive higher levels of both strategic and operational HRM autonomy.

In this research, the political salience of an organization is measured as the perceived level of parliamentary attention towards the organization. In contrast to the expectations, political salience does not matter for management autonomy (H8). More importantly, the findings on policy autonomy both support and contradict the hypothesis. Highly politically salient organizations perceive low levels of policy implementation autonomy, which supports the hypothesis. Yet, in contrast to the hypothesis, highly politically salient organizations perceive higher levels of policy development autonomy than organizations which are less in the parliamentary spotlight, rather than the other way around.

Finally, the hypothesis on the relationship between the shares of fees in the organization’s annual budget and perceived management autonomy gets only weak support from the
correlations analysis (H9). This variable positively correlates with strategic HRM autonomy, but there is no correlation with operational HRM autonomy. Most importantly, organizations with large shares of income via fees do not perceive higher levels of financial management autonomy than organizations with low shares of additional incomes.

Let’s turn to the results of the multivariate regressions analyses (Table 5). Only statistically significant bivariate correlations between independent and dependent variables are included in the multivariate analyses. The overall picture is that the independent variables explain only little variation in the independent variables. Also, several independent variables lose their explanatory power if other independent variables are controlled for. In terms of structural-instrumental explanations, only form of affiliation (H1) and type of oversight (H2) has a significant effect on financial management autonomy and implementation autonomy, respectively. Among the task-specific variables, service and regulatory task (H5, H6) and political salience (H8) make a difference. The directions of the relationships are similar to the findings reported above, including those running counter to the expected directions. Quite surprisingly, there is an independent (and negative) effect of regulation as main task on financial autonomy when controlling for form of affiliation. Thus, the findings do not support the hypothesis that regulatory agencies have more managerial autonomy (H6).
Table 5: Summary of ordinary least square regressions, standardized beta coefficients

<table>
<thead>
<tr>
<th></th>
<th>Policy autonomy</th>
<th>Management autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Policy development autonomy</td>
<td>Strategic HRM autonomy</td>
</tr>
<tr>
<td>Form of affiliation</td>
<td>-</td>
<td>0.221</td>
</tr>
<tr>
<td>Type of oversight</td>
<td>-</td>
<td>0.257*</td>
</tr>
<tr>
<td>Oversight capacity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Structural capacity</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Service provision**

- main task
- secondary task

**Regulation**

- main task
- secondary task

**Target group**

- internal
- external

**Political salience**

0.263* -0.164

**Income via fees (%)**

- 0.103

**Multiple R**

0.385 0.521 0.552

**Adjusted R²**

0.124 0.235 0.223

**F-value**

5.932 7.434 3.732

**Significance**

0.004 0.000 0.004

**N**

71 64 58 66

**significant at 0.01-level. * significant at 0.05-level. - not included in the model**
Discussion and conclusion

This research contributes to the literature on agency autonomy in several ways. First, it supplements previous findings on the relationship between formal autonomy and perceived autonomy. A number of empirical studies show that organizations with a higher level of formal autonomy do not necessarily perceive higher levels of autonomy (Lægreid, Roness and Rubecksen, 2006; Verhoest et al., 2004; Yesilkagit and van Thiel, 2008). In this research, form of affiliation makes a difference for financial management autonomy and strategic HRM autonomy (albeit without any significant effect on the latter in the multivariate model). Thus, the findings support the theoretical assumption that indirect administrative agencies perceive higher levels of management autonomy than direct administrative agencies. However, no relationship between form of affiliation and perceived policy autonomy can be observed. These findings imply that agencies with the same form of affiliation vary substantially with regards to their perceived autonomy, except for two dimensions of management autonomy. In contrast, type of oversight by the ministry as another measure of formal autonomy makes a difference for implementation autonomy, but not for management autonomy. Thus, formal autonomy explains at least some variation in the perceived autonomy of federal agencies. However, whether the agencies perceive more policy autonomy or more management autonomy is mediated by the type of formal autonomy. A possible direction for further research on the relationship between formal and perceived autonomy is to explore variation in perceived autonomy among sub-types of form of affiliation (Bach and Jann, 2009).

Second, closely connected to the first finding, the empirical results confirm the conceptual distinction between policy autonomy and management autonomy. A correlations analysis between the independent variables shows no correlation between policy development autonomy and the other independent variables, but some statistically significant correlations
between implementation autonomy and different types of management autonomy (not reported in the analysis). In addition, no independent variable correlates with policy and management autonomy. Overall, only few explanatory factors matter for policy development autonomy. This suggests that policy development autonomy cannot be explained by the same independent variables as management autonomy. Among others, the nature of the policy programme under consideration and the agency’s policy development capacity could provide better explanations for policy development autonomy (Verschuere, 2009). However, these factors are hard to measure via organizational surveys.

Also, in contrast to the theoretical expectations, agencies perceiving high levels of parliamentary attention (i.e. high political salience) report high levels of policy development autonomy. Whether agencies get involved in policy design largely depends on the willingness of the ministerial bureaucracy (Elder and Page, 1998). Thus, the empirical findings suggest that parent departments are more likely to include agencies attracting a lot of parliamentary attention into policy development activities. Future research should explore why some agencies are more tightly integrated into political decision-making, whereas others operate at a greater distance from both parliament and parent ministry. Also, taking into consideration that most research on agencies focuses on management autonomy, rather than policy autonomy, further studies on the role of agencies in the policy-process are needed.

Third, the empirical findings show that federal agencies generally perceive high levels of implementation autonomy, but comparatively low levels of management autonomy, except for individual decisions on personnel. An earlier study also found that ministries mostly focus on input-control (i.e. purely administrative aspects), but much less control and more agency autonomy when it comes to the administrative output (i.e. the agencies’ performance) (Welz,
These results are supported by survey data on the frequency of ministerial intervention by which agency decisions were either changed or annulled (not reported in the analysis). More than 70 per cent of the respondents report a low or very low frequency of hierarchical instructions. To the contrary, more than 55 per cent of the agencies report high or very high levels of constraints on managerial decisions by personnel and budget laws and regulations. How can this divergence between high levels of perceived implementation autonomy (and few ministerial interventions) and low levels of perceived managerial autonomy (and high levels of perceived red tape) be explained?

A first explanation relates to the method of measuring implementation autonomy as the extent to which the ministry is directly or indirectly involved in taking decisions related to policy implementation (or intervening by giving instruction). This indicator may not reflect the whole picture of the complex interplay between ministerial control and agency autonomy. Earlier studies argue that hierarchical interventions are only used in case of obvious implementation deficits and major substantial conflicts (Döhler, 2007; Welz, 1988). Because agency officials prefer to avoid hierarchical intervention, they try to anticipate the ministry’s position, which is a well-known mechanism from the study of decision-making within the ministerial bureaucracy (Mayntz and Scharpf, 1975). In sum, a very frequent use of hierarchical interventions would undermine the effectiveness of ministerial oversight. As a consequence, the reported levels of implementation autonomy, measured as the degree of ministry involvement in operational decisions may be higher than the actual levels of implementation autonomy because the ministry’s position is anticipated by agency officials.

The characteristic context of an administrative system with a strong rule-of-law tradition may also explain the striking divergence between implementation and management autonomy of
federal agencies. From this perspective, the legal basis of an agency, which defines its policy objectives and instruments, is considered sufficient to ensure a well-performing and accountable administration (Döhler, 2007). In other words, administrative performance is taken for granted as long as the principle of legality is followed. At first sight, the combination of high implementation autonomy and low levels of managerial autonomy is typical for countries with a rule-of-law tradition such as Flanders. However, similar patterns can be also observed in the case of Ireland, which has a very different administrative tradition (Verhoest et al., 2009). Thus, further research should more explicitly connect the empirical findings on agency autonomy to country-specific trajectories of public sector reform (Pollitt and Bouckaert, 2004; Verhoest et al., 2009). Also, in order to draw robust conclusions on typical patterns of agency autonomy within the context of a typical Rechtsstaat, more internationally comparative research on the interrelations between different dimensions of agency autonomy in countries having the same administrative tradition is needed. In addition, Fourth, the explanatory power of both theoretical perspectives is rather low, especially if other variables are controlled for in the multivariate models. Having said that, the analysis reveals some statistically significant correlations. Interestingly, task-specific variables explain more variation in policy autonomy than structural-instrumental factors. On the contrary, both structural-instrumental and task-specific explanations make a difference for management autonomy. Again, this supports the conclusion that policy and management autonomy are clearly distinct concepts. Also, the findings suggest that using several theoretical approaches for studying agency autonomy at the same time is an appropriate strategy for studying a complex and multi-dimensional phenomenon like agency autonomy (Pollitt, 2004; Roness, 2009).
Furthermore, several studies suggest that ministry-agency relations differ across parent ministries (BRH, 2005; Döhler, 2007; Gains, 2004) and even across otherwise similar agencies having the same parent ministry (Pehle, 1998). In view of the high importance of the departmental principle for governing federal agencies, ministry affiliation may have a stronger effect than either structural-instrumental or task-specific features (which would explain the low levels of explained variation in the dependent variables). Also, existing studies frequently compare several ministries, but low numbers of organizations per ministry, thus limiting the validity of the results. This methodological problem could be solved by comparing agency autonomy and ministerial control by parent ministry.

Fifth, the research sheds some light on the relationship between management autonomy and perceived levels public sector regulation. The explanatory analysis shows that form of affiliation makes a difference for management autonomy. However, quite surprisingly, there is no correlation between form of affiliation and the perceived level of constraints by internal public sector regulations (not reported in the analysis). In addition, no correlation between perceived levels of internal regulation and management autonomy can be found. These findings imply substantial variation of perceived levels of public sector regulation among organizations with the same form of affiliation. Also, whether an agency perceives high or low levels of constraints does not seem to influence its managerial autonomy. A possible solution to this puzzle could be that public sector regulations are not applied uniformly across all federal agencies. Interview data suggest that the ministries have a large influence on how internal regulations are applied in practice. In other words, it is not the regulation per se that puts constraints on the agencies, but whether the ministries grant budgetary freedoms or autonomy in appointing personnel (e.g. by reserving the right to hire new agency staff for
positions above a certain pay level). Here, further investigations should focus on differences in perceived levels of internal red tape between agencies having the same parent ministry.

The major aim of this chapter was to describe and explain the autonomy of federal agencies in Germany, which is considered as a typical case of a rule-of-law administrative system. It finds that the formal autonomy of federal agencies has some effect on perceived levels of autonomy. Also, it shows that federal agencies perceive high degrees of implementation autonomy, despite the prevailing normative principle of a highly legalistic bureaucracy. In contrast, federal agencies perceive rather low levels of financial management autonomy, especially within the direct administration, and high levels of internal red tape. Finally, although the agencies generally consider the ministerial bureaucracy as key actor when it comes to policy formulation, they also report various degrees of involvement policy design. The discussion of the findings also pointed out several directions of further research, which will shed more light on the effect of context factors such as country or ministry affiliation on agency autonomy and the relationship between policy autonomy and management autonomy.

Acknowledgements

I am extremely grateful to Jon Pierre, Birgitta Niklasson, and the editors of this volume for their very useful and constructive comments on earlier versions of this paper, and to Markus Seyfried for his invaluable help with the data analysis.

Bibliography


R. Mayntz and F. W. Scharpf (1975) *Policy-making in the German federal bureaucracy* (Amsterdam u.a.: Elsevier).


