When, where and how does de-agencification occur? Exploring agency termination

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September 2010

This paper is an output of the Mapping the Irish State project http://geary.ucd.ie/mapping funded by the IRCHSS, and based at UCD Geary Institute. The views expressed here do not necessarily reflect those of the Geary Institute. All errors and omissions are the author’s.

I am grateful to Mary Shayne for her assistance in compiling the data presented here and to Niamh Hardiman for her comments on an earlier draft.
Introduction

The rapid expansion in the number of quasi-autonomous organizations created to perform public functions has become a defining characteristic of contemporary government and public administration. Relatedly, a growing number of scholars have sought to analyze and understand the reasons behind this explosion in the population of ‘agencies’ and what its consequences are for politics and policy implementation. Much of the analysis of agency proliferation over last three decades is framed in the context of fragmentation of organizational structures brought about by NPM (Pollitt and Talbot 2004; Pollitt et al. 2004; Christensen and Laegreid 2007; Verhoest et al. 2010). Less attention, however, has been devoted to the issue of agency termination.

This paper seeks to explore two concurrent processes. In recent years, a trend away from some of the core principles of NPM has been in evidence, as the disaggregating effects of organizational diversification have come to be felt. The consolidation of organizations and reintegration of administrative capacity has resulted in a degree of ‘de-agencification’ in many countries. In addition, though, a less well recognized trend may be discerned. Even as new agencies were created over time, some established agencies where closed, or merged with others, or folded back into departmental structures. The creation of new agencies has been paralleled with the less noticeable fact of the demise of agencies. Because it is easier to count the current stock of agencies, relatively little is known about the real dynamic story of the birth and death of agencies over time. This paper aims to contribute toward a greater understanding of the death of agencies.

The history of modern government over the last century has been conceptualized as one in which the ‘reach’ of the public sector has extended inexorably into ever greater aspects of citizens’ lives as well as the market. For theorists of bureaucracy, public organizations continue long after their usefulness has been realized (e.g. Downs 1967) and, over the course of their lives, tend to seek to accumulate ever more resources (Niskanen 1971; see also Peters 2010: 7-25). Notwithstanding the liberalization and privatization agendas of recent decades, there has been a global explosion in the number and type of state organizations and, relatedly, an expansion in the functions governments are prepared to undertake. Over their lifecycle, agencies will normally
undergo a series of changes, from ‘outward’ reforms such as name changes to more substantial changes involving mergers, adoption of new functions and so on.

Privatizations and divestitures are a common response of governments to changing views on the role of the state and the need for managing crises in public finances. Less attention however is devoted to the non-commercial aspects of the state. As a consequence of the Global Financial Crisis (GFC), governments have sought to rapidly reduce the cost and scope of state activity through processes of rationalization, consolidation and recentralization. This pendulum swing away from an era of fragmentation and departmentalism has been characterized by some as a post-NPM era (Christensen and Lægreid 2007), as governments seek to overcome complex policy problems and also minimize transaction costs. Instead of a return to pre-NPM structures and processes of governing, however, we find a merging of new modes of governance with more traditional top-down command-and-control systems.

In examining the consequences of this change for agencies, a much neglected aspect of the organizational life cycle is examined – agency termination. Of course, it is not to suggest that terminations are a new or modern phenomenon; shifts in the organizational configuration of state agencies can be identified pre-GFC and indeed pre-NPM. While the trajectory of state development is however normally conceptualized as one of greater organizational complexity, the disappearance of agencies and other organizational forms, as well as the state ‘exit’ from certain policy arenas over time (and the consequences of this) are much-neglected filed of inquiry.

Of course, any tracing or ‘mapping’ of organisational change within state administrations presents a number of challenges, including the development of frameworks for classification, and their application to reforms that rarely follow rational design. This paper does not seek to definitively resolve this problem, but in the light of current theoretical development on the subject, seeks to explore the incidence of agency termination using a time-series organisational database of the Irish state between 1922 and 2009.
Theorizing organizational life-cycles: issues and methodological problems

Taking two points in time and comparing the shape of the public sector may reveal some information about aggregate change, but fails to capture any organizational events that have occurred in between. As Roness and Rolland (2009) identify, theories of population ecology have proved a fertile ground for concepts to help understand the evolution of organizations. In particular, work by Hannan and Freeman (1989) on organizational ecology drew on such theories and initiated (particularly within sociology) more elaborate understanding of how organizations evolve, adapt and reform.

It is now well recognized that a simple birth-death dichotomous categorization of the organizational life-span fails to capture not only the various changes that an organization experiences in its life-cycle, but that there are also a variety of ways in which organizations emerge and terminate. Also, while there are now a growing number of classifications for the events determining the life-cycle of organizations (much of them inspired by analyses of US public organizations), all normally present operational and methodological difficulties, and a recurring criticism of such ‘event’ typologies is their comparatively narrow or subject-specific focus, and more particularly the latitude left to researchers to decide upon what constitutes a particular event; this militates against cross-national comparisons.

There is a relatively sparse literature on one particular type of organizational life-cycle event – that of organizational termination. Those scholars that consider the matter face the criticisms identified above for all event typologies. For example, in their work on advancing a meta-typology for one type of event - organizational termination, Adam et al. (2007) identify the problems inherent in the more well-known conceptualizations as to what constitutes a termination. They note how Kaufman’s (1976) cultural interpretation of organizational ‘boundaries’, which include visible manifestations of the organization and its work (e.g. signs or internal communications networks) leaves it to the researcher to decide that such manifestations have disappeared or not. Similarly, they find shortcomings in Lewis’ (2002) and Peters and Hogwood’s (1988) more functional approaches.
In these works, a termination is regarded as the elimination of all functions of an organization, including their replacement with new functions and a name or location change, or when no replacement organization is established. Thus the issue of subjective interpretation arises. Adam et al. also identify that more recent work by Kuipers and Boin (2005) also faced this problem when they considered a termination as occurring “when the agency [is] abolished, merged into an organization of a distinctly different signature, or absorbed into a much larger organization, by law or executive order’ (Adam et al. 2007: 227).

For Adam et al., the crucial factors influencing organizational termination are chance (building on Kaufman’s (1985) thesis that successful adaptation by organisations to their environment cannot be achieved by strategic decisions), political turnover (the idea proposed by Lewis (2002) that the greater the rate of party government change, the greater the risk of agency termination), learning (Carpenter and Lewis’ (2004) idea that politicians need time to learn about the performance of an agency and weigh it up against the costs of failure and termination, and internal organizational characteristics (Kuipers and Boin’s (2005) ultimately inconclusive work which sought to demonstrate that internal agency characteristics such as size and ‘newness’ could determine its longevity).

They suggest a synthesis of factors along two dimensions to enable greater theorizing of organizational termination. The first – ‘external political motivation’ - consists of the external political incentives that ‘push or prevent the development of a critical mass of political will for organizational termination’. It comprises the degree of political turnover, societal (or private interest) pressure, problem pressure (i.e. performance) and budgetary constraints. The second dimension concerns internal organizational features or what they refer to as ‘organizational stickiness’. It consists of age, size and multi-vs-single purpose organisations.

**What factors are conducive to agency termination?**

For a variety of reasons, it is important for public organizations to terminate. For example, if, as is often popularly perceived, government organizations are permanent then according to some economic theories (Peters 2010) the size of government will
increase relative to the rest of society and economy. Equally, just as the creation of an agency can represent a manifestation of political will or credible commitment to an issue, an agency termination can demonstrate political intent. And while agencification is justified on grounds of increasing efficiency in public service policy delivery, there is an equal justification for de-agencification on such grounds in the context of changed environmental contexts.

Of course, public organizations may outwardly appear stable but undergo considerable internal change. Christensen et al point to the changes to public organizations brought about by the ICT revolution or integration within the EU (2007: 123). A distinction may be drawn however between cosmetic ‘outward’ changes (including simple name changes) as well as changes in work practice, and more explicit changes in function, or the legal basis on which a function is performed.

The question also arises as to whether certain politico-administrative features are more conducive to agency termination. In the absence of cross-national data, it is difficult to verify but certain hypotheses might be offered. In terms of state legal traditions, a distinction is normally drawn between the European Rechtsstaat (mainly civil law) tradition of continental Europe and the ‘public interest’ (mainly common law) tradition more closely associated with the Westminster/Whitehall systems (Wollmann 2003; Pollitt and Bouckaert 2004). The Whitehall common law administrative tradition lends itself to a wide variety in public organisation form (Hardiman and Scott 2010), due in large part to the absence of clear legal typologies for administrative organizations. It is not axiomatic however that terminating different types of agencies is also conducted with relative ease in such systems. Rather, it may be the case that within Rechtsstaat systems, where administrative law is the basic guiding principle for public administration, that agency termination can be more systematically carried out.

The vertical dispersion of authority between central, regional/provincial and local levels of government may also play a role in the rate of agency terminations. In those states more akin to the Anglo-American (Hesse and Sharp 1991), local authorities are characterised by limited policy discretion and weak financial independence. In such an environment, the termination of agencies in order to transfer their functions to sub-
national level may be unlikely. By contrast, Hesse and Sharp’s North European model describes those states in which local government has a strong political function of local democracy and enjoys high degrees of policy-making autonomy and financial independence. With more frequent two way flows of functional responsibility between levels of government, agency creation and termination may be more common.

We may also theorise as to whether or not certain policy domains or functions are more susceptible to agency termination. In terms of policy areas, agencies in the ‘softer’ state domains of culture, sports and tourism may be more easily terminated than those in ‘core’ state areas of health, education and welfare. Of course, political saliency comes into play also – for example, it may be more politically disadvantageous for a government to abolish welfare agencies at a time of growing unemployment, whereas it may be easier to terminate training and development agencies at a time of low unemployment.

Agencies with particular functions may be susceptible to termination also. For example, those involved in functions where independence is vital for certain reasons may prove difficult to terminate. Regulatory agencies spring to mind, as do state organizations involved in contracting for services or infrastructural development. Conversely, agencies performing output based-functions that do not essentially require autonomy – such as those involved in transfers of funds or providing information – may be more easily terminated and their tasks transferred elsewhere.

**The Mapping the Irish State database**

In order to test some of these hypotheses, we draw on the Irish case. The source for the data presented here is a time-series database of Irish national-level state institutions between 1922 and 2009. Responsibility for self-government in the Irish Free State (later to become the Republic of Ireland) began in January 1922 and thus provides a natural starting point for mapping the evolution of the state bureaucracy. The database identifies and codes two sets of inter-related data – 1) organisational

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1 On 16th January 1922 the Provisional Government assumed political control of the Irish administrative system and forbade any changes to government departments or personnel. Three days later 9 Ministerial departments were created which encompassed responsibility for all state administrative units.
units and 2) events determining the life of each unit. The coding for both sets of data are complex and necessarily subjective, and therefore some explanation is necessary.

In relation to the organizational units, the Whitehall administrative model adopted by the Irish Free State contained considerable scope for different types of administrative organisation other than Ministerial departments. As Hardiman and Scott (2010: 172) point out:

…we may identify a continuum, with departmental organizations at one end, followed by a variety of non-departmental bodies, continuing on towards non-governmental or civil society organizations at the other end.

These non-departmental bodies include, for example, independent commissions and tribunals, boards, and statutory corporations. These would in time be supplemented by administrative (and commercial) organisations governed by company law rather than statute. Reflecting this organisational heterogeneity of the Irish bureaucratic system, therefore, instead of adopting a single defining variable to determine inclusion or exclusion, the Mapping the Irish State database adopts a number of criteria including legal form, funding, ownership, functions, powers and accountability to determine its population. Thus it captures a comprehensive range of what are generically referred to as ‘agencies’ within the Irish public governance system.

In relation to the second set of data – events – as noted above a straightforward recording of agency births and deaths does not allow for the changes experienced by an organisation over its lifetime, or indeed the variety of ways in which agencies are ‘born’ and ‘die’. While some organizations can co-exist, in other cases for some organizations to be created requires others to terminate, normally either completely or through a process of absorption into the new agency. As Table 1 below identifies, we identify 12 event types which captures the range of evolutionary processes through which organizations move.
<table>
<thead>
<tr>
<th>Event type</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Birth</td>
<td>The organization is created without any connections to other organisations. The organization will have no predecessor as an organizational form in the database.</td>
</tr>
<tr>
<td>Nationalization</td>
<td>This code is used when an organization that is not owned by the state, or in which the state has a minority ownership share, becomes completely or majority owned by the state.</td>
</tr>
<tr>
<td>Transfer from sub-national</td>
<td>This code is used when the functions and resources of one or more sub-national bodies are transferred into a unit.</td>
</tr>
<tr>
<td>Secession</td>
<td>This code is used when some functions of an existing organization are transferred to create one or more new organizations while the original organization continues to exist, retaining its name and fundamental structure.</td>
</tr>
<tr>
<td>Absorption</td>
<td>This code is used when the functions and resources of one or more organizations are fully transferred into another existing one.</td>
</tr>
<tr>
<td>Split</td>
<td>This code is used when an organization ceases to exist through its division into two or more new organizations and the transfer of all its functions into these new organizations.</td>
</tr>
<tr>
<td>Merge</td>
<td>This code is used when two or more organizations are combined into one new organizations which is given an independent standing/status. The combining organizations cease to exist.</td>
</tr>
<tr>
<td>Replacement</td>
<td>This code is used when one organization is completely replaced by another. The new organization may or may not adopt a new name, legal status, structure or function, and may expand the scope of its policy domain.</td>
</tr>
<tr>
<td>Transfer of Function</td>
<td>This code is used when the core functions of one or more organizations are transferred to a new organization. [In practice, this code is used for functional transfers between ministerial departments]</td>
</tr>
<tr>
<td>Privatization</td>
<td>This code is used when an organization that is completely or majority owned by the state is sold or transferred to majority or complete private ownership.</td>
</tr>
<tr>
<td>Transfer to sub-national</td>
<td>This code is used when the functions and resources of one or more organizations are transferred into one or more sub-national bodies.</td>
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<tr>
<td>Death</td>
<td>This code is used when an organization is disbanded, no replacement organization is created, and its functions are not transferred to another organization.</td>
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Given the nature of the administrative system, and in particular the fluidity of organizational form and function, in very few cases are events easily classified. A change in organisational form may or may not follow functional change, and vice versa. In the absence of clearly delineated and consistent administrative ‘units’, functions and resources may transfer between parts of the bureaucracy without any outward change in the shape of the system. Thus the issue of subjective interpretation as to what constitutes a particular event as raised by Adam et al. (above) is constantly present. The event types ‘birth’ and ‘death’ are in fact easiest to classify as they are used in situations where there is a clear emergence or disappearance of an organisation from the database, without any prior or post functional lineage.

For the purposes of this paper, we select only those event types where agency terminations form part of the event itself, i.e. deaths, mergers, replacements, splits, absorptions and transfers to sub-national government. We exclude from the analysis privatizations and nationalizations as in all cases there is no organizational termination. In the case of transfers of function from sub-national government, as sub-national terminations are not included in the database they are excluded. However, in the case of transfers of functions to sub-national government, the data is included in the analysis.

This typology is similar in scope to that of Hannan and Freeman’s (1989) identification of four types of organizational mortality: disbanding, absorption, merger and radical change of form. Table 2 below aligns the two typologies. The ‘radical change of form’ is naturally subjective however, and correlates with three forms of event in the Mapping the Irish State database – replacement, transfer to sub-national (government) and split.
## Table 2: Matching typologies

<table>
<thead>
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<tr>
<td>Disbanding</td>
<td>Death</td>
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<tr>
<td>Absorption</td>
<td>Absorption</td>
<td></td>
</tr>
<tr>
<td>Merger</td>
<td>Merge</td>
<td></td>
</tr>
<tr>
<td>Radical change of form</td>
<td>Replacement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer to sub-national</td>
<td></td>
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<tr>
<td></td>
<td>Split</td>
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### Agencification in Ireland: aggregate trends

In terms of the rate of agency creation in Ireland over the period in question, Verhoest et al. identify that ‘the development of Irish agencies [since independence] is…one of gradual acceleration from a slow start’ (2010: 84-8) with a sharp increase in the rate of creation over the last two decades that has only recently peaked. Hardiman and Scott (2010: 176) also track the pronounced ‘wave’ of agency establishment since 1990, as Figure 1 below identifies.
Figure 1: Agency creation in Ireland over the last century

Hardiman and MacCarthaigh (forthcoming) also identify this accretion in the number of agencies and the cumulative effect on the agency population over time, as Figure 2 identifies.
However, solely identifying an appreciation in the number of agencies creates censorship problems i.e. excluding the full story of an organization’s life cycle. In particular, what Peters and Hogwood (1988) refer to as ‘right censorship’ (not disclosing details of an organisation after its creation) is possible. As Figure 3 below identifies, using the variations on the different types of agency terminations identifies above, we find that as with the rate of agency creation there is a gradual increase in the pace of agency terminations over the period. While the overall figures are lower, there is a considerable increase between the 1970s and 1980s in the number of terminations. This figure was maintained during the 1990s and almost doubled in the first decade of the 21st century. In the Irish case, reflecting the relatively weak flow of tasks from national to sub-national levels, there is only one case of an agency termination (occurring in the field of health) due to transfer of functions to sub-national level. Also, only one clear-cut case of an agency termination occurring due to a split occurs. This happened in 1994 when two new industrial development agencies emerged from the closure of another.
Of these terminations, Figure 4 identifies that only a small proportion were straightforward agency terminations, where an agency was closed without its functions being transferred elsewhere.

The increase in agency deaths since the 1980s fell mainly in relation to bodies performing service delivery and advisory tasks, but as Figure 5 details, the deaths do
not consistently cluster around any particular policy field. There is however a noticeable increase in deaths during the 1980s of agencies in the transport field, whilst during the 2000s, the largest cohorts for agency deaths are education and training, and enterprise and economic development.

**Figure 5: Policy domains for agency deaths 1922-2009**

![Policy domains for agency deaths 1922-2009](image)

While there was a small increase in the number of outright agency deaths, much of the increase over the 1980-2009 period can however be attributed to agency mergers. Also, within the last decade, there has been a sharp increase in the number of agency replacements. Some further interrogation of these increases is required. Using a series of typologies, the *Mapping the Irish state* also codes organisations according to their functions (or tasks) as the policy domains in which they operate.

On closer analysis, as Figure 6 reveals, we find that the agencies that are merging are more likely to be those involved in direct service delivery, and advisory bodies, as well as (in the case of the 2000s) regulatory bodies.
Turing to policy domain, Figure 7 identifies that no consistent pattern emerges for the merging agencies. In the 1980s they are most commonly concerned with public order and safety, in the 1990s with Enterprise and Economic Development and Recreation, Culture and Religion, and most recently with health and general public services.

While agency mergers accounted for a significant portion of the increase in terminations over the 1990-2009 period, the incidence of agency replacement provides was the largest single driver of change. Again we may consider these agencies according to their function and policy domain.
Figure 8 identifies a consistent pattern of replacing agencies involved in the provision of advice over the four decades from the 1970s. Within the last decade the number of replacements for agencies involved in regulation and service delivery has increased rapidly.

**Figure 8: Functions of replaced agencies 1922-2009**

In terms of policy domain, however, no clear picture emerges with instead a variety of policy areas experiencing an increase in the number of agency replacements. As Figure 9 identifies, these include health; recreation, culture and religion; asocial protection and public order and safety.
In respect of the final type of agency termination – absorption – we find only a small incidence of its occurrence during the 1990s and 2000. The absorptions that occurred were mainly in respect of advisory, transfer and delivery bodies respectively. The policy domains where they occurred were environmental protection, enterprise and economic development during the 1990s, and social protection, health and education and training during the 2000-09 period.

**Conclusions**

The absence of cross-national studies in termination research as identified by Adam et al. (2007: 228) is a considerable lacuna in the study of agencies. This paper seeks to further the field by presenting a longitudinal analysis of agencies over time in a specific institutional setting, and interrogates the data by function and policy domain over a number of decades. We find some interesting patterns emerging, the dominant one being the sharp increase in agency terminations over the more recent period, which coincides with a simultaneous increase in agency creation, thus presenting a more complex picture of the agency landscape in Ireland than recognized heretofore.

The paper also makes some tentative suggestions as to when and what types of agencies are more susceptible to termination. Advisory, regulatory and service
delivery agencies are more likely to be terminated than those involved in contracting, taxing, transfer and adjudication, though there are more agencies performing these former functions. Also, in terms of policy domain, agency terminations were most common over the 1922-2009 period in the fields of health; recreation, culture and religion; enterprise and economic development; and agriculture, fisheries and forestry areas. Termination through replacement and mergers are the most common means by which agencies disappear, particularly in the more the recent period, though agency deaths and absorptions are also quite evident. Similar research in other jurisdictions would yield fruitful comparisons and go some way towards confirming or disproving more developed hypotheses on the issue of agency termination.
References


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