Agencification in Canada: Pulling Back the Veil of Arms-length Government

by

Jennifer Hall

M.P.A., University of Victoria, 2000
M.A., Simon Fraser University, 1990
B.A. (Hons), University of Victoria, 1983

A Dissertation Submitted in Partial Fulfillment
of the Requirements for the Degree of

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Abstract
Governments around the world, including Canada, continue to look for new ways to structure themselves and deliver services to accommodate the growing challenges of governing in an increasingly complex global environment. One strategy is to hive off functions to arms-length entities. This continues to be a popular option for service delivery, consuming significant amounts of public resources with little understood about the implications on accountability, performance, transparency and cost. Distributing public governance by moving functions further out from the institutional centre of government has tended to make the public sector less visible. In Canada, there has been negligible critical analysis about the trend and its impacts, in particular, at the provincial level. This study addresses that gap by analyzing the use of arms-length entities over time in two provinces, British Columbia and Ontario. It empirically determines trends in agencification, explores the rationale for creation and use of arms-length entities, and contributes to a better understanding of the implications, impacts and challenges that continue to arise in distributing public governance.

The study uses a mixed methods approach relying on a quantitative analysis of jurisdictional data to describe changes in the agency landscape in British Columbia and Ontario over a 65-year period from 1951 to 2016. The qualitative strategy uses 32 interviews of current and past government and agency executives to provide insights into the rationale for agency creation, relationships between government and its arms-length entities, the impacts on public sector governance, and the future of agencification. Document and
literature reviews were conducted to support the analysis of both the quantitative and qualitative data.

Results show there has been a continued and statistically significant increase in the overall number of arms-length entities in both jurisdictions over time. Creation, though, ebbs and flows, and is not necessarily a reflection of political ideology or economic climate. However, political influence has not been eliminated with the establishment of governance frameworks for arms-length entities. Recognizing this, agencies have become more adept at reading political signals and building relationships with government that earn them trust and autonomy. The key findings of this study suggest that:

1. The governance structures in Canada continue, increasingly, to illustrate a broad range of arms-length entities to deliver a breadth of services and functions, with little consistency in the rationale and structure for their creation.
2. New governance controls and mechanisms are being implemented to address issues of performance, accountability and political brand as the shape of the public sector continues to evolve.
3. The independence of arms-length agencies is more myth than reality. Ultimately governments are accountable for their delegation of authority and this reality has and will continue to influence the relationship between government and its arms-length entities.
4. Individual personalities matter. Despite governance frameworks and mechanisms intended to prescribe the accountability relationship between government and arms-length entities, individuals on both sides of the relationship can have a significant impact on agency performance and viability.

All indications suggest that governments will continue to use arms-length agencies to deliver a variety of services using various organizational forms and inconsistent governance frameworks. In addition to agency creation, the reshaping of agencies through merger, re-categorization, mandate shifts, renaming, etc., will continue, as will the changing landscape of
distributed public governance. The ability to design a governance framework that addresses
the ongoing reshaping of government structure will need to evolve in order to address
challenges with coordination, fragmentation, service delivery and accountability. To this end,
governments have been rationalizing their governance systems, increasing their ability to
control arms-length entities through a variety of mechanisms, including the creation of new
“super agencies”. As the use of agencies continues, the governance environment becomes
more complex with a greater number of actors, changes in government capacity and
resourcing, and global, multi-level government systems in meeting public needs. Governance
rationalization supports the need for increased focus on why and how governments re-shape
themselves and how this impacts accountability and performance, providing new
opportunities for further research as the shape of the public sector continues to evolve.
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For Siri
CHAPTER 1: Introduction

Introduction

Governments around the world continually look for new ways to organize and deliver their services, and to address collective challenges like the impacts of environmental damage and degradation; global industrialization and trade; fiscal crises and health pandemics, and effects of political and cultural unrest and conflict. The solutions are not just about policy choices, administration and business practices. They fundamentally include public sector governance: the way governments choose to structure themselves and the processes, including decision-making, in which they engage to address increasingly complex public policy issues. The purpose of this dissertation is to better understand the current shape of the Canadian public sector with respect to the use of arms-length entities; their creation, relationship with government, and impacts on public sector policy as reflected in the evolution of their oversight and shaping of their existence.

This chapter sets out the need to understand new public governance models with a focus on the use of arms-length agencies over time. It first introduces the context and need for research and study of public sector governance. Following a brief outline of the seven chapters that comprise this dissertation, the conceptual roots of agencification and distributed public governance are laid out. The research context is presented as the final section which transitions to expansion of the literature in Chapter 2.
The Need for New Governance Models

There are at least three good reasons to be interested in the topic of public sector governance. One is the trend toward a general acceptance by western democracies, and Canadian governments more specifically, of the need to find new solutions to complex public policy issues by bringing in other players from, for example, the private and non-profit sectors, associations, stakeholder groups and other levels of government (Bourgon, 2001; Christensen & Laegreid, 2006; Pollitt, 2005; van Thiel, 2006). Another reason is the extent of the public sector’s incorporation of private sector and market values, principles and practices, and the impacts on government performance (Hood, 1995). A final reason lies in renewed attention by the public, politicians, the private sector and other stakeholders, to the role of government in an era of increased political, socio-economic and environmental interconnectedness.

Pollitt and Bouckaert (2011) summed up their assessment of the history of management reforms in Canada with the reflection that they appear as “a bewildering series of overlapping and only loosely coordinated initiatives” (p.250). The authors noted that no systematic evaluation of public management reform in Canada had been done up until the time of their publication and that many initiatives failed to come close to their full potential. A summary of the initiatives and studies done in Canada reveal an almost total exclusion of provincial and territorial governments (Pollitt & Bouckaert, 2011).

It is within this context that this study empirically determines trends in agencification; explores the rationale for creation and use of arms-length entities; and contributes to better
understanding the implications, impacts and challenges of distributing public governance. To
this end, there are three research questions:

1. What does contemporary public sector governance look like in Canada? What are the
   forms of organizational design that comprise a public sector at the provincial level in
   Canada?

2. How has provincial public sector governance changed over the last 20 years?
   Relatedly, what has been the dispersion of government agencies and independent
   public bodies and why?

3. What are the implications for distributing public sector governance on accountability,
   capacity, and performance?

Research identifies gaps and inconsistencies in the literature and outlines the nature of
changing governance structures in a Canadian context. Underpinning this study is the need to
clarify the key governance concepts related to the evolving structure and shape of public
administration. I focus on two key concepts: agencification and distributed public
governance.

**Conceptual Roots of Governance, Agencification and Distributed Public Governance**

The New Public Management (NPM) framework looked to private sector model,
principles and practices to reinvent government. Osborne and Gaebler (1982) called for a
cultural shift away from bureaucratic towards entrepreneurial government. Governments
were encouraged to “steer” rather than “row” meaning that they should establish broad
policy frameworks and shift operations to external bodies through privatization, partnerships,
and the creation of more autonomous, independent bodies, often external to government
(Savoie, 2004). Governments increasingly experimented with structural changes, including
various forms of autonomous, arms-length or semi-autonomous agencies.
The use of arms-length agencies was a strategy to manage growing demands for smaller and more efficient government, while at the same time meeting continued social, economic and environmental pressures in an increasingly unstable political and global context (Dunleavy & Hood, 1994; Hood, 1991). Talbot (2004) states that the idea of creating agencies was the fashion in government reforms, drawing inspiration from the United Kingdom’s Next Steps program – the nascent of NPM. The creation of more or less autonomous or independent public bodies has been a trend in governments since the emergence of NPM (Lægreid & Verhoest, 2010; Mortensen, 2016; Pollitt, Talbot, Caulfield & Smullen, 2001; Pollitt, Bathgate, Caulfield, Smullen & Talbot, 2004; Verhoest, Roness, Verschuere, Rubecksen & MacCarthaigh, 2010). This trend, while not new, was exacerbated under the NPM framework and promoted by governments, academics and organizations such as the World Bank and the OECD (Stiglitz, 2000), posing increasing challenges for coordination and accountability.

The number of semi-autonomous agencies has increased substantially in almost all countries around the globe (Pollitt et al., 2001; van Thiel, 2001, 2004; Verhoest et al., 2010). This trend has been referred to as agencification: the creation of semi-autonomous organizations that operate at arms-length from the government, to carry out public tasks (regulation, service delivery, policy implementation) in a relatively autonomous way i.e. there is less hierarchical and political influence on their daily operations, and they have more managerial freedoms (Roberts, 1986; van Thiel, 2009). While there have been many attempts to classify agencies according to organizational form, type and extent of their managerial autonomy (e.g., autonomous or semi-autonomous), function, name, personnel, financial and
management rules that apply to them, etc., none have proven sufficient or consistent
(Laegreid & Verhoest, 2010; Organization for Economic Cooperation and Development, 2002;
Schick, 2002; Vining, Lauren, & Weaver, 2015).

Underneath the label of autonomous agencies lies a breadth of organizational types
with varying levels of independence within and outside of formal ministries or departments.
This study focuses on those agencies which are external to the formal departments of
government, given that agencies that are separate units within a ministry or department, are
essentially still part of the core government structure.¹ These independent or autonomous
agencies have different forms and extents of managerial or administrative autonomy, for
example, with respect to personnel, financial, policy and management matters. Consequently,
there is no single form or type of agency (Christensen & Lægreid, 2007a; Ongaro, 2010; Pollitt
& Talbot, 2004; Verhoeest et al., 2012). For the purposes of this study, an agency will have two
key features: (i) it is structurally disaggregated from a ministry or government department,
and (ii) it reflects the implementation of a delegated government responsibility.

The many forms of structural devolution have resulted in challenges with autonomy,
organizational complexity – control, coordination and accountability (Halligan, 2010;
Mortensen, 2016; Schick, 2002; Verhoeest & Laegreid, 2010). While the structural landscape
of the public sector has continued to evolve, research has not kept pace to assess the long-
term effects and implications of NPM reforms, in particular, the creation of autonomous
agencies and the re-shaping of the public sector and its governance.

¹ I will refer to them synonymously as arms-length agencies, independent agencies or autonomous agencies or entities.
Canadian jurisdictions, similar to many of its global counterparts, have increasingly been experimenting with various organizational designs to deliver public services more effectively. However, less is known about the impacts of NPM on the shape of the Canadian public sector compared to regions such as Europe, Scandinavia, and Australasia. More specifically, while Canadian research on agencies has been primarily focused on the federal government, there is little on agencification at the provincial and territorial level—a significant omission in terms of public administration in Canada. My research will focus on this gap and the need to clearly articulate the nature, scope and implications of distributed public governance in Canada. It examines the rationale for agency creation and change, and agencification more generally, in two sub-national jurisdictions.

To understand the changing roles of government in relation to broader public sector reforms, it is critical to introduce some general terms and concepts that are part of the discourse on public sector governance. This will be covered in the literature review in Chapter 2. Key concepts of NPM are outlined as the framework for recent reforms. Defining governance and public sector governance are starting points for developing a more comprehensive map of how the public sector has evolved.

**Governance**

At its most fundamental, governance generally relates to two elements of a system: structure and process (Offe, 2009). These structures and processes may operate in formal and informal organization and may function for any purpose. Conceiving of governance in this way, one can apply the concept to states, to corporations, to non-profit and non-governmental organizations, business relationships, project teams, and to any number of
organizational or system elements engaged in some purposeful activity (Offe, 2009). Governance, then, is undertaken in a context and applies to something or things generally conceived of in a network, relationship or system. That is, entities have some sort of relationship with one another and need to define their modes and methods of interaction.

To assess the success of various governance mechanisms, then, we need to determine the object of governance. What is being governed? Understanding this context is not a simple task because of the concept of organizational fields, which adds to conceptual complexity. The notion of a “field” of governance is associated with a type of activity or outcome (for example, environmental, internet, information technology, the public sector, the private sector etc.), or a descriptor of governance such as regulatory, participatory, multilevel, metagovernance, and collaborative. It is important to the researcher, analyst and academic to define what is being governed. Increasingly, this has become more difficult given the number of actors and arenas involved in any of these contexts, levels and fields (Bache & Flinders, 2004; Bache, Bartle, & Flinders, 2016; Daniell & Kay, 2017).

The close relationship between public governance, public sector governance and corporate governance sits within the broader framework of other societal and global governance and has been modeled by Edwards, Halligan, Horrigan and Nicoll (2012). Their framework reflects governance at its most basic – management of a system including structures, internal and external interactions, and modes of decision-making. A number of different but related governance concepts are logically linked and are discussed in the following sections, including: (a) public governance (extending out from the government sector to the private and community sectors); (b) public sector governance (i.e. governance of
the administration and operation of government); and (c) corporate (or organisational) governance (i.e. the governance of particular bodies in particular sectors) (Edwards et al., 2012). Each of these concepts of governance can be viewed from national, comparative or global perspectives.

Nation-states and governments remain central to all systems of public governance, regulation and responsibility (Bell & Hindmoor, 2009), but there are ongoing fundamental changes in how governments engage with other sectors, organizations, stakeholders, and the public. These changes may be structural or procedural and beg the question of how those who wield institutional power and make decisions, are held accountable. So, while governments remain firmly at the helm in their own right, non-state institutions, private sector players and other actors are part of the public governance framework and their changing roles create increased complexity for public governance (Christensen & Laegreid, 2011; Moynihan, Fernandez, Kim, LeRoux, Piotrowski, Wright, & Yang, 2011; Weiss & Wilkinson, 2014).

Public Governance

Public governance, also referred to in this study as public sector governance, focuses on the public domain including but not limited to the function, institutions and operation of government. The concept covers entities, processes and relationships beyond the formal structure of government including at the transnational level (Davis & Keating, 2000; Edwards et al., 2012). It concerns accountabilities, structures and processes related to public policy goals and institutions. This includes service delivery and programs, policies, legislation and
enforcement. It encompasses various mechanisms, particularly how government structures the delivery of its mandate and responsibilities; approaches that foster the capabilities for meeting these responsibilities; and, tools such as systems for internal control and external accountability (Almquist, Grossi, van Helden, & Reichard, 2013). Government and its administration (e.g., ministries, departments and internal agencies) are the core of public sector governance. However, its scope, a focus of this dissertation, is much broader in that it is applied to organisations within and across the public sector, including different levels of government and their interactions with one another (Edwards et al., 2012).

Although many authors acknowledge the importance of governance in a public sector context, its consistent definition is elusive. Various authors use this term in different ways (Frederickson 2005; Klijn & Koppenjan, 2016; Kooiman, 1993; Osborne, 2006; Pierre & Peters 2000; Rhodes, 1996; Sorensen & Torfing, 2007; Subramaniam, Stewart, Ng & Shulman, 2013). Despite their view that governance has become a generic term, I prefer Edwards et al.’s (2012) definition that it is “concerned with how and why systems of all kinds are constituted and operated” (p.11). It is a multi-dimensional concept used differently depending on the frame of analysis, the issue or sector, and standpoint of the observer or participant. Their definition of governance captures a breadth of application in that governance is concerned with how societies, governments, systems and organizations are managed and led. This includes how they structure themselves, make decisions, exercise powers and manage their relationships and accountabilities.

Understood from an organizational perspective, the governance of a public sector body connects to other orders of governance at governmental, societal and organizational
levels (Edwards et al., 2012). The multi-level nature of organizational and system inter-actions suggests the need for an analytical framework that accommodates a more collaborative and multi-directional (vertical and horizontal) view of governance relationships. The old governance model of hierarchical modes of decision making, sequential approaches to problem solving, and single points of accountability no longer fits well with the current evolution of government structures and functions. Models must adapt to be responsive to policy and governance challenges that straddle traditional departmental lines of authority (Edwards et al. 2012). In this way, governance now engages several institutions and participants in multiple governance interactions. Various governance systems containing a plurality of actors interact with one another in a series of interconnected governance networks, employing multiple mechanisms for distributing, wielding, and rendering account for the exercise of power in society (Burris et al., 2005; Edwards et al., 2012). It is in this context that agencification is defined.

Agencification

From the 1980s, public sector reform drew on private sector ideas and practices in moving from traditional public administration to a public management approach. New Public Management (NPM) was framed as borrowing from the private sector to address these issues through streamlining government structures and processes; downsizing government; tightening fiscal controls; decentralizing services; delegating management authority downward in hierarchies; managing performance; and focusing on service (Colley, Doyle, Logan & Stettinius, 2005; Hood, 1991; OECD, 2004). According to the NPM framework, public services could be delivered more effectively and efficiently if public sector organisations were
granted more managerial autonomy and applied various management techniques from the private sector.

In addition to downsizing, contracting out and privatizing government services, governments engaged in the hiving off of departmental units, programs and functions from ministries into more specialised and independent or arms-length organisations (Verhoest, Verschuere, Falke, Peters & Bouckaert, 2010; Wettenhall, 2005). This trend has been referred to as agencification: the creation of semi-autonomous organizations that operate at arm’s length of the government, to carry out public tasks (regulation, service delivery, policy implementation) in a relatively autonomous way i.e. there is less hierarchical and political influence on their daily operations and they have more managerial freedoms (Roberts, 2005; van Thiel, 2009). The creation of more or less autonomous public bodies has been a trend in governments all over the world since the emergence of NPM (Laegreid & Verhoest, 2010; Mortensen, 2016; Pollitt, Talbot, Caulfield & Smullen, 2004; Verhoest, Roness, Verschuere, Rubecksen & MacCarthaigh, 2010). This trend, while not new, has been exacerbated under the NPM framework (Pollitt, Bathgate, Caulfield, Smullen & Talbot, 2001; van Thiel, 2001, 2004; Verhoest et al., 2010).

The large number of new organizational forms, public sector governance structures, management regimes and reporting mechanisms has resulted in a blurred picture of how the scope of the public sector and how government systems function (OECD, 2005, Verhoest & Verschuere, 2002). The OECD has recognized that this weakens overall government control and damages citizens’ confidence and trust in the system because it has become increasingly complicated and lacks transparency. Delegating responsibilities to arms-length bodies has
also led to difficulties in coordinating government work. Governments have suffered from a lack of coherence and efficient coordination (Halligan, 2010; Kettl, 2003; Laegreid & Verhoest, 2012). Where bodies are removed from immediate supervision and have a more complex governance structure involving other stakeholders with different values and goals, political control suffers (See also Burris, Drahos & Shearing, 2005).

As a result of the lack of clarity and cohesiveness with respect to the rationale, form, function and control of independent agencies, there is not a coherent set of bodies that easily lends itself to analysis and the assessment of impacts. As a consequence of an ad hoc approach to the creation of independent agencies, there has been a dispersion of government entities and a resulting lack of “readability of the institutional system” (OECD, 2002: 24). This dispersion of government entities is conceptualized as distributed public governance (DPG).

Distributed Public Governance

The proliferation of autonomous agencies has also been referred to in the literature as distributed public governance (DPG) (Beblavy, 2002; OECD, 2002; Flinders, 2004; Nemec, Mikusove, Merickova & Vozarova, 2011). While agencification is sometimes equated with distributed public governance, there is a sliver of literature that conceptually differentiates the two (Flinders, 2004; Greve, Flinders & van Thiel, 1999; OECD, 2002, 2005). The OECD recognizes distributed public governance as being concerned with the “protection of the public interest in the increasingly wide variety of government organizational forms” (2002:9).
Flinders refined this definition by referring to DPG as the “great number of “fringebodies’, extra-governmental organizations, independent non-majoritarian institutions and quasi-autonomous non-governmental organizations that form a significant and administratively dense component of modern governance structures” (2004: 520).

Distributed public governance is more than a new term for the well-worn issue of the creation, description or classification of agencies within the NPM framework. It emphasizes the changing nature of modern governance, the increasing scale and role of autonomous public bodies, and encourages a “deeper and more analytically refined appreciation than the overly descriptive and frequently normatively charged accounts that dominated studies in this field during the 1970s and 1980s” (Flinders, 2004: 884). It also widens the focus of analysis to encompass the growing number and types of independent bodies that operate at the supranational and global level as well as their governance context, that is, how long and strong is the arm of independence.

DPG, a wide dispersion of types of agencies and their governance mechanisms, then, is differentiated from agencification which reflects a nominal approach to the study of agencies, focusing on counting and classifying them. The lack of conceptual clarity and definitional consistency undermines research and study on the impacts of agencification and DPG on the evolving shape of the public sector, and its effectiveness. As such these challenges underpin the research focus for this study.
The Research Context

While the benefits of agencification were touted by its proponents, limited success and unintended consequences have gained a level of attention in the literature. There have been some demonstrated improvements in goal achievement, efficiency, innovation, bringing management closer to citizens, and involving citizens, the private sector and civil society organizations (non-profit sector) (Hartley, 2005; OECD, 2005). Alternately, criticisms have been voiced over the use of independent bodies to address complex and politically sensitive issues such as food safety, radioactive waste, environmental protection, and consumer protection resulting in challenges to accountability and effectiveness of oversight (OECD, 2002).

Laegreid, Sarapuu, Rykkja and Randma-Liiv (2014) have identified problems with social cohesion, fragmentation of services and policy coordination, with resulting impacts on policy areas such as climate change, unemployment, security, crime, homelessness, sustainable healthcare, poverty and immigration. Perhaps even more importantly, the OECD (2005) noted that distributed public governance has inherent risks for democratic control and accountability. These consequences of agencification have governments rethinking their approaches to public sector governance (Laegreid et al., 2014). Such multi-dimensional and complex policy and democratic problems demand interconnected responses from governments, their partners, stakeholders and the public.

One of those responses has been the development governance frameworks and classification schemes. While there have been many attempts to try and classify agencies
according to organizational form, type and extent of their managerial autonomy (e.g., autonomous or semi-autonomous), function, name, the personnel, financial and management rules that apply to them, none have proven sufficient or satisfactory (Laegreid & Verhoest, 2010; OECD, 2002; Schick, 2002; Vining, Lauren, & Weaver, 2015). Underneath the label of autonomous agencies lies a wealth of different types of organizations with varying levels of independence outside of formal ministries or departments. This study focuses on those agencies which are external to the formal departments of government, given that agencies that are separate units within a ministry or department are essentially still part of the core government structure and subject to essentially the same accountabilities as ministries and departments. Given the lack of consistency in definition, form or function of an agency in the literature (Christensen & Lægreid, 2007a; Ongaro, 2010; Pollitt & Talbot, 2004; Verhoeest et al., 2012), an arms-length agency in this study will have two key features: (i) it is structurally disaggregated from a ministry or government department, and (ii) it reflects the implementation of a delegated government responsibility, regardless of structure, function or governance mechanisms applied.

The many forms of structural devolution have resulted in challenges with autonomy, organizational complexity – control, coordination and accountability (Halligan, 2010; Mortensen, 2016; Schick, 2002; Verhoest & Lægreid, 2010). While the structural landscape of the public sector has continued to evolve, research has been unable to keep up with the pace of change to assess the long-term effects and implications of NPM reforms, in particular, the creation of autonomous agencies and the re-shaping of governments. My research will focus on this gap in a Canadian context, and the need to clearly articulate the nature, scope
and implications of distributed public governance. Data collection and analysis will provide a map of the public sector in two Canadian jurisdictions. I will also explore what this means for the shape and scope of the public sector in Canada; specifically focusing on describing and defining levels of autonomy or independence, accountability, and capacity.

Independence may be achieved to a greater or lesser extent by putting agencies outside the line of traditional hierarchical, administrative and quasi-judicial control exercised by government departments, central agencies, regulatory authorities and independent legislative offices such as an ombudsman or comptroller general. The use of ambiguous and inconsistent terminology and lack of a coherent classification has contributed to the dearth of international and national comparative research. Pollitt (2003) concludes that the study of agencies is “in a mess” and contributing to this mess are the drivers or motivations for the proliferation and divergence of agency forms.

Dominant topics in academic research are the autonomy and control of agencies, with special attention on regulatory agencies that have been established in response to privatization and liberalization of markets (Dan et al., 2012; Gilardi, 2002, 2005). Agencies can be granted different levels and types of autonomy (managerial, personnel, financial, policy implementation but there is no direct link between the actual level of autonomy (de facto) and the formal autonomy (by law) (Verhoest et al., 2004). In practice, some agencies will operate more autonomously than their official statute allows. For example, agencies may try to influence the development of new policies by developing legislative proposals, making information public, lobbying with interest groups and/or politicians, and so on (Verschuere, 2009).
Majone (1997) developed an index to measure agency independence, providing for study in a comparative way. In applying Majone’s index, Gilardi (2002) examined the empirical consistency of one explanation of agencification, namely the credibility hypothesis. He claimed that governments delegate powers to enhance the credibility of their policies. The hypothesis is clear in that “political sovereigns are willing to delegate important powers to independent experts in order to increase the credibility of their policy commitments” (Majone 1997: 139–40). In other words, the need for credibility explains delegation. This is important because the institutional design of independent agencies is often characterized by heterogeneity (Gilardi, 2002) and Gilardi’s results showed that the credibility hypothesis can explain a good deal of the variation in delegation.

Academic research into agencification has paid little attention to the effects of the relationship between citizens and elements of our social, economic and political fabric. Dan and Pollitt’s (2012) analysis of the international literature on agencification shows that there has been minimal research on democratic principles such as effective public participation, inclusiveness and control of the policy agenda. In addition, the literature speaks little to the traditional Westminster values such as individual and collective accountability, parliamentary responsibility, the role of the public service, and transparency and openness (as opposed to government confidentiality and secrecy), and accountability. Beyond that, there has been even less assessment of other impacts relevant to an evolving global environment such as efficiency, security, public safety, social and economic welfare and jurisdictional sovereignty.

Dan, Jilke, Pollitt, Delft, Van de Walle, and van Thiel (2012) compiled an international comparison into the effects of agencification. The authors found that academic research
often pays attention to the effects for citizens as the customers of public services but less so to effects on the relationship between citizens and government. The second part of their work was an analysis of evaluation studies by governments, audit offices and academics, into public management reforms - the creation of agencies being only one type of such reforms. The authors found that there was no comprehensive or clear conclusion about the effects of agency creation. Some studies reported improvements, others reported deteriorations or no changes in for example steering and control by parent ministries, organizational stability, agency management and functioning.

Dan (2014) later reviewed the NPM literature on agencies across European public sectors to identify possible patterns in the success or failure of the agency model. He analyzed effects on the processes or activities of agencies as well as effects on outputs and outcomes. He found that the bulk of evidence concerned internal effects on processes/activities of agency creation and management and little evidence on outputs and outcomes. Results showed positive effects on improved processes, and an orientation towards results and service users’ needs.

Similarly, there were improvements in transparency and accountability across various countries, but evidence in these areas is less clear. Dan (2014) also found that 46% of the studies included in the sample identified concerns about fragmentation, coordination or organizational stability and showed that unintended consequences are an important part of the evaluation of the effects of agencification. This is consistent with other studies which have found that the benefits of agencification are vague and inconclusive (Bouckaert & Verhoest, 2010; Christensen & Laegreid, 2005; Flinders & Skelcher, 2012; Overman & van Thiel, 2016).
As far as the control of agencies is concerned, research findings are mixed. Parent ministries are most involved in the steering of agencies, but do not always seem aware or capable of performing this function successfully (Verhoest et al., 2010). Steering requires new competencies and the development of new organizational arrangements and instruments that fit with the more horizontal and business-like relationship with agencies (Van Thiel & Pollitt, 2007; Verhoest et al., 2012). A good balance between letting go and maintaining a relationship is necessary but difficult to find, particularly as there is little exchange of best practices between governments at all levels.

Most recently, research has been focussed on the dissolution and merger or rationalization of agencies. This is a more recent trend in agencification policies in most European countries (Christensen & Laegreid, 2007; MacCarthaigh, 2014). Many governments are confronted with a highly fragmented public sector as a result of agencification, privatization and other forms of structural devolution and decentralization. A lack of coordination and cooperation, particularly in case of cross-sectoral policy problems, has led governments to reconsider their decisions to create agencies. Contrary to the rhetoric, however, this has not led to large re-nationalizations but rather to large-scale reshuffling of agencies, for example, through mergers, rationalization, integration and multi-level shared service arrangements (Bevir, Rhodes, & Weller, 2003; Christensen & Laegreid, 2007; Dommett, MacCarthaigh, & Hardiman, 2016).

This latest trend fits with the post-NPM movement or whole-of-government approach that tries to re-establish coordination, control and rationalization of public service delivery across the public sector. While measuring performance is one of those approaches, the
performance of agencies is generally understudied (James & van Thiel, 2011). However, while the reform trend has not been uniform, and the shape of reform varies both within and across countries (Dommett et al., 2016; Laegreid & Verhoest, 2010; Pollitt, 2004a; Verhoest et al., 2004a), the trend is sufficiently documented to warrant further theoretical and empirical scrutiny.

Experimentation with alternate forms of agency structure and governance has resulted in varying degrees of success and little-known impacts on public service foundations such as transparency, accountability, equity, and financial responsibility. While there has been some governance research focusing on the public sector (Edwards & Clough, 2005; O’Flynn, 2007; Tucker, 2010) and the non-profit sector (Collier, 2008; Parker, 2007), Brennan and Solomon (2008) suggest that these sectors provide rich data sources and diverse accountability mechanisms, which are in need of further research.

**Dissertation Organization**

My dissertation research aims to contribute to filling many of the above-noted gaps, in particular as the changing shape of government and governance continues to evolve. Chapter 1 begins by providing an overview of the concepts explored in the literature on agencification and distributed public governance. Agencification is the creation of semi-autonomous organizations that operate at arms’ length from government to carry out public tasks (Christensen & Laegreid, 2006; Moynihan, 2006). The concept of distributed public governance builds on agencification by recognizing varying levels and types of control by government (the “length and strength of the arm”) of the different types of entities it creates.
The concepts of independence, accountability and performance as they relate to agencification and distributed public governance are critical to the analysis and exploration of the changing shape of government and the literature is, at best, inconsistent and confusing. However, these concepts do not exist in a literary vacuum; they have their roots in new public management approaches to public sector governance. Chapter 2 includes a review of the literature of the key concepts related to the research questions, namely, public governance, agencification and distributed public governance. The literature review has been undertaken with a view to clarifying concepts, definitions and building a conceptual framework in which the impact of agencification and distributed public governance can be understood. Bovaird and Loffler (2003) and Edwards, Halligan, Horrigan and Nicoll (2012) have developed a conceptual model that serves as a base for analyzing the changing shape of government and the evolution of public sector governance, with a focus on the changing structure of government and its use of arms-length bodies to deliver government functions and services.

Chapter 3 presents the research strategy and methods and outlines the ontological and epistemological perspectives that guide the research. The research strategy provides an overview of the methodological approaches used in this study and why they were selected. It links methods to outcomes, explaining the epistemological underpinnings for the choice of methods and tools (Creswell, 2014). A mixed methods strategy is used to conduct a comparative case study of two Canadian provinces. In detailing the research methods, I describe how effective qualitative and quantitative research aims to demonstrate transparency of methodological procedures and offer a compelling, vivid and insightful narrative that is grounded in the data (Dixon-Woods, Shaw, Agarwal & Smith, 2004).
The ontological relationship to epistemology is outlined in order to frame the methodology that addresses the following research questions:

1. What are the general themes in the public governance, agencification, and distributed public governance literature?
2. What controversies, consistencies, research designs, and approaches are discussed in the literature when exploring the concept of distributed public governance?
3. What additional concepts must be explored, understood, and distinguished, in order to conduct the research?

Limitations of the research methodologies are discussed as well as how these limitations impact the interpretation of the findings.

Chapter 4 describes the results of the jurisdictional data analysis which showcases the landscape of agencification in BC and Ontario. It provides the answer to “what’s happening” in these jurisdictions with respect to the use of arms-length entities. The data ground the qualitative analysis based on evidence of the trends in agencification.

Chapters 5 analyzes the interview data which build on the “what’s happening” scenario to provide a deeper understanding of why, what the impacts are, and implications for the future of public sector governance.

Chapter 6 is a discussion of the results in the context of the literature and the research questions and links agencification to the broader context of public sector governance. From a theoretical perspective, it explores the relevance of principal-agent theory to the trends in agencification and public sector governance, namely reform efforts to rationalize governance relationships including structure, processes and accountability measures and mechanisms.
Chapters 7 draws conclusions based on the analysis and discussion and presents areas for future research and conceptual development including introducing ecological theory to link the question of “what’s happening” to “why it’s happening”. It outlines the limitations of the research, methodology and conceptual gaps – each presenting a new area for future research and contributions to understanding the how the shape of the public sector is evolving and implications for the future of public governance.
CHAPTER 2
Arms-length Government and Public Sector Governance: A Theoretical Framework

Introduction

Determining what constitutes the public sector has become increasingly problematic following the surge of new public management reforms in the 1980s and 1990s. In a study based on his over 30 years in the Canadian federal government and 50 years of government restructuring, Osbaldeston (1993) observed that the federal government was “unable to perform its primary responsibility of allocating scarce resources among the countless needs...of its citizenship in a comprehensive, coherent and timely fashion” (p.26). Of note, is that Osbaldeston (1993) was referring only to ministries and not external agencies, which were continuing to evolve even at the time of his writing: “The fracturing of key decision points--chiefly through the addition of ministerial portfolios—has brought a complexity to government that makes this task increasingly difficult to perform in a manner acceptable to the electorate.” (p. 26)

Missing from Osbaldeston’s (1993) observation was the impact of other reform elements that were shaping the configuration of governments at the same time, namely, the creation of independent entities outside the formal bureaucratic structure (e.g., Ministries and departments) that is to say, agencification. Osbaldeston’s (1993) research conclusions are worth noting in that the structuring of government is not always logical or efficient; it is driven as much by politics and personality as policy. His views and conclusions are also consistent with my own experience in that the breadth of complexity of factors driving public sector structuring
makes it difficult to explain or justify on the basis of efficiency or allocation of resources alone (Vining, Lauren & Weimer, 2016).

The complexity, inefficiency and lack of performance by governments has been exacerbated by new public management reforms which tended to “fragment public sector organizations, producing fewer large, multi-purpose forms and more single purpose organizations” (Pollitt & Bouckaert, 2011: 6), often situated at arms-length or external to government ministries or departments. These agencies were given a measure of independence from traditional bureaucratic structure for various reasons which will be explored in further in this chapter. As more such entities came into existence, new problems began to arise such as with coordination, political accountability, efficiency and the costs of service delivery (Pollitt & Bouckaert, 2011). Ongoing reforms have attempted to address some of the negative impacts of new public management, at the same time dealing with challenges of changing technology, globalization, demand for increased services, and public participation in government decision making. These pressures continue to shape the structure and machinery of Canadian governments even as new ideas such as joined-up government, e-government, public governance, and collaborative and net-worked governance, permeate public administration discourse and practice (Aucoin, 1997, 2012; Bernier, Dutil & Hafsi, 2018; Bird, 2015; Savoie, 2004).

Establishing some sense of organizational boundaries to define roles, responsibilities and accountabilities in a public sector context has shaped the machinery of government in most Westernized democracies, including Canada (Savoie, 2004). Shifting boundaries have and continue to expose governments to external interests and increasing calls for participating
and sharing in government decision and policy making, and service delivery (Hogwood, 1997; Ladeur, 2004; Savoie, 2004). The shape of government and its boundaries continue to be affected by many factors including information and communication technologies and social media; a more vocal public; increasing numbers of interest groups and voices; global trade and economics; and social and political pressures (Bance, 2018; Bevir & Trentman, 2007; Ladeur, 2004). The consequences of globalization question the ability of government institutions to “steer” or govern under conditions of uncertainty (Ladeur, 2004). As such, defining the shape of government and understanding the implications that flow from it, continues to be moving target given the failure of academics, practitioners and policy makers to even land on common nomenclature or classification as the basis for any consistent analysis of the impacts of agencification and public sector governance more generally.

A starting point for analysis is Canada’s Westminster system of government. Key characteristics of the Westminster system are a centralized political system, a nonpartisan public bureaucracy, and accountability that is exercised through ministerial authority, within the framework of collective cabinet responsibility (Rhodes, Wanna, & Weller 2009). But the current notion of “Westminster” reflects much variation in the way the public bureaucracy is organized in practice, and in the way the structures of accountability, political control, and oversight work. Hogwood (1995) states that monolithic and uniformly organized ministerial departments have been the exception rather than the norm in Westminster, but the varieties in how such departments operate within (and between) Westminster systems have become more varied. This complexity is in large part due to expansion in the number of agencies, that
is, organizations that deliver some aspect of service, regardless of function, and operate at arms-length from departments and ministers (Rhodes, 1996).

Agency creation has become of increasing interest to scholars outside of public administration, among them, political scientists, financial experts, economists and social scientists, who seek to better understand the role played by administrative systems in shaping policy outcomes (Ace, 2014; Bilodeau, Lauren & Vining, 2006; Capano, Howlett, & Ramesh, 2015). Recent reviews of the existing literature have cautioned against limited or unidimensional categorization of what should or should not be included when trying to determine the composition and contours of the state (Flinders, 2006; Hardiman & Scott, 2010; Rolland & Roness, 2010). Instead, multiple criteria including funding, legal form, accountability, function, and authority can be used to present a multidimensional and complex view of “stateness” or the public sector. Thus, though some measures are necessary to ensure robust comparison, rigidly enforcing a narrow definition as to what is or is not a public sector organization can inhibit comparative research (MacCarthaigh & Roness, 2012).

In itself, this breadth presents an opportunity to find relationships between different ideas, generate new understandings of the field, and develop new frameworks for analysis with a systematic review of the literature. Thus, this literature review will explore and analyze the breadth of the public governance literature, honing its focus on the relationship to the changing shape of government based on its structural evolution. Key concepts and theories are articulated with a view to their application, development, and main criticisms; providing a justification for the research questions and approach. Analysis of the literature is
intended to highlight the gaps in which new research and theory will be presented in this
dissertation.

This chapter presents the results of a review of the state of the public governance
literature and the role that agencification plays in it. Governance is broadly conceived in the
literature and forms the basis for analyzing its relationship to the changing shape of
government. I will explore the conceptual development of public sector governance from
New Public Management to current thought, most notably, through agencification and
distributed public governance with an attempt to uncover the general themes and current
challenges in public governance.

Defining Governance

While there seems to be some debate in the literature about the relationship between
government and governance (Bache, 2003; Kooiman, 2003; Tiihonen, 2004) the latter is not a
new concept for understanding how governments and public systems operate. Societies have
always had some form of collective steering and management which changes over time in
relation to political, economic and value shifts (Pierre & Peters, 2005). Coping with changes in
society has contributed to the evolving role of the state and its relationship with its public,
private and other stakeholders. Although many authors acknowledge the importance of
governance, it is not easy to determine what exactly is meant by it. In fact, Bovaird & Löffler
(2003) state that there are more definitions of “good governance” than of the underlying
concepts of “governance” and “public governance” (p.315).
This definition challenge has been exacerbated by the number of adjectives that purport to describe a certain type of governance e.g. collaborative, networked, corporate, strategic, transformational, global, participatory, multi-level, etc. Its application in the public administration, political science and other related literatures, has been used by various authors in different ways (Kooiman, 1993; Osborne, 2006; Pierre & Peters, 2005; Rhodes, 1996; Sorensen & Torfing, 2007). Pierre & Peters (2005:1) summarize the challenge well: “although widely used, the concept of governance is...far from precise and has taken on a number of alternatives, and even contradictory meanings in the literature”.

For some scholars, governance simply equates with government (Osborne & Gaebler, 1992), but this thinking has been eclipsed by those who argue that the capacity and influence of the state or government in governing in a public context, has been diminished (Rhodes, 1997). Networked, collaborative and multi-level governance\(^2\), as well as co-production, reflect a more horizontal sharing of power and steering of policy and service delivery in the achievement of public goals (Bache & Flinders, 2016). Others recognize that current societal challenges and pressures, and the resulting government reforms, have reshaped the traditional hierarchical, command and control model of our Westminster system (Pierre & Peters, 2005; Salamon, 2000).

Current debate revolves around the role of the state and its relationship to other institutions, entities, interests and the public more generally. Some authors have argued that “governance” is the new “government” (Rhodes, 2007; Stivers 2009), reflecting something

\(^2\) Bache & Flinders (2016) argue that the multi-level governance concept contains both vertical and horizontal dimensions.
less state centered and more marketlike. This perspective includes expanded roles of private and non-profit sectors and entities in both policy-making and service delivery. These relationships between the state and other actors in governance systems has been described variously as collaborative, co-produced and net-worked governance, reflecting a different role for the state. Given this definitional confusion and conceptual proliferation, clarification is needed between the concepts of government, governance, and public governance.

*From Government...*

Our western democratic political system is dominated by the traditional public administration or Westminster model, resulting in the rise of bureaucratic, governmental organization where responsibility for policy areas and services were assigned to departments. Establishing organizational boundaries to define responsibilities within government, along with clear lines of hierarchy, has shaped our machinery of government (Savoie, 2004). Government, then, refers to public organization, processes and people that focus on public problem solving, policy making and service delivery. Integration and coordination were realized through command and control within a bureaucratic structure that focused on task differentiation and procedures (Klijn & Koppenjan, 2016).

Boundaries have been essential for defining distinct and specific roles for politicians and public servants. However, boundaries are creating a new world that opens government to outsiders and increasingly calls for shared policy and administrative space within government (Christensen & Laegreid, 2007). The policy-making process within government is now much more horizontal, porous and complex, while decision-making has become
consultative and shared (Savoie, 2004). Boundaries have been affected by several factors, including the arrival of e-government, the increasingly complex and interconnected nature of public policy issues, the rise of interest groups, and new organizational sites (Flinders, 2006). The implications for governance and public sector governance are significant.

Traditional government and its boundaries have been challenged with ongoing reforms and transformation in the public sector. Governments’ traditional processes and institutions have been pressured by reforms which have increasingly involved non-governmental entities (private and non-profit) in public policy and delivery debates and practices (Kettl, 2000). In “doing the public’s work” (p. 488), governments share responsibility with other levels of government, a larger body of public sector entities (e.g. Crown corporations, agencies, authorities, commissions, authorities, etc.), private companies and non-profit organizations. Kettl (2000) believes there are two effects of this transformation. The first is straining of the traditional roles of all players as a result of layered new challenges on top of traditional institutions and processes. The second is that new challenges have strained the capacity of governments to deliver high-quality public services in a governing structure that has been driven by functional specialization and hierarchical process control (Kettl, 2000). With devolution of services and functions to entities outside of government, service delivery and policy development has suffered through shifts in accountability, responsibility, and lack of coordination (Dan, Jilke, Pollitt, van Delft, an de Walle, van Thiel, 2012; Dommett, Flinders, Skelcher & Tonkiss, 2014; Kettl, 2005).

In sum, political science and public administration literatures have focused on studying formal political and administrative institutions and their roles in governing society and the
economy (Torfing & Triantafillou, 2016). The centre of attention in the study of government in Western democracies, including Canada, has been the study of government and the hierarchical chain connecting voters with elected representatives, the bureaucracy and other stakeholders. More recently, there has been a shift from the original study of government to the study of governance (Rhodes, 1997) prompted by the growing importance of more informal modes of governing and the observation that governments have lost their monopoly on governing the economy and society as other players and private actors pressure governments for increased roles in policy development and service delivery (Torfing & Triantafillou, 2013).

...To Governance

Societies have always had some form of collective steering, which evolves in relation to varying political, economic, and social values (Pierre & Peters, 2005). To grapple with this issue requires an understanding of the language origins of the term governance. While dictionaries are at least consistent in noting that “governance” is a noun, this is not the case in the literature. Some authors do not even attempt to define it in the context of their writing – it’s assumed that the reader understands the concept (Jones, 2017; Kakabadse & Kakabadse, 2006). Others treat governance as a verb, describing it as the “process of establishing the conditions for ordered rule and collective action” (Stoker, 1998:17).

Some authors focus on describing dimensions or types of governance as opposed to actually defining it (Klijn & Koppenjan, 2016). In their review of the literature, Klijn and Koppenjan (2016), under the heading “What is governance?”, begin by stating that they
identify “four dominating meanings of the term governance”, without actually defining governance. The categories they identify do not explain what governance is but focus instead on its descriptors such as “good”, “corporate”, “multi-level”, “inter-governmental” and “network” (p. 21). They suggest that the literature supports a shift in focus from a “government approach”, implying a formal hierarchical position to impose unilateral solutions – to governance or a focus on process through which outcomes are achieved.

The Commission on Global Governance defines governance as “the sum of many ways individuals and institutions...manage their own affairs” (1995:2). An even less useful definition is proposed by Biersteker (1992:102) who states that “governance is essentially purposive and should be distinguished from order...which does not require conscious purpose or intent”. Almquist, Grossi, van Helden, and Reichard (2013) argue that “governance” has become one of the buzzwords in modern social science, despite its use in socio-political arenas for centuries. In their attempt to wrestle a definition from the literature, Bovaird and Loffler (2003) state that it is much like trying to “nail pudding on the wall” (p. 216).

Despite this definitional gloom, there are some contributions to lifting the fog, providing not only a clearer and simpler understanding of what governance is (as a noun) but how it might be operationalized for evaluating the changing shape of government and the implications for public administration. In the introduction to Governance in a Changing Environment, Peters (Peters & Savoie, 1995) simply refers back to the root word for “governance” which refers to steering and the ability of “human institutions to control their societies and ...economies” (p.3). Taking the word “governance” back to its Latin root,
gubernare, meaning to steer, direct or control, provides the basis for aligning current definitions.

Edwards, Halligan, Horrigan, and Nicoll (2012) describe governance as concerned with how societies, governments and organisations are managed and led, including how they structure and “order their affairs, make decisions and exercise powers, and manage their relationships and accountabilities” (p.9). However, the authors recognize that governance has a variety of dimensions and forms, contributing to its complexity. Canada’s Institute on Governance (IOG) (2003) states that this complexity of governance is difficult to capture in a simple definition. But it is clear on what governance is not: government. Governance is about how governments and other social organizations interact, how they relate to citizens and how decisions are taken (p. 1); it is about the strategic aspects of steering – the larger decisions about roles and direction.

Thus, the concept of governance can be applied in different context – global, national, institutional, and community (IOG, 2003). Understanding governance at any of these levels allows for its application to the players in that context, as well as the social and economic landscapes. The IOG (2003) also recognizes the “cavernous definitional landscape” but proposes three common dimensions: authority, decision-making and accountability. Governance, then, is how society or groups within it, organize to make decisions. And thus, governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered.
Another perspective provides a different starting point for defining governance but nonetheless is consistent with the IOG approach. Governance describes a structure and oversight model in an identified sphere such as the public sector, mining, climate change, education, and even a household (Chhotray & Stoker, 2009). It reflects the structure and processes of authority and accountability; how decisions are made, what goals are in play; the roles and responsibilities of the players in the sphere and how they are held to account. These definitions begin to draw a picture of a system, a concept that has been articulated in various ways including as collaborative and networked governance (Ansell & Gash, 2007; Klijn & Koppenjan, 2016; O’Flynn & Wanna, 2008; Stoker, 2006). The governance of systems embraces structures, internal and external interactions, and modes of decision-making (Chhotray & Stoker, 2009).

Bevir (2009) adds to the definitional discussion drawing attention to the complex interplay of structure, process, players and values and to their interactions that form patterns of oversight and accountability. It is reflective of much current thought on the changing nature of governance and more importantly for my study, public governance (Bakvis & Jarvis, 2012; Edwards et al., 2012; Kettl, 2000, 2005; OECD, 2018; Osborne, 2006; Pierre & Peters, 2005; Torfing & Triantafillou, 2016). Bevir et al. (2003) note that governance replaces a focus on the formal institutions of states and governments with recognition of the diverse activities integrating the boundary of state and society (see also Rhodes, 1997). A feature of the current study of governance suggests that many of the ideas, activities and designs of governance combine established, institutional administrative arrangements with market features.
Bevir et al. (2003) described these governance arrangements as “hybrid practices” (p.4), combining administrative systems with private sector practices and relevant market mechanisms as well as non-profit organizations. Another feature of his view of governance is that it is multi-jurisdictional, including transnational or global. Current patterns of governance operate across institutions, levels of government, and political-geographic boundaries. A third feature of governance is the increasing range and plurality of stakeholders involved in various public policy and administrative processes (Bevir, 2009).

Edwards et al. (2012) have added to the discourse on the changing nature of governance, focusing on the extent to which it is government-orientated (as distinct from society-centric and, thus, involving non-state participants), relationship-focused (as distinct from hierarchical and authority-based), and network-centred (as distinct from organisation-based) (Edwards et al., 2012). The question of which of these models or orientations best suits the twenty-first century governance environment is problematic because each provides different insights into various dimensions of governance. In other words, they reveal the broader complexity of governance within and beyond government. This reinforces a central point that governance within a public sector context comprises relationships between levels of government, internal and external organizational structures, private and non-profit sectors, and other stakeholders including the public (Bevir, 2009; Chhotray & Stoker, 2009).

Different conceptions of governance offer insights on parts of the complex whole which includes other societal and global relationships (Edwards et al., 2012). Within this dynamic context the old governance model of “hierarchical modes of decision-making”, “sequential approaches to problem solving”, and “single points of accountability” no longer
fits all governmental functions and must adapt to accommodate new public policy and service
delivery models that are more collaborative, co-productive, fragmented and includes more
stakeholder and public voices (APSC 2009b: 1–2; Osborne, 2006; Pierre & Peters, 2005).

Traditional public administration and even new public management premises are
limited in their ability to guide governments in policy making and service delivery in an
increasingly “plural and pluralist world” (Rhodes, 1997). What this brief definition exploration
demonstrates, is that governance is not a constant, but reflects changing societal needs,
challenges and values (Pierre & Peters, 2005). The adaption of governance arrangements
attempts to address the complexity and uncertainty in governing as does the evolving
nomenclature that follows our ability to understand the nature and implications of changes in
governance relationships, authorities and power.

In summary, clear and consistent definitions of governance, public governance and
public sector governance in the literature are elusive and frustrates analysis of the changing
shape of government and its implications. As the IOG (2003) succinctly states, the need for
governance exists anytime a group of people come together to accomplish an end; it is
concerned with how and why systems of all kinds are constituted and operated. Sifting
through the descriptive elements, governance makes most operational sense as proffered by
the IOG (2003) in that it is a system of rules that determines who has power, who makes
decisions, how other players make their voice heard, and how account is rendered. Public
governance, then, builds on this definition in its application to the public sector, public
services and public policy.
Public Governance

While Bovaird & Loffler (2003) recognize that any definition of public governance should be context-specific, they provide a simple definition that allows for flexibility to accommodate jurisdictional and stakeholder context. They define public governance as “the way in which stakeholders interact with each other in order to influence the outcomes of public policies” (p. 6). This definition, the authors believe, make it easier to explore how different stakeholders in different jurisdictions, can be involved in public governance. Bovaird & Loffler (2003) use this definition as a basis for measuring and evaluating “good public governance”.

The OECD (2011) defines public governance as the “formal and informal arrangements that determine how public decisions are made and how public actions are carried out” (p.2). While little attention is paid to the definition, more time is spent on what is good governance (not good public governance), explaining the benefits and importance of good governance, and two key dimensions of the public governance agenda (regulatory governance and the rule of law, and public sector integrity).

Edwards et al. (2012) offer a simpler definition and more detailed explanation of the concept of public governance stating that it focuses on governance within the public domain. It includes but is not limited to the functions of government thus supporting the premise that governance is not government (Osborne, 2010). Governance in the public sector covers broader processes extending beyond the formal structures of government. Public

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3 The concept of “good governance” has been explored in great detail in the literature but to expand further in this topic area would be to succumb to similar distractions throughout the governance literature.
governance, then, embraces not only governance as it relates to the institutions and business of government, but also its relationships with other actors in the governance process (p. 15).

For the purposes of my study, public governance focuses on governance within the public domain at large, including but not limited to the function and operation of government. Public governance is situated within the Westminster system and the concept of the relationships that connect voters with democratically elected assemblies, government officials, public bureaucracy, citizens, service recipients and users, and subjects of regulation (Torfing & Triantafillou, 2016). Government is a key institutional element and player in public governance but not the only one and arguably, perhaps, not even the most important one (Bance, 2018; Kettl, 2000; Osborne, 2010).

The Context of Public Governance

While the world faces systemic and interconnected challenges such as climate change and growing inequality, governments remain ill-equipped to deal effectively with these issues (OECD, 2017). This new scenario has raised multiple challenges for public administrations. Historical governance problems, such as corruption, excessive red tape, inefficient spending and lack of skills, are now exacerbated by global pressures, rapid technological innovation, social media, ineffective co-ordination across different administrative units, sectors, and interests and increasingly complex, multi-level policy arenas. These factors that are reshaping the face of public governance also create pressure to identify, attract and retain new sets of skills and capacities in the public sector to effectively address new political, economic, social and technological developments (OECD, 2017).
Inadequate design, poor management of institutions and governance instruments, and ineffective governance tools contribute to governance failures (Meuleman, 2019) which often involve substantial financial costs to fix or mitigate resulting harm. The OECD report on the Governance of Inclusive Growth (2016) found that governance failures can lead to widespread informality in the labour market, limited access to education and a lack of formal safety nets - all of which drive inequality. Consequently, governance failure can undermine citizens’ trust in government (OECD, 2017).

Environmental, social, technological and economic challenges of our times, then, call for a multidimensional and integrated approach to public governance, policy and service delivery (Edwards et al., 2012; Torfing & Triantafillou, 2016). Traditional analytical tools and problem-solving methods no longer enable the achievement of better results and outcomes demanded by, and expected from, citizens. Innovative approaches to public governance along with more holistic and integrated strategies are required to enable governments to respond effectively to the multidimensional challenges facing society (Kettl, 2000; Torfing & Triantafillou, 2016). In this way, governance now engages multiple institutions and participants in a variety of governance interactions. Various governance systems contain a plurality of actors that interact with one another in a series of interconnected governance networks, employing an array of mechanisms for distributing, wielding, and rendering accountable the exercise of power in society (Edwards et al., 2012; Rhodes, 1997). The current study of governance includes approaches that attempt to capture the above changes, and their impacts, and are recognized by such descriptors as “collaborative”, “net-worked”, “co-productive”, and “participatory”.
The OECD (2018) has accumulated a significant body of evidence from member and partner countries on what works and what does not in terms of the policy responses to these governance changes and associated challenges such as fragmentation, ineffective coordination, loss of efficiency and loss of clarity in accountability:

- The existence of a significant gap in evidence on how public governance can improve inclusive-growth outcomes;
- Reform leaders struggle with building a business case to engage in comprehensive public governance reform; as it is often seen as a tool to reduce expenditures rather than a means to solve complex policy challenges;
- Top-down approaches devoid of engagement with citizens and civil society usually limit the success of the reform;
- A coherent, integrated, systems-based approach to reform can lead to better results as it allows for the identification of synergies, trade-offs and sequencing considerations. (p.4).

Peters (in Peters & Savoie, 1995) believes that the tasks of governing have grown more difficult with the political, social and economic problems emerging in the 1980s and 1990s. He argues that the root causes of these problems are not new, but have been exacerbated and become more visible, putting greater strain on governments to amend their governance systems. The solutions offered by New Public Management (NPM) to reduce the size of government and maximize efficiencies, resulted in governments increasingly sharing and delegating functions to third parties whether in the private or non-profit sector. A brief history of new public management provides context for the proliferation of arms-length bodies or agencification, and mapping of the public sector.
When Britain’s Efficiency Unit undertook a review of reform initiatives implemented from 1979 to 1983, results showed that “while the management of government business is much improved...there is insufficient sense of urgency in the search for better value for money and steadily improving services” (Jenkins, Caines, & Jackson, 1987:1). The ensuing “Next Steps” report provided extensive advice relevant to the evolution of government structure and the creation of agencies. The authors’ recommendation with respect to the size and composition of government provides a key insight to a perspective that motivated global public sector reforms throughout the 1980s and beyond:

…the Civil Service is too big and diverse to manage as a single entity....it is an enormous organisation compared with any private sector company and most public sector organisations. A single organisation of this size which attempts to provide a detailed structure...to carry out functions as diverse as driver licensing, fisheries protection, the catching of drug smugglers and the processing of Parliamentary Questions is bound to develop in a way which fits no single operation effectively (Jenkins, Caines & Jackson, 1987:5).

Expanding on this recommendation, Jenkins et al. (1987) stated that “agencies” should be established to carry out the executive functions of government. Agencies could be part of government and the public service or it may be more effective outside government (p.9). The term “agencies” was used in a broad sense (as opposed to technical) to describe “any executive unit that delivers a service for government” (p.9). These units were to be given a well-defined framework within which to operate, setting out the policy, budget, specific targets and results to be achieved. The framework also needed to set out how politically sensitive issues were to be dealt with and the extent of delegated authority. The prescriptions outlined in the Next Steps report recognized that the relationship between a department and
an agency would vary with the job to be done and services delivered; a reflection of the need for organizational and management responsibility, along with Ministerial accountability. Given the need to manage ongoing change, one of the primary roles for central government would be to “ensure that the overall shape of the Civil Service continues to respond to changes in the needs of government....” (p.12). Smaller government, then, meant delegating more functions to arms-length entities.

However, agencies and other arms-length, autonomous governmental bodies are not new structural creations (Schick, 2002). Their use is a longstanding tradition (Schick, 2002) in the Nordic countries (Christensen & Laegreid, 2006), The Netherlands (Van Thiel, 2001), Belgium (Fobe, Brans, Vancoppenolle, & Van Damme, 2012), Italy (Ongaro, 2009), Australia (Wettenhall, 2005), the United Kingdom (Flinders, 2008) and Canada (Aucoin, 1990; Fyfe & Fitzpatrick, 2002). The creation of autonomous agencies, as an element of government transformation, has taken place in many OECD member countries since the late 1970s and many countries experienced a dramatic increase in their use through to the 1990s (Beblavy, 2002; Dommett, 2016). NPM played a strong role in the trend toward agencification with the numbers of agencies increasing greatly from the 1980s onward (Hood, 1991).

This reform trend has not been uniform, however, and the shape of reform varies both within and across countries (Verhoest et al., 2012). Administrative reforms, including agencification and the implementation of new accountability arrangements, are seldom part of comprehensive reform packages (Andrews, 2010; Pollitt, 2001). Instead, politicians and top civil servants design their reforms using various ideas and best practices elsewhere. Indeed, these reforms are often subject to compromises, adapted to fit within existing political-
administrative institutions, and therefore, are partly implemented or only paid lip service (Overman, Van Genugten, & van Thiel, 2015).

Despite the wide adoption of agencification, there are gaps in understanding why it has been undertaken and its effectiveness given the statement goals of various governments and jurisdictions. The OECD described agencification as “poorly defined territory... there is no general overview of agency creation in developing countries or transitional economies comparable to the OECD [country] work” (OECD, 2002:4). Although NPM has placed agencification high on the administrative policy agenda, it and de-agencification have in fact made up one of the enduring themes of public administration (Egeberg & Trondal, 2009).

New Public Management

The rise of new public management (NPM) since the late 1970s has been recognized as a key trend in public administration, governance and shaping of the state (Aucoin, 1990, 1995; Dunsire & Hood, 1989; Hood, 1991, 1995; Pollitt, 2003; Pollitt & Bouckaert, 2003). While not strictly a UK phenomenon, the seeds of NPM reforms have often been traced back to Margaret Thatcher’s “desire to reduce the dominance of the state” (Aucoin, 1995:1; Hood, 1991). Three elements underpinned her reform approach. First, she saw the state, in particular the bureaucracy, as needing to be more responsive to political direction. Second, private sector management practices were seen as key to promoting economy and efficiency in government. Third, citizens’ choice was to be enhanced to reduce “state control over the design and delivery of public services” (Aucoin, 1995: 1).
NPM is a flexible term that captures a number of key administrative and management doctrines that dominated reform agendas primarily in the 1980s (Hood, 1991). Hood (1990) originally used the term when he compared changes in the style of public administration in OECD countries and found similar reforms. NPM, then, was a retrospectively applied label. However, the level of similarity warranted the recognition of some commonality but did not evolve as a coherent model of reform (Christensen & Laegreid, 2002). It has been described as a group of ideas (Hood, 1991), variations on a theme (Hood, 1995a) or a cluster of ideas (Olsen & Peters, 1996a).

Generally, NPM aimed to correct some of the perceived pathologies associated with the public sector and traditional public administration, including the view that it was inefficient and too large, ineffective and untrustworthy (Aucoin, 1990; Dunleavy & Hood, 1994; Hood, 1991; Pollitt, 1993). While there may be flexibility in how NPM has evolved, there is sufficient overlap in the descriptions of its various threads so that authors can generally agree on a shift in emphasis from policy making to management skills; from a stress on process to that of output; from orderly hierarchies to a more competitive basis for providing public services; from a uniform and inclusive public service to a variant structure with emphasis on contract provision and the reliance on external organizational forms or agencies (Hood, 1995; Peters & Savoie, 2012).

Hood (1991) presented four “megatrends based on his research on OECD and Westminster-modelled countries. For the purposes of my study, the key trend in driving agencification was a “shift toward privatization and quasi-privatization and away from core government institutions, with renewed emphasis on ‘subsidiarity’ in service provision” (p.3).
The debate around labelling these trends and their accompanying doctrines resulted in Hood’s (1991) coining of the term “new public management”. The doctrines outlined by Hood (1991) are worth including in their entirety (Table 1) because they are not mutually exclusive and arguably some should be considered in relation to the shift to disaggregation of units in the public sector.

Table 1: Doctrinal components of new public management

<table>
<thead>
<tr>
<th>No.</th>
<th>Doctrine</th>
<th>Meaning</th>
<th>Typical justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hands-on professional management in the public sector</td>
<td>Active, visible. Discretionary control of organizations from named persons at the top, ‘free to manage’</td>
<td>Accountability requires clear assignment of responsibility for action not diffusion of power</td>
</tr>
<tr>
<td>2</td>
<td>Explicit standards and measures of performance</td>
<td>Definition of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services</td>
<td>Accountability requires clear statement of goals, efficiency requires ‘hard look’ at objectives</td>
</tr>
<tr>
<td>3</td>
<td>Greater emphasis on output controls</td>
<td>Resource allocation and rewards linked to measured performance; breakup of centralized bureaucracy-wide personnel management</td>
<td>Need to stress results rather than procedures</td>
</tr>
<tr>
<td>4</td>
<td>Shift to disaggregation of units in the public sector</td>
<td>Break up of formerly ‘monolithic’ units. Unbundling of management systems into corporatized units, operating on decentralized 'one-line' budgets and dealing with one another on an 'arm’s length' basis</td>
<td>Need to create 'manageable' units, separate provision and production interests, gain efficiency advantages of use of contract or franchise arrangements inside as well as outside the public sector</td>
</tr>
<tr>
<td>5</td>
<td>Shift to greater competition in public sector</td>
<td>Move to term contracts and public tendering procedures</td>
<td>Rivalry as the key to lower costs and better standards</td>
</tr>
<tr>
<td>6</td>
<td>Stress on private sector styles of management practice</td>
<td>Move away from military-style 'public service ethic', greater flexibility in hiring rewards; greater use of PR techniques</td>
<td>Need to use 'proven' private sector management tools in the public sector</td>
</tr>
<tr>
<td>7</td>
<td>Stress on greater discipline and parsimony in resource use</td>
<td>Cutting direct costs, raising labour discipline, resisting union demands, limiting 'compliance costs' to business</td>
<td>Need to check resource demands of public sector and 'do more with less'</td>
</tr>
</tbody>
</table>

In outlining the shift to NPM, Osborne (1993) described governments, particularly the US, as “rigid” and “wasteful”, noting their deficit budgeting penchants had driven the US into a financial crisis (p.2). This crisis resulted in some urgency for governments to “do more with less” given the public’s aversion to increased taxes (p.2). Governments were seen as slow, unresponsive, inefficient bureaucracies requiring ever increasing tax dollars and delivering poorer service (Osborne, 1993; Osborne & Gaebler, 1992). There was a desire for better government – less bureaucratic, more entrepreneurial and less costly (Osborne, 1993):

> During the industrial era, public institutions were set up much like businesses: large, centralized bureaucracies, with elaborate rules and regulations and hierarchical chains of command. But in today’s world of economic flux, fierce global competition, and sophisticated information and communications technologies, such institutions are dinosaurs. (p.2)

Osborne (1993) believed that the public wanted government that was more entrepreneurial and that this could be achieved with greater flexibility and decentralization. To be effective in this new and changing global and technological environment, “institutions (public or private) must be flexible, adaptable, and innovative” (p.2); constantly searching for ways to improve services and productivity.

The basis of NPM lay in reversing the two cardinal doctrines of traditional public administration: lessening or removing differences between the public and the private sector and shifting the emphasis from process accountability towards a greater element of accountability in terms of results. Despite Osborne’s (1993) comparison of public and private institutions and his view that both were slow and inefficient, the above characteristics of
entrepreneurial government (and indeed, even the term “entrepreneurial”) reflect principles and practices of the private sector.

Osborne (2003) outlined the characteristics of entrepreneurial government, based on research over a 5-year period, of what he called “public entrepreneurial institutions” (p.2). These characteristics have been broadly reflected in the NPM literature following the early work of Osborne & Gaebler (1992):

1. Catalytic government - leveraging private sector actions to solve problems; governments steer rather than row
2. Community-owned government - within an increasing catalytic mode, governments push control of many services out of the bureaucracy into the community
3. Competitive government
4. Mission-driven government - create smaller more entrepreneurial organizations driven by missions not rules; define mission then develop budget systems and rules that free employees to pursue those goals
5. Results-oriented government - change incentives to focus on measuring outcomes and rewarding success
6. Decentralized government - those working in the public sector have the authority to make their own decisions
7. Market-oriented government - finding incentives that can leverage many private decisions, government can accomplish more than it can by financing administrative programs.

Other scholars broadly concur that NPM involves an attempt to implement management ideas from business and private sector into the public sector (Aucoin, 1990; Christensen & Laegreid, 2008; Dan & Pollitt, 2015; Hood, 1991, 1995; Kettl, 2005; Osborne, 1993; Peters, 1995).

As the NPM doctrine emerged, its proponents in other jurisdictions emphasized strategies to minimize and downsize the size of the government and better connect and serve citizens (Pollitt, 1990; Pollitt & Bouckaert 2003). Government should be more user and employee friendly; encourage public servants to treat the public and service users as
“customers”. Being a customer means that there should be some choice of services, and monopolies of public service must be broken up (Peters, 1995). This is evidenced by the shift of larger departments and ministries into more autonomous, arms-length and/or independent organization as well as contracting out and privatizing services that can be more efficiently provided by parties other than government (Peters & Savoie, 2012).

Implementation of NPM-style reforms, however, differed across countries including Australia, Canada, the Netherlands, New Zealand, Sweden, the UK and the US (Ferlie et al., 1996; Pollitt & Bouckaert, 2017). In their analysis of reform trends, Pollitt & Bouckaert (2017) assume that NPM is a “two-level phenomenon” (p. 10). As a general theory or doctrine, the public sector can be improved by business concepts, practices and values. At a more concrete level, NPM is a “bundle of specific concepts and practices” (p. 10) and in their summary, Pollitt & Bouckaert (2017) reflect some similarity with Osborne & Gaebler (1992):

- greater emphasis on performance and output measurement
- a preference for lean, flat, small, specialized (disaggregated) organizational forms over large, multi-functional forms
- a widespread substitution of contracts for hierarchical relations as the principle coordinating mechanism
- widespread use of market-type mechanisms such as tendering and performance-related pay
- treating service users as “customers” and application of quality improvement techniques.

Most important for my study is the second element and the shift towards “disaggregation of public organizations into separately managed corporatized units” (Hood, 1995: 95).

Several authors have described this as the “unbundling” of government (Hood, 1995; Pollitt & Bouckaert, 2017; Pollitt & Talbot, 2004), decentralization, structural disaggregation
(Hood, 1991; Verschuere, 2009), devolution etc.\(^4\) (Christensen & Laegreid, 2002). These and other authors have raised theoretical and conceptual inconsistencies and administrative tensions between centralizing and decentralizing tendencies as well as managerial flexibility, control and accountability (Aucoin, 1990; Christensen & Laegreid, 2002; Hood & Peters, 2004; Pollitt & Bouckaert, 2017; Rhodes, 1999). The underlying premise of these tensions is the belief that it is more efficient to separate political and administrative functions than have them integrated in the traditional, hierarchical, bureaucratic model.

Traditional public administration reflects a lower level of trust between principal (government) and agent (arms-length entity) and perpetuates a directive form of management and principal-agency relationship; constructing rational systems of incentives to “make the managers manage”. Alternately, NPM suggests that leadership and innovation are facilitated with a greater trust in staff and letting them get on with doing the job or “letting the managers manage” (Pollitt & Bouckaert, 2017). Tension is evident in structural devolution which is intended to provide flexibility and operational nimbleness at risk of weakening accountability and exacerbating the principal-agent problem that NPM was intended to address. These tensions have ebbed and flowed over time, depending on the popularity and issues associated with managing the structural divide between government and its external agencies.

While the popularity of NPM has faded somewhat since its prominence during the 1980s and the 1990s, and its effectiveness called into question, its elements are still visible in

\(^4\) These concepts are explored in more detail in the next section.
public administration in the 21st century (Osborne et al., 2013; Peters & Savoie, 2012; Pollitt & Bouckaert, 2017). This includes a focus on customers, performance, managerialism and the continued creation of arms-length agencies. Thus, the evaluation of NPM’s effectiveness in addressing the size and shape of government is important to the thesis of this study. The impacts, effects and challenges of NPM and agencification more specifically, will be explored later in this chapter.

Agencies and Agencification

Over the last three decades the classical model of hierarchical, command and control government has gradually shifted to accommodate more horizontally structured and fragmented arrangements and the delegation of public or government functions to autonomous agencies (Bakvis & Jarvis, 2012; Christensen & Laegreid, 2002, 2006). As part of the NPM reforms, this form of structural devolution was a major shift in a number of OECD countries to transfer central state activities to various forms of semi-autonomous, arms-length organization; a form of structural devolution often called agencification (Aucoin; 1995; Christensen & Laegreid, 2003; Greve, Flinders, & Van Thiel, 1999; James, 2003; OECD, 2002; Pollitt & Talbot, 2004). These agencies carry out public tasks such as policy implementation, public service delivery, and regulation, but they are structurally disaggregated from their political principals.

Agencification was justified by claiming that these arms-length bodies would bring political, economic, and organizational benefits (Pollitt et al., 2001; Smullen, 2010; Verhoest et al., 2012). Jurisdictional analysis by the OECD (2004) found that agencification was motivated by many factors, most notably the quest for increased specialization, efficiency,
service innovation and responsiveness to customers, by letting agencies to manage while holding them accountable for their performance. Public services were disaggregated from their parent departments in small single-purpose bodies to maximize managerial autonomy. In theory, this increased managerial decision-making competence allowed agency managers to react swiftly to changing environments and service user demands. Other motives for agencification like enabling direct political control through politicization of the top management functions, distancing government from sensitive issues, having to respond to complex issues, or keeping specific expenses out of governmental budgets, have also been noted (Verhoest, 2018).

The breadth of rationale for agency creation has been accompanied by a plethora of organizational forms with different organizational, legal, financial and managerial characteristics and degrees of autonomy (Flinders & Smith, 1999; Greve, Flinders & Van Thiel, 1999; James & van Thiel, 2004; OECD, 2002; Pollitt & Talbot, 2004; Pollitt, Talbot, Caulfield, & Smullen, 2004;). Most countries, including Canada (at both the federal and provincial/territorial level) have created many different types of organizations outside the formal government bureaucratic structure, with varying degrees of autonomy and control. Thus, there is no standardized international view of what an agency is but there is some agreement in the literature that the agency model is different from the traditional integrated bureaucratic model in that it combines expertise, autonomy, and specialization of tasks in a narrow range of policy issues (Egeberg & Trondal, 2009; Majone, 1997; Pollitt et al., 2004; Pollitt & Talbot, 2004; Verhoest et al., 2012).
Most countries have created several different types of organizations, with different degrees of autonomy and control (James & van Thiel, 2010). Agencies, which can have any number of functions, have been described variously as non-departmental public bodies, hybrids, quangos, fringe bodies, non-majority institutions, and quasi-autonomous public organizations (Flinders 2004; Greve, Flinders & van Thiel 1999). What an agency is and what it does vary considerably across national and organizational cultures, legal systems, and political systems (Christensen & Laegreid, 2005; Smullen, 2004). While the NPM reforms have attracted scholarly attention to agencification, the lack of uniform definition has complicated research.

In reviewing the UK experience following the Next Steps report (1987), James (2004) noted that while individual agencies differed in many respects, they shared two core features. The first is organizational separation both vertically, between the agency and the government department, and horizontally, between agencies for different tasks. The second is a performance-contracting system with a department exerting arms-length control. These characteristics are what prescribe the notion of semi-autonomy (James, 2004). Dan & Pollitt (2012) arrived at a similarly simple definition based on extensive jurisdictional research. Their definition of an agency reflects:

1. Structural disaggregation or separation from (not within) government ministries
2. Operating under more businesslike conditions than the core government bureaucracy.

The definitions provided by James (2004) and Dan and Pollitt (2012) highlight the arms-length relationship from the core of government.
These agencies are still considered part of the public domain, performing public tasks, but are subject to varying measures of accountability; differing in their degree of autonomy and in the way in which they are managed by government. The simplicity of Dan and Pollitt’s (2012) definition lies in the fact that there is little agreement on function, structure and governance and reflects the lowest common denominator in terms of consistent factors across jurisdictions, allowing for the broadest analysis of governmental organizational structure.

Talbot (2004) described semi-autonomous agencies as having three key features: (i) structural disaggregation from a ministry, (ii) carrying out of public tasks, and (iii) operating under more business-like conditions than traditional government bureaucracies. While agencies possess some level of organizational autonomy, they are generally free to shape their own management structure and independently determine, for example, personnel and financial matters. Other governance elements that impact the dimension of autonomy-control depend on myriad jurisdictionally contextual factors such as political and administrative tradition and ideology, and legal context.

Agency autonomy is a multidimensional concept that is not necessarily linked to agencies’ formal legal status in a straightforward way. There is separation both on a vertical dimension between agencies and ministries and on a horizontal dimension between different agencies responsible for different tasks. This creates a lot of organizational complexity, potentially requiring more coordination (Gregory, 2003). Agencies with the same formal status might vary substantially in their autonomy (Pollitt et al., 2004), but they are still organizationally distinct from ministries in the way they work. Variations in autonomy may
occur along different dimensions, with some agencies having more policy or managerial autonomy, and others more structural, decision making, policy, financial, or legal (Christensen, 2001; Verhoest et al., 2004). Autonomy along one dimension does not necessarily mean autonomy along another dimension (Bouckaert & Peters, 2004; Tenbücken & Schneider, 2004). In practice, disaggregation and autonomy often go hand-in-hand but there also may be governments that implement structural disaggregation with less real autonomy (Pollitt & Talbot, 2004) and vice versa. It is in this context that public sector governance is relevant to the nature of agency autonomy, accountability and performance.

Central to the NPM ideal is that the relation between the government (parent department) and the individual agency is governed by performance agreement, which is negotiated between the two actors, like in the private sector. A performance contract, as a form of result and goal-oriented control, is supposed to set out clear performance targets, which are then monitored and evaluated by government and for which achievement is rewarded. Control and accountability mechanisms included contracts, audits, legislative review, performance targets and reporting (Behn, 1998; Pollitt et al., 2001). Agencies are made responsible for their performance (Gilardi, 2008) and thus can be held accountable for it (Majone, 1999). In addition to the structural aspect of NPM impacts on public sector governance, the rationale for agencification needs to be considered in terms of its expected benefits.
Rationale and Benefits

The literature touts many benefits of agency creation the results of which have been mixed. Under the guise of NPM, politicians have justified the creation of arms-length agencies by claiming that they will bring economic, political, and organizational benefits (Pollitt et al., 2001; Smullen, 2010; Verhoest et al., 2012). The UK’s “Next Steps” report identified effectiveness and the achievement of results as key motivators for agencification:

To strengthen operational effectiveness, there must be freedom to recruit, pay, grade and structure in the most effective way…. the head of the agency would be given personal responsibility to achieve the best possible results.... (Jenkins, Caines, & Jackson, 1987: 9-10)

Jenkins et al. (1987) associate effectiveness with better service delivery and believed that financial benefits would also result by increasing managerial responsiveness and operational nimbleness, with the right talent. With great nimbleness or flexibility, and a more businesslike and market-oriented approach, comes better services to citizens (Verschuere, 2007).

The benefits of arms-length agencies have also included the delivery of services and products at greater efficiency and lower cost for taxpayers. This is premised on the belief that the private sector can deliver services better and cheaper than the public sector. And while contracting out and privatization take full advantage of the private sector’s focus on competition, competitive advantage, streamlined business practices and the bottom line, some agencies were established with these same principles in mind. Distancing the delivery of public services was also intended to minimize political interference in operations, administration and decision-making. Among the negative reasons why arms-length agencies
are established are the possibilities to pay off political allies, to avoid responsibility or even shift the blame and to gain legitimacy by imitating organizational fashion (Verschuere, 2007).

However, politicians have seldom offered substantive arguments to support their claims about the expected economic effects of agencification (Overman & van Thiel, 2016; Van Thiel, 2001). An exception is found in New Zealand (Boston, 1992), where principal agent theory and transaction cost economics are used to argue why agencification would lead to improved public sector performance. Following this logic, agencification would lead to specialized and expert public services, a better fit between client demands and services offered, which will improve quality on the one hand and improve efficiency (or reduce waste) on the other. Agencies operate under competitive (market) pressures; innovating and creating more choice for citizens (Jilke, 2015 in Overman & van Thiel, 2016).

The market structure or rational choice argument assumes an inherent beneficial effect of market provision on public sector performance. Public choice theorists consider monopolies to have a negative effect on performance (Ostrom & Ostrom, 1971) and that efficiency is the “fuel which powers the drive towards new organizational forms” (Pollitt, 2004: 331). The absence of markets in the provision of public services by large bureaucracies reduces the incentive for civil servants to work efficiently (Niskanen, 1971; Osborne & Gaebler, 1992). Sometimes internal markets or quasi-markets are created through agencification (Verhoest, Bouckaert, & Peters, 2007), but the agency model does not, itself, suggest inherent competition (James, 2003). Agencification in combination with market liberalization, then, can facilitate a breakdown of state monopoly on public services providing more choice of services for citizens. Competition is assumed to lead to lower costs per output
unit, thereby increasing efficiency and choice. Based on the public choice argument, it is expected that agencification will lead to increased public sector performance and increased efficiency (Overman & van Thiel, 2016).

Another logic purports that reduction in organizational size will increase efficiency (James & van Thiel, 2011). This logic suggests that when the organizational span of control becomes too large and coordination problems arise, transaction costs increase (Andrews, 2010). As structural de-aggregation of government functions results in small service units (including government itself) this provides a potential solution to the issue of inefficient bureaucracy (James, 2003; van Thiel, 2010). Relatedly, giving managers operational and decision-making freedom should lead to greater innovation and use of funds to meet the needs of clients; increasing value for money (Osborne & Gaebler, 1992). However, this increased freedom requires new forms of accountability such as setting performance goals, targets and measures, and shifting the focus to results as opposed to process and rules (Andrews, 2010; Overman & van Thiel, 2016). Overall, the rationale and benefits of agencification have been broadly construed given its adaptation to different jurisdictions and political environments (Bouckaert et al., 2009; Caulfield et al., 2006; Christensen & Laegreid, 2006, 2007; Hood, 1996; Kettl, 2006; OECD, 2002; Pollitt & Talbot, 2004; Pollitt et al., 2004; Verhoest et al., 2010).
Agencification Effects

The early benefits of NPM reforms, including agencification, had often been promised or assumed, extensively written about, but seldom consistently proved (Christensen & Lægreid, 2001; Peters & Bouckaert, 2004; Wettenhall, 2005). For example, Talbot (2004) emphasized that the United Kingdom government had failed to comprehensively examine performance change under the Next Steps program, despite initial commitments to do so. More specifically, despite the growth in agencification, there is currently little rigorous empirical evidence on its impact, either globally or in Canada. When agencies work well, they may enhance performance, innovation and efficiency. This may not, however, always be the case and some of the main challenges in reforms are related to problems of fragmentation, coordination, accountability, and political mis-alignment.

Egeberg (2003) summarized findings on the effects of agencification across the literature. Of note is that although many of the same kinds of tasks are performed at the level of ministerial departments and agencies respectively (e.g. legislative proposals), policy choices are affected by the organizational context within which they are made. Compared with their counterparts in ministerial departments, agency officials exercised their discretion relatively insulated from ongoing political processes at the cabinet level. Many of the effects and results noted by Egeberg (2003) can be found in research that has attempted to measure the impact of agencification and whether the desired benefits have emerged.

Moynihan (2006) found numerous empirical challenges to NPM doctrines, with respect to agencification, based on the Swedish and UK experiences:
• Agencies frequently pursue multiple goals rather than a single purpose.
• Lack of a clear separation between policy and implementation.
• The creation of new agencies is marked by a high degree of path dependency rather than dramatic change.
• Agencification can undermine policy coordination.
• There is little clear evidence that agencies have saved money, increased performance or reduced the size of government.
• Agencification has sometimes weakened central capacity and oversight, increased information asymmetry and bureaucratic/stakeholder influence. (p.1033)

There is some limited case study evidence to support the idea of improved performance (Bradbury, 1999; Sanders, 2004; Vining, Laurin & Weimer, 2016). Brewer (2004) presents aggregated evidence from 25 OECD countries that suggests “corporatization-like” reforms improved performance. However, Boyne (2002) reviewed 65 studies that empirically examined public sector performance and concluded that there is little evidence to support improved performance given the lack of evaluation of structural changes, including agencification, implemented by various governments. Furthermore, he noted that results derived from cross-sectional models “do not address the issue of improvement because changes over time in service standards are not examined” (p. 388).

One comprehensive comparative study of agencies concludes that the ideal model is rare in reality (Pollitt et al., 2004). The division of tasks and responsibilities between ministries and agencies is much more complicated in practice than in theory (Christensen & Laegreid, 2006; Overman & van Thiel, 2016). Formal relationships that were supposed to become clearer in the context of reforms, in particular NPM, turn out to be complex and disputable, with gray zones of authority (Pollitt et al., 2004). Structural devolution changes and weakens the instruments of control and increases the distance between the political leadership and subordinate units and lower levels of management (Christensen & Laegreid, 2005). The
decision-making premises used by actors in autonomous agencies are less attentive to political signals than in an integrated model.

Based on three case studies at the country level\(^5\) Moynihan (2006) drew three overarching conclusions about the impacts of agencification. First, the cases illustrate the variation in understandings of what agencification meant and the role of context in shaping these understandings. Second, context-driven tailoring does not necessarily result in improved public services. Third, the cases demonstrate the propensity to discount negative experiential learning on agencification. For example, the departmental-agency relationship remains more clearly adversarial in the UK than in Sweden, where informal relationships have always been critical in helping a relatively weak centre interact with agencies. In Slovakia, agencification has come to mean agency autonomy and political power, a weak centre, and the absence of accountability mechanisms.

One of the key-principles of NPM reform is to limit an agency’s role to implementing and executing policies (rowing). Research by Verschuere and Vancoppenolle (2012) found that public agencies take up a larger role in policy development or steering, than would be anticipated under NPM. Findings showed that the rhetoric of the policy-operations divide intended by governmental reform differs from reality (Verschuere, 2009). This discrepancy between rhetoric and reality is in line with what is known from the public sector reform literature (Christensen & Laegreid, 2007; Pollitt & Bouckaert, 2011) - reforms often unfold differently than was intended on paper.

\(^5\) Sweden, UK and Slovakia.
To evaluate the effect of NPM on public sector size, Andrews and Van de Walle (2012) looked at two major policies: outsourcing and decentralization. Their study sought to answer whether these factors led to a reduction in the size of the public sector. Using a panel data model for the EU-15 Member States over the period 1983 to 2011, the authors did not find that decentralization led to a reduction in public sector employment. No conclusions were drawn as to whether a reduction or otherwise of government expenditure led to greater public sector efficiency and effectiveness, whether the services provided were improved or worsened, or the effects on social welfare. Despite the limited aims, Andrews and Van de Walle (2012) note it is still worthwhile testing for the effects of decentralization, structural disaggregation, etc., on public sector size because, during financial and economic crises, governments turn again to NPM-style policies in the name of cutting costs.

**Challenges and Unintended Consequences**

Reduction in the size of government, agencification and fragmentation are related concepts with roots in NPM and subsequent reforms. The specialization involved in creating single-purpose agencies tended to increase the difficulty of coordination and the capacity problems of central government. The same has been revealed in countries such as New Zealand, the UK, and The Netherlands (Pollitt & Bouckaert; 2004). The fragmentation of public administration by growth, disaggregation, structural devolution, and the establishment of single-purpose organizations might reduce central policy capacity (Christensen & Lægreid; 2005) and increase coordination problems (Flinders, 2004b; Gregory, 2003). The issue of fragmentation was highlighted in a report by New Zealand’s State Services Commission (2001) agencification:
Fragmentation makes coordinated service delivery more complicated, adds to the costs of doing business, and blurs accountability for some issues. Structural fragmentation means many small agencies, spreading leadership talent and other skills more thinly and increasing the risk of weak capability. Fragmentation means Ministers need to build relationships with multiple agencies, and at times reconcile conflicting agency positions (p.5).

Fragmentation has resulted in coordination problems, enhancing the need for “joined-up” government both vertically between ministries and agencies and horizontally between policy areas, especially in countries like the UK and New Zealand, which have been more fully adaptive of NPM (Gregory, 2003; James, 2004; Pollitt, 2003).

In the last decade, the agencification trend has provoked a counter-reaction, aiming to rationalize the agency landscape in order to (re-)enhance transparency, political control and government-wide efficiency (Verhoest, 2018). Agencification then, has had profound implications for our understanding of the state (Dommett, Flinders, Skelcher & Tonkiss, 2014). In contrast to the logic of the traditional Westminster model, with its emphasis on vertical lines of accountability and control, agencification increased the complexity of the administrative state and in so doing created accountability challenges for parent departments and parliaments alike (Flinders, 2009; Verhoest et al., 2010). The expansion of accountability “chains” arising from extensive delegation, and the increased range of tasks for which governments are ultimately deemed accountable to parliament by virtue of agencies’ work altered the character of the state, raising questions over central government’s capacity to exercise political oversight (Dommett & MacCarthaigh, 2016).

A main concern arising from agencification is the problem of accountability, that is, (Flinders, 2004b): how to make agencies independent and at the same time accountable. It is
the need to find balance between organizational flexibility and control or accountability.

Agencies are constrained by procedural and substantive rules that guide their discretion, and autonomy from direct political control does not mean immunity from public accountability (Majone, 1999). The autonomy of agencies from government may lead to agency capture, creating a problem of democratic accountability; some scholars talk about an “accountability deficit” (Baldwin, Scott, & Hood 1998). At a high level, many authors have found that the autonomy of agencies varies according to assorted circumstances such as agency tasks and the political salience and conflict potential of an issue area (Christensen & Laegreid, 2006). Thus, real agency autonomy might not correspond with formal autonomy (Yesilkagit & van Thiel, 2008).

Many authors have noted that de facto autonomy of agencies does not necessarily fully correspond with its formal autonomy (Hanretty & Koop, 2012; Maggetti, 2007; Verhoest et al., 2004; Yesilkagit & Van Thiel, 2008). Substantial research efforts have been invested in mapping the autonomy and control of agencies across Europe and beyond through comparative mapping exercises or surveys of agency managers (Bianculli, A. C., Fernández-i-Marín, X., & Jordana, J., 2013; Gilardi, 2008; Jordana, Levi-Faur, Fernandez, 2011; Verhoest, van Thiel, Bouckaert & Laegreid, 2012;) showing high variation across but also within countries. Subsequent efforts to explain these varying degrees of agency autonomy and control have referred to different sets of variables including organizational factors, task-related and political variables, and national path dependencies.

A unique study in New Zealand looked at the perceptions of autonomy in Crown entities, using surveys of retired Chief Executives (Lofgren, Macauley, Berman, & Plimmer,
The authors found that the respondents were not able to distinguish between form (organizational structure) and information autonomy (policy) in practice (p.678). While many respondents acknowledged the legal and constitutional aspects of autonomy, they recognized that the Crown was a part of the overall machinery of government – indivisible. With respect to autonomy, Lofgren et al., (2018) found that the traditional Westminster convention of constitutional boundaries between politics and administration is not that clear-cut in practice (p.679). Even though the system of accountability is flexible, and based on uncodified and informal conventions, it rests on prescriptive principles around trust, “no surprises” and negotiated expectations (p.683). The authors note that the findings provide a counterbalance to previously accepted theories around dimensions of autonomy (Verhoest, 2010) as the respondents did not really identify clear distinctions. They proposed a residual category of negotiated autonomy which does not match the existing theoretical dimensions of autonomy and bears further research.

With respect to agency control, research findings are mixed. Parent ministries are most involved in the steering of agencies, but do not always seem aware or capable of performing this function successfully (Dan et al., 2012). Steering requires new competencies and the development of new organizational arrangements and instruments that fit with the more horizontal and business-like relationship with agencies (Van Thiel & Pollitt, 2007; Verhoest et al., 2012,). One motive for agencies to invest in horizontal accountability instruments refers to the democratic deficit; because ministerial accountability for agencies is limited but agencies are not held to account for their performance directly, there is a gap in democratic accountability (Flinders, 2008; Skelcher, 2007; Vibert, 2007).
Pollitt et al. (2004) explain the de facto autonomy and control of agencies in four countries in terms of both political-administrative culture and task characteristics, pointing to political salience, measurability and complexity of the task at hand. Recent research has shown that structural organizational factors, task-related factors and country-level factors interact in explaining agency autonomy (Gilardi, 2008; Laegreid et al., 2008; Verhoest et al., 2010). The hypothesis that the agencies with a legal type further away from the centre of government will have more autonomy is supported in some studies (Egeberg & Trondal, 2009; Painter & Yee, 2011), but not entirely confirmed in other studies (Bach & Jann, 2010; Maggetti, 2007; Verhoest et al., 2004; Yesilkagit & van Thiel, 2008). Likewise, whether agencies with a governing board have more autonomy, since the board can balance the influence of the minister with other interests from clients and experts, has been disputed (Bach, 2010; Verhoest et al., 2010).

Dan et al. (2012) conducted an international comparative study on the effects of privatization and agencification. They found that while it was an international trend, there were no general patterns on its effects and outcomes. While many countries engaged in the creation of agencies, no blueprints were found either in the way that politicians made decisions, or the design of the organizations involved (p.4). Other dominant topics in academic research are the autonomy and control of agencies, with special attention for the (new) regulatory agencies that have been established in response to privatization and liberalization of markets (Gilardi, 2002, 2005; Hanretty & Koop, 2012, 2013). Findings show that agencies can be granted different levels and types of autonomy - managerial, personnel, financial, policy implementation, etc., but there is no direct link between the actual level of
autonomy (de facto) and the formal autonomy (by law) (Verhoest et al., 2004). Alternately, some agencies will operate more autonomously than their official statute allows.

Kim and Cho (2014) looked at 44 Korean agencies to examine the effect of autonomy and result control (based on a contractual relationship with a parent government) on organizational performance. Their results showed that both human resource management and financial autonomy have statistically significant negative relationships with performance, whereas systems for performance evaluation and rewards for result control are significantly and positively related to the performance of executive agencies in Korea. This means that greater control of human resource and financial management in an agency results in poorer performance. Alternately, the stronger the systems of performance evaluation and rewards for results, the better the agency performance.

Groenleer and others (Busuioc et al., 2011; Groenleer, 2009; Yesilkagit, 2004) have shown how agencies gain autonomy through identity-building and institutionalization. Building a strong reputation in the eyes of relevant audiences and embedding the agency in a strong network of support, increases trust and autonomy, resulting in agencies being able to protect their autonomy in times of crisis (Carpenter, 2001; Carpenter & Krause, 2012; van Thiel & Yesilkagit, 2011; Verhoest et al., 2015). This contradicts a belief that agencies, for the most part, eschew close contacts with their principals (political and bureaucratic) in order to safeguard their autonomy (Dan et al., 2012; Egeberg & Trondal, 2009; Savoie, 2004). The relationship between political masters and their agencies has attracted a limited but important thread of research; linking back to the study of Thatcher’s Next Steps reforms which demanded that bureaucracy be more responsive to political direction.
Politics of Agency Governance

Little attention had originally been paid to the differences between political oversight and partisan politics in the analysis of the relations between quasi-autonomous organizations and their political environment (Egeberg & Trondal, 2009). Some empirical studies show that quasi-autonomous organizations are not exempt from political interference (Bourdeaux, 2007a, 2007b; Maggetti, 2007; Yesilkagit & Van Thiel, 2011). Others have been inconclusive with respect to the extent that agencification has resulted in the insulation of agency decision-making from political considerations (Christensen & Lægreid, 2006, 2007; Verhoest et al., 2004; Yesilkagit & van Thiel, 2008).

The concepts of formal and informal independence have emerged in the literature to begin to account for political influence and interference in agency relationships, policy making and operations (Hanretty & Koop, 2012, 2013). Formal independence refers to the legal ability of an agency to make decisions without political interference. An agency may possess limited powers but exercise them independently, or it may possess a wide range of powers and exercise them with no independence. In addition, formal independence may be undermined by informal dependence reflective of the need for political control. Gyorgi (2011) delved into the problem of political control and politicization of agencies in Hungary, focusing on the relationship between formal and de facto autonomy. He found a linear but negative relationship that highlighted possible misuses of agencies by politicians. The negative relationship suggests the use of “subtle and informal means of political control and/or realizing political benefits” (Gyorgi, 2011: 90).
Drawing on surveys covering three points in time (1986, 1996 and 2006), Egeberg and Trondal (2009) showed that:

- Agency officials pay significantly less attention to signals from executive politicians than their counterparts in ministerial departments. This observation was consistent across time.
- This finding holds when controlled for variation in tasks, the political salience of issue areas, and officials’ level of position.
- The more organizational capacity available in the respective ministerial departments, the more agency personnel tend to assign weight to signals from their respective ministers.

Several scholars have noted how agencification may open room for blame avoidance by politicians (Christensen & Laegreid, 2006; Fiorina, 1982 in Hanretty & Koop, 2012; Gyorgi, 2011; Yesilkagit & van Thiel, 2008). Flinders (2008), for instance, argues that ministerial blame-shifting capacity may be affected by the degree of delegation. According to Hood (2011), even if agencification does not provide the claimed performance improvements, it may help shift blame away from politicians and central bureaucrats to more independent operators. In sum, regardless of how and why arms-length agencies are structured, politicians have and continue to be tempted to influence, interfere and otherwise find ways to exert control over agencies to realize individual or collective political benefit.

**Agencification in Canada**

Less has been written with respect to agencification in Canada. Perhaps this is a result of the moderate level of reform based on its implementation as an NPM reform. Although not early, or bold, adopters, Canadian politicians and civil servants have clearly been influenced by NPM ideas, including those on the organizational arrangement of agencies (Aucoin 1995;
Bilodeau, Laurin & Vining, 2006; Borins, 1995; Savoie, 2004). For example, in 1989, the Canadian federal government began to implement NPM ideas with the launch of its Public Service 2000 reform. An important aspect of the reform was the potential for “alternative service delivery” based on the belief that “choice of organizational form makes a real difference” (TBS, 1998, sec. 1.2).

Canadian reform efforts were not systematic, coherent or consistently supported by ideological regimes (Graham & Roberts, 2004; Savoie, 2004). There was no radical change in governance or traditional accountability structures – change has been incremental, with the agency concept embedded in reform measures (Pollitt & Bouckaert, 2017). While there has been no systematic evaluation of public management reform in Canada (and agencification more specifically), there have been a number of reviews and assessments that contribute so a patchwork of understanding about how changes to the structure of government have evolved and the subsequent impacts (Auditor General of Canada, 1993, 1997, 2004; Bernier, 2011; Bird, 2015; Bilodeau et al., 2006; Burak, 2010; Fyfe & Fitzpatrick, 2002; Osbaldeston, 1993; Peters & Savoie, 1998; Pollitt & Bouckaert, 2017; Savoie, 2004; 2010; Vining et al., 2015).

Canada’s limited use of Special Operating Agencies (SOA) was characterized as positive by the OECD but “it is not clear whether they are sufficiently different from traditional departments to support flexible and innovative service delivery” (OECD, 1997b, p. 44). Bilodeau et al. (2007) examined the productivity of five SOAs before and after their
corporatization⁶. They found that outputs increased in a majority of cases but other measures such as cost efficiency were less clear. There was large variation between agencies and some indication that performance actually declined.

Pollitt & Bouckaert (2017) summarized the history of reforms in the Canadian federal administration calling it “a bewildering series of overlapping and only loosely coordinated initiatives” (p.260). Just as there was no radical change in organizational structure, there was no radical change in organizational performance (Graham & Roberts, 2004; Pollitt & Bouckaert, 2017; Savoie, 2004). Agencies did not generate significant improvements in efficiency or service quality. However, they continue to be created at both the federal and provincial/territorial levels with the extent of public sector fragmentation and impacts of agencification, little studied. Canada has not been immune, however, to an evolving reform agenda contingent on administrative doctrines, political ideology, changing policy objectives, environmental pressures and other fads, where agencies have been re-shaped, rationalized and re-integrated in various reform cycles (Aucoin 1990; Hood & Jackson, 1991; Ongaro & van Thiel, 2018; Pollitt, 2008; Verhoest et al., 2004).

**The Agencification Pendulum: Rationalization and Reform**

The unintended consequences of agencification and distributed public governance along with the fiscal crisis in 2008/9 have driven further reform in the agency landscape. Administrative rationalization has taken centre stage across the OECD as part of state

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⁶ SOAs are unique in that they are units structured independently within a government ministry/department. They are not structurally disaggregated in the sense that they exist within and not external to a government department.
responses to fiscal and budgetary crises (MacCarthaigh, 2012). Fragmentation in the public sector has resulted in lack of coordination and cooperation, particularly in case of cross-sectoral policy problems, leading governments to not necessarily reconsider their decisions to create agencies but change how they manage them. The challenges to accountability, transparency, and the democratic deficit have been well documented as have the attempts to address them (Christensen & Laegreid, 2006, 2007; Dan et al., 2012; Dommett & MacCarthaigh, 2016; Flinders, 2008; Skelcher, 2007).

Although NPM-led agencification may have had benefits at the level of individual organizations and service delivery, it has caused a loss of control and coordination of policy processes and the whole government (Bouckaert et al., 2010). This is particularly important in our current social, economic and political context with the need to deal with “wicked” societal challenges, like climate change, global security, international trade and human rights, and global pandemics. Governments’ roles have been expanding and becoming more complex (OECD, 2002). The limitations of a fragmented public sector to handle such cross-cutting complex and multi-actor/jurisdictional problems has become more acute. These impacts have not led to large re-nationalizations but rather to changes to strengthen accountability mechanisms and reshape agencies through mergers and increased collaboration with central government (Christensen & Laegreid, 2007; MacCarthaigh, 2012). In some jurisdictions, levels of control have increased over time (Behn, 2001; Talbot, 2004). This, in turn, has led to the more recent conceptual development of “earned autonomy” (Behn, 2001). This is the idea that as agencies demonstrate good performance and trust, they should be given greater autonomy (Behn, 2001). These latest trends fit with the post-NPM movement or whole-of-
government approach that tries to re-establish and strengthen coordination across the public sector (Dommett & MacCarthaigh, 2016).

Since 1995, many OECD countries such as France, the UK, and the Central Eastern European countries have been rationalizing agencies (Verhoest et al., 2012). How governments maintain control over large and complex operations has also changed with technological innovation (OECD, 2002). Agencies are reshuffled, renamed, merged (e.g. either through complete integration or by ways of sharing support services such as HR, IT or financial administration in shared service centres [Elston, 2014]), more neatly categorized in legal or policy types, or in some cases reintegrated into other entities or back into government departments (Dommett & MacCarthaigh, 2016). Part of this move is in response to the need for clearer criteria for establishing, managing and dissolving agencies.

Governments have issued more demanding requirements before a government function can be hived off into an arms-length body (“agencified”) and have established governance frameworks that address accountability and performance requirements. Governments have invested heavily in better mechanisms for coordination and collaboration, transparency and accountability (Dan et al., 2012; Dommett et al., 2016; Flinders & Skelcher, 2012; Pratama, 2017; Verhoest et al., 2010)⁷. Trust, shared objectives, common cultures and frequent interaction between these bodies are strongly emphasized (OECD, 2008). Despite

these changes, challenges remain in trying to understand the dialectic of agencies and the state.

The process of de-agencification, or reducing the number of government agencies, runs up against the same problem exacerbated by agencification: there is no consistent easy way to define what is or is not a state agency given the breadth of organizational structures, functions, governance mechanisms, and even the nomenclature, at play in this arena (MacCarthaigh, 2012; Talbot, 2004). There are multiple dimensions of ‘state-ness’ and the mapping of the state, in its constant reshaping, has been beyond the current academic literature (Flinders & Skelcher, 2012). There is evidence that Whitehall-styled administrations, like Canada, have struggled to manage or comprehend the considerable organizational complexity that has developed over time (Flinders & Skelcher, 2012; MacCarthaigh, 2012; Pollitt & Bouckaert, 2017). Whilst often designed to create a leaner, smarter state, such reforms have, paradoxically, resulted in an increasingly complex and fragmented public sector. Attempts to map the public sector and define “government” have struggled.

An important question in determining the scope of government or public organization is where a boundary might be drawn between state and non-state and having the capacity to capture boundary-crossing (MacCarthaigh, Roness, & Sarapuu, 2012). The boundaries of the state itself are ambiguous and blurred, and the specification of where we draw the boundary lines is necessarily contestable. Agency rationalization and reform cannot be considered in isolation from the broader issue of state responsibility, the scope of politics, and the changing character of political-administrative relationships (MacCarthaigh, 2012).
In the Canadian context, understanding the Westminster political and administration systems are important bases for comparison and analysis of the changing shape of public sector governance (Dommett, MacCarthaigh & Hardiman, 2016). Hogwood (1995) found that monolithic and uniformly organized ministerial departments were the exception rather than the norm in Westminster. However, the varieties in how such departments operate within (and between) Westminster systems have become increasingly varied despite attempts at reform to rationalize the public service. This complexity is in large part due to expansion in the number of agencies and the subsequent attempts at reshaping their governance to address unintended consequences of autonomy, accountability and fragmentation (Dommett et al., 2014; James, Petrovsky, Moseley & Boyne, 2015; Pollitt & Bouckaert, 2017; Rhodes, 1996; Savoie, 2004).

Few studies have systematically explored the changing shape of state public administrative systems, and the implications, impacts and results (Bouckaert & Peters, 2004; James et al., 2015; Kuipers, Yesilkagit, & Carroll, 2018; Pollitt & Bouckaert, 2017; Yesilkagit & Christensen, 2009). However, a group of researchers and more recent work out of the UK and select OECD countries, has begun exploring the concept of the shape of government following a renewed focus on agency (quango) reform (Dan et al., 2012; Dommett et al, 2014; Dommett & MacCarthaigh, 2016; Egeberg & Trondal, 2016; Flinders & Skelcher, 2012; Flinders, Dommett & Tonkiss, 2014; Institute on Governance, UK; 2014, 2015; James, 2016). Speaking to the challenges of mapping the public sector in the UK, Flinders & Skelcher (2012) emphasized that the government’s reform agenda, which focused only on non-departmental public bodies, had neglected significant numbers of other quangos:
Executive agencies and other ‘off-stage’ bodies (which possess the characteristics of quangos, but are not formally classified as such due to quirks of history) were not considered and hence the scope of reform was limited—raising questions about the extent to which it would produce fundamental change. (Dommett & MacCarthaigh, 2016: 250).

This failure to define the landscape is a key issue in understanding the shape of government and mapping the public sector. The concept of distributed public governance provides a more sophisticated approach to analyzing the agency landscape.

**Distributing Public Governance**

The concept of distributed public governance (DPG) (OECD, 2002) which had a fleeting presence in the literature, is being resurrected by scholars in the UK, Europe and Canada (Flinders, 2004; MacCarthaigh, 2012; MacCarthaigh, Roness & Sarapuu, 2012; Salgo, 2013; Wells & Salgo, 2019). Flinders (2004) recognized that the term “distributed public governance is more than a new term for well-trodden issues” (p.520). It emphasizes the changing nature of modern governance, the increasing scale and role of autonomous public bodies. DPG encourages a deeper and more “analytically refined appreciation” than the descriptive and often normative studies that have dominated from the 1980s onward.

In its report on DPG, the OECD (2002) referred to the great number of “fringe bodies”, extra-governmental organizations, independent non-majoritarian institutions and quasi-autonomous non-governmental organizations that form a significant and administratively dense component of modern governance structures (Flinders, 2004: 883). The terms used in the academic literature (and in reality) are numerous and inconsistent: agencies, quangos, non-departmental public bodies, Crown corporations, commissions, tribunals etc. Each of
these terms has a specific meaning in the literature, and differs in practice, resulting in ambiguous terminology and is one of the important reasons for the shortcomings of national and international comparative research (Flinders, 2004). These bodies differ in their size, function (e.g., quasi-judicial, service delivery, regulatory, advisory, social and other services and commercial functions), the rationale for their creation, their funding sources and mechanisms, their legal and organizational forms, their internal governance structure, their accountability mechanisms and their relationships to the reporting ministry.

Their characteristics also vary widely. For example, they can be created by the executive branch of government or by the legislature; they might function under public law, private law or both; and their staff may be considered as part of the civil service or come under general common employment law. They might be covered by freedom of information, Auditor General or Ombudsman purviews – or not. They may or may not have a governing Board, whose membership may have varied government representation. Appointment processes vary, and in some jurisdictions (e.g. Manitoba and Ontario), government will appoint not only the Board but the CEO. Their recognition as inside or outside of government is a matter of political decision graced with policy advice. This “dispersion of government entities” has resulted in a lack of “readability” of the institutional system and presents a challenge to the organization and functioning of government (Gill, 2002: 24). The OECD (2002) recognized the above challenges noting that distributed public governance is concerned with the increasingly wide variety of government organizational forms and the impact on the “public interest” (p.9).
The need to understand what these organizations are and how they relate to the provision of public services, is critical in the context of their size (for example in terms of dollars/budgets, people and other resources consumed) and the type and importance of the services they provide. Few countries have a clear idea of how many bodies exist in their jurisdictions and what share of public resources they represent. However, partial data shows that their importance within central government in terms of their share of public expenditure and public employment can be significant (Flinders, 2004; IOG, 2012; OECD, 2002; Wells & Salgo, 2019).

In 2012, Canada’s Institute for Governance published a study on distributed public governance in the Canadian public sector (IOG, 2011). The study was based on the conceptual view that public sector governance exists on a continuum where degrees of control and autonomy vary. In identifying new trends in the design of the machinery of government, the IOG proposed a conceptual model – the governance continuum - which is “inclusive of all potential relationships in a government context” (p.6). The governance continuum characterizes the specific delegated authorities and forms of control required to deliver a policy objective. It was developed to provide clarity in understanding the balance of autonomy and controls required for distributed governance organizations.\(^8\) The IOG maintains that a more complete and nuanced understanding of governance relationships is required to address a number of issues such as clarity with which organizational autonomies

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\(^8\) In development of an earlier version of the continuum model, the IOG used the term “distributed public governance” however this later report uses the term “distributed governance”, and refers to entities within the model as “distributed governance organizations” (IOG, 2011, p.2, 6)
and institutional relationships are defined; inherent tension between autonomy and control; and confusion in practice which undermines accountability of these institutions (p.4).

At a systemic level, attempts to navigate the responsibilities and accountabilities of various agencies (by whatever name they inherit) have resulted in considerable public, academic and organizational confusion (IOG, 2011; Stevens, 2009). While there may have been clear rationale, policy frameworks and other considerations given to the choice of institutional and organizational design, there is no over-arching architecture to guide how a given policy objective or function should be achieved in the larger government system (IOG, 2011). As a result, a wide variety of organizational forms are used to pursue similar public policy goals (at all levels of government) and similar organizations may have very different mandates (p.5). Governments in Canada had been moving away from “clear lines of accountability within vertically-integrated organizations towards an increasingly complex and interdependent system” (Wells & Salgo, 2019:3), the consequences of which have been described extensively, above. This study provided updated data (2016-17) on distributed governance in the Canadian public sector.

Wells & Salgo (2019) found that there is substantial evidence to suggest that distributed organizational forms continue to account for a considerable portion of public sector expenditures and employment at all levels of government in Canada. Total public sector expenditures (federal, provincial and territorial) for these organizations accounted for an estimated 65% of government spending in 2010 and about 66% in 2016-17. For the federal government, distributed governance organizations accounted for 44% of total federal jurisdictional public spending in 2009-10 and decreased to 37% in 2016-17. This trend was
reversed for the provinces and territories where the range was between 55-85% in 2009-10, and 50-91% in 2016-17 (p.17).

The authors also noted that the roles that distributed governance organizations play across jurisdictions in Canada continues to change the nature of public administration (Wells & Salgo, 2019). A unique contribution of their study to the literature and our knowledge about distributed governance applies to the provincial level, where very little has been researched and documented in the Canadian context. Wells & Salgo (2019) concluded that an increase in distributed governance at the provincial level suggests that it is increasingly relied on for service delivery purposes.

In sum, the continuing shift to the use of various organizational forms in public governance, within an increasingly complex global environment and rapidly changing technological context, compels public administrators to take new approaches to oversight, policy development, and risk management. A key part of the overall risk is the lack of clarity around accountability, which can undermine public trust in our governments and their ability to function effectively (OECD, 2002).

**Conclusion: Mapping the Public Sector**

One of the biggest obstacles to further cross-national research concerning change in public sector organizations is the absence of a uniform definition of what constitutes the public sector (Bouckaert & Peters, 2004; van Thiel, 2012). The continued and evolving lack of clarity in our public sector systems has important consequences for the future of public
governance. And while the concept of distributed governance has provided a more nuanced analysis of the structures and relationships of public sector governance, its linearity is limiting.

Another way to explore the concept of distributed governance and the “contours of the state” (Robinson & Shaw, 2001: 473) is through the concept of mapping. MacCarthaigh, Roness, and Sarapuu (2012) compare cartography, the process of creating geographical maps, to drawing the boundaries of the state or government. Cartography involves making representations of space and territory at a given time and in a given physical context. The process of administrative mapping shares some of these goals, including the use of agreed-upon measures to capture and represent state administration at a given time, allowing us to discern patterns and trends in government and governance. However, unlike cartography, mapping the public sector is dynamic and involves changes to structures, processes and systems over time.

For any classification of public organizations, a critical question is where a boundary might be drawn between state and non-state. Few studies exist that systematically explore the changing shape and character of state administrative systems (Bouckaert & Peters, 2004). The boundaries of the state itself are ambiguous and blurred, and the specification of where we draw the boundary lines is necessarily dynamic and contestable (Flinders, 2004; MacCarthaigh, 2012; MacCarthaigh et al., 2012; Pollitt & Bouckaert, 2017). What emerges from the literature is the limiting nature of any single classificatory model, including the governance continuum and the need to think of multiple dimensions in defining or describing “stateness” (MacCarthaigh et al., 2012) or the public sector and public sector governance.
Mapping public sector organizations is a necessary first step toward more comprehensive analysis of public administration over time and across boundaries; particularly relevant and increasingly important in a global context of public policy issues and operations. Mapping the relationship between the structure and organization of government is important in determining not only how decisions are made but how well they are made; reflecting a government’s accountability for effective and efficient provision of public services.

Finally, mapping public sector organizations can contribute to other issues of relevance in the analysis of public administration, agencification and distributed governance (Flinders, 2004; Verhoest & Laegreid, 2010). For example, many authors have discussed the relationships between proliferation and coordination, autonomy and control, accountability, and, performance and results of public sector organizations (Bouckaert, Peters, & Verhoest, 2010; 2015; Dan et al., 2012; Dommett et al., 2014; James & van Thiel, 2010; MacCarthaigh et al., 2012; Savoie, 2004; Wells & Salgo, 2019). Building on the concept of distributed governance, mapping public sector organizations is another tool to help put a framework around the evolution and nature of change of the public sector and public administration.
CHAPTER 3
Research Strategy and Methods

Introduction

The literature on public sector governance in Canada, and more specifically agencification, is limited. Yet Canadian jurisdictions continue to use various forms of arms-length entities to address ongoing governance challenges in complex policy and political environments. Understanding why and to what end this structural approach is used in a Canadian context, is important for ensuring an effective public service and an efficient use of public resources to achieve intended benefits. This study helps address the existing gaps in the Canadian landscape of public governance and the use of arms-length entities to shape the public sector. The study findings not only confirm a continued growth in the numbers and types of these entities, but delves into the rationale, benefits and challenges with their creation, oversight and impacts.

This chapter outlines the general approach to the study including highlighting the philosophical framework and providing research context or background to support the research questions. This is followed by the development of an analytical framework for the research scope and questions and ultimately the purpose of this study. Finally, research methods, data analysis and methodological challenges are provided. Limitations of the research methodologies will be discussed as well as how these limitations may impact the interpretation of the findings.
Philosophical Framework: Ontology, Epistemology and the Link to Research Methods

Methodology and the choice of methods for gathering evidence depend on epistemological and ontological frameworks (Ricucci, 2010). Ontology and epistemology frame the context of knowledge creation and discussion on what methodology and methods will be used in a study and why. Ontology asks, “what is reality” (Ricucci, 2010:3). It asks whether reality is objective or constructed. It is the conceptualization of reality in the sense of an objective external reality or, alternatively, a socially and politically constructed reality as part of the researcher’s belief in what exists (Ricucci, 2010). Epistemology, alternately asks “how do we know what we know?” (p.49). We can know something from a variety of sources, for example, we can experience them in our mind (interpretivism) or empirically through our senses (empiricism). Epistemology is the study of knowledge, its nature, creation, justification and the rationality of belief and emphasizes the relationship between the researcher and the research (Ricucci, 2010; Steup, 1996).

The table below provides a high-level comparison of various approaches to research based on their ontological and epistemological roots. While there may be some ambiguity and overlap in various categories, the matrix is presented as more of a tool; an illustration of the ontological, epistemological and methodological bases for conducting research in the social sciences, including public administration (Ricucci, 2010).
Table 2: Comparing Research Approaches in the Social Sciences

<table>
<thead>
<tr>
<th></th>
<th>Positivism</th>
<th>Post-positivism</th>
<th>Rationalism</th>
<th>Interpretivism &amp; Constructivism</th>
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<tbody>
<tr>
<td><strong>Ontology</strong></td>
<td>Realism – the research and reality are separate; universals exist and are real</td>
<td>Critical realism; researcher and reality are one and the same</td>
<td>Researcher’s mind is reality; mind comes from God</td>
<td>Relativism; knowledge and meaning are acts of interpretation or construction; researcher and reality are inseparable as are life and the world</td>
</tr>
<tr>
<td><strong>Epistemology</strong></td>
<td>Objective reality exists beyond the human mind; value neutrality</td>
<td>Objective reality exists but is too complex to be fully understood or explained; empirical falsification</td>
<td>Reason is chief source of knowledge; induction; knowledge is innate; intuition; a priori knowledge</td>
<td>Knowledge is relative; objectivity does not exist; all truth is social construction and is culture bound</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Nomothetic; deductive; logically derived hypotheses; empirical testing of hypotheses; verification</td>
<td>Triangulation; mixed methods; modified experimental</td>
<td>Inductive; speculation; common sense reasoning; mathematical reasoning; critical reasoning</td>
<td>Hermeneutics; grounded theory; phenomenology; interpretation; ideographic</td>
</tr>
<tr>
<td><strong>Methods</strong></td>
<td>Regression analysis; structural equation modelling; experimental research</td>
<td>Ethnography, narratives, story telling; case studies; qualitative comparative analysis</td>
<td>Conceptuel analysis; normative discourse; meta-ethical analysis</td>
<td>Ethnography; action research; descriptive case study; content and narrative analysis</td>
</tr>
</tbody>
</table>


This study used a mixed methods design with the collection of data using both quantitative and qualitative strategies which are described in more detail below.
Research Context: Framing the Research Questions

New Public Management, Agencification and Distributed Public Governance

Governments around the world continue to look for new ways to address collective challenges like climate change, global industrialization and trade, fiscal crises such as experienced in 2008–09, and the impacts of environmental damage and degradation. The solutions are not just about policy choices and business practices. They fundamentally include public sector governance: the way governments choose to structure themselves, and the processes, including decision-making, in which they engage to address increasingly complex public policy issues.

With the focus on new public management (NPM) from the late 1980s, governments have been increasingly experimenting with structural changes, including various forms of autonomous or semi-autonomous agencies, to manage social, economic and environmental change in an increasingly unstable political, global context. Notably, the creation of autonomous public bodies has been a trend in governments all over the world since the emergence of NPM (Lægreid & Verhoest, 2010; Mortensen, 2016; Pollitt et al., 2001, 2004; Verhoest et al., 2010). This trend, while not new, has been exacerbated under the NPM framework.

Agencification is found in many countries but there are no consistent blueprints, neither in the way in which politicians take decisions nor in the design of the organizations involved (Verhoest et al., 2012). It has long been recognised that there is no standardized international view of what an ‘agency’ is (Pollitt et al., 2004; Pollitt & Talbot, 2004; Verhoest
et al., 2012, pp. 18-21). There is no widely shared legal or constitutional category which ensures that, for example, the Australians, British, the Dutch, the French, Canadians and the Germans are all talking about the same thing. Neither is the cultural and political meaning of agencification similar in all countries or periods. For example, a detailed study of key official documents on agencification in Australia, the Netherlands and Sweden concluded that debates about why agencification was necessary and what it meant were quite different in each case (Smullen, 2010). Or again, during the 1990s in the UK, agencification was widely seen as giving blocks of operational activity more autonomy from ministries, while in the Netherlands one current of thought was that agencification was attractive because it placed such activities under closer ministerial supervision (Van Thiel & Pollitt, 2007). Most academic research into agencification looks at which types are established; how they are structured and classified; and the number of agencies (OECD, 2002; Pollitt et al., 2004; Pollitt & Talbot, 2004; Verhoest et al., 2012). Scant in the literature is research and analysis on the rationale, implications and impacts of agency creation.

Further complicating the attempt to analyze agencification and distributed public governance are the different labels used by various jurisdictions: autonomous bodies, independent agencies, arm’s length bodies, non-majoritarian institutions, non-departmental public bodies or quangos (quasi non-governmental organisations), commissions, authorities, societies, etc., (OECD, 2002). These labels have no consistent meaning or definition, like the term “agency” itself. More specifically, their structure, scope of responsibilities, level of independence from government, administrative, and accountability mechanisms, also differ.
The proliferation of autonomous agencies has also been referred to in the literature as distributed public governance (DPG) (Beblavy, 2002; Flinders, 2004; OECD, 2002). Flinders refined this definition by referring to DPG as the “great number of ‘fringebodies’, extra-governmental organizations, independent non-majoritarian institutions and quasi-autonomous non-governmental organizations that form a significant and administratively dense component of modern governance structures” (2004: 520). DPG is more than a new term for the well-trodden issue of the number of agencies created by various governments. It emphasizes the changing nature of modern governance and its mechanics; the increasing scale and role of autonomous public bodies; and encourages a deeper and more analytically refined appreciation than the overly descriptive accounts that dominated studies in this field during the 1980s and 1990s.

Governance

At its most fundamental, governance generally relates to two elements: structure and process (Offe, 2009). These actions and processes may operate in formal and informal oversight of organizations and systems of any size. They may function for any purpose, good or bad, for profit or not. Conceiving of governance in this way, one can apply the concept to states, corporations and business relationships, non-governmental organizations, partnerships and other associations, and any number of humans engaged in some purposeful activity (Offe, 2009).

Governance is undertaken in a context and applies to something. In order to measure the success of various governance mechanisms, then, we need to be able to describe what
that something is – what is the object of governance. We may also refer to a particular “level” of governance associated with a type of organization including public, global, non-profit, and corporate or private sector. We may govern an issue, an institution, or a system. Adding to this conceptual complexity is notion of a “field” of governance which is associated with a type of activity or outcome (including environmental, internet, and information technology), or a descriptor of governance such as regulatory, participatory, multilevel, meta-governance, and collaborative. It is important then, to the researcher, analyst and academic to define what is being governed. What is the system of oversight and accountability being applied to? Increasingly, this has become more difficult given the number of actors and arenas involved in any of these contexts, levels and fields.

Edwards et al. (2012) provide a complementary perspective suggesting that governance has become a generic term that covers the internal workings of government as well as its interactions with others beyond the public sector itself. Their definition of governance captures a breadth of application in that governance is concerned with how societies, governments and organizations are managed and led. This includes how they structure themselves, make decisions, exercise powers and manage their relationships and accountabilities.

The authors state that governance is a multi-dimensional concept, understood differently depending upon the frame of analysis, the standpoint of the observer and the sector or aspect under scrutiny. Understood from an organizational perspective, for example, the corporate governance of a public sector body connects to other orders of governance at governmental, societal and organizational levels (Edwards et al., 2012). More current
academic thought focuses on governance systems and networks containing a plurality of actors who interact with one another in a series of interconnected governance networks, employing multiple mechanisms for distributing, wielding, and rendering accountable the exercise of power in society (Edwards et al., 2012).

The close relationship between public governance, public sector governance and corporate governance sits within the broader framework of other societal and global governance and has been modeled by Edwards et al. (2012). Their framework reflects governance at its most basic – management of a system including structures, internal and external interactions, and modes of decision-making. A number of different but related governance concepts are logically linked and are discussed in the following sections, including: (a) public governance (extending out from the government sector to the private and community sectors); (b) public sector governance (i.e. governance of the administration and operation of government); and (c) corporate (or organisational) governance (i.e. the governance of particular bodies in particular sectors) (Edwards et al., 2012). Each of these concepts of governance, which are represented in Table 1, can be viewed from national, comparative or global perspectives.

Table 3: Governance concepts

<table>
<thead>
<tr>
<th>Level of Analysis</th>
<th>Macro</th>
<th>Meso</th>
<th>Micro</th>
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<tbody>
<tr>
<td>Description</td>
<td>Public governance</td>
<td>Public sector governance</td>
<td>Corporate governance</td>
</tr>
<tr>
<td>Focus</td>
<td>Society</td>
<td>Government</td>
<td>Organization</td>
</tr>
</tbody>
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While there have been many attempts to try and classify agencies according to organizational form, type and extent of their managerial autonomy (e.g., autonomous or
semi-autonomous), function, name, the personnel, financial and management rules that apply to them, none have proven sufficient or satisfactory (Laegreid & Verhoest, 2010; OECD, 2002; Schick, 2002; Vining, Lauren, & Weaver, 2016). Underneath the label of autonomous agencies lies a wealth of different types of organizations with varying levels of independence within and outside of formal ministries or departments.

My study focuses on those agencies which are external to the formal departments of government; agencies that are separate units within a ministry or department are essentially still part of the core government structure. Agencies possess managerial autonomy to shape their own organization structure and independently determine, for example, personnel and financial matters. Consequently, there is no single form or type of agency (Christensen & Lægreid 2007a; Ongaro & van Thiel, 2010; Pollitt & Talbot 2004; Verhoest et al., 2012). For the purposes of my study, an agency will have two key features: (i) it is structurally disaggregated from a ministry or government department, and (ii) it reflects the implementation of a delegated government responsibility. The many forms of structural devolution have resulted in challenges with autonomy, organizational complexity – control, coordination and accountability (Halligan, 2010; Mortensen, 2016; Schick, 2002; Verhoest & Laegreid, 2010). While the structural landscape of the public sector has continued to evolve, research has been unable to keep up with the pace of change to assess the long-term effects and implications of NPM reforms, in particular, the creation of autonomous agencies and the re-shaping of governments.
Most recently, research has been focused on reform of the reform agenda: rationalization of agencies and the structure of governments more broadly (Bance, 2018; Dommett, MacCarthaigh & Hardiman, 2016; Pollitt & Bouckaert, 2011). Many governments are confronted with a highly fragmented public sector as a result of NPM approaches to public governance such as agencification, down-sizing, contracting out and privatization. A lack of coordination and cooperation, particularly in case of cross-sectoral policy problems, has led governments to reconsider their decisions to create agencies or privatize organizations.

Contrary to the rhetoric, however, this has not led to large re-nationalizations but rather to large-scale reshuffling of agencies for example through mergers and the creation of shared service centres (Bance, 2018; Christensen & Laegreid, 2007) and tightening of governance controls (Christensen & Yesilkagit, 2018; Dommett et al., 2016; Hanretty & Koop, 2013). This latest trend fits with the post-NPM movement or whole-of-government approach that tries to re-establish coordination and control across the broader public sector.

Within this framework, the performance of agencies is generally understudied (James & van Thiel, 2011). However, while the reform trend has not been uniform, and the shape of reform varies both within and across countries (Laegreid & Verhoest, 2010; Pollitt, 2004a; Verhoest et al., 2004a), the trend is sufficiently documented to warrant further theoretical and empirical scrutiny. Experimentation with alternate forms of agency structure and governance has resulted in varying degrees of success and little-known impacts on public service foundations such as transparency, accountability, equity, and financial responsibility. While there has been some governance research focusing on the public sector (Edwards &
Clough, 2005; O’Flynn, 2007; Tucker, 2010) and the non-profit sector (Collier, 2008; Parker, 2007, 2008), Brennan and Solomon (2008) suggest that these sectors provide rich data sources and diverse accountability mechanisms, which are in need of further research.

Canadian jurisdictions, like many global counterparts, have increasingly been experimenting with various organizational designs to deliver public services more effectively. However, less is known about the impacts of the NPM reshaping of government in a Canadian context compared to regions like Europe, Scandinavian countries, and Australia. My research will focus on this gap and the need to clearly articulate the nature, scope and implications of distributed public governance. Data collection and analysis will provide a map of the public sector in two Canadian jurisdictions. I will also explore what this means for the shape and scope of the public sector in Canada.

**Analytical Framework**

Numerous concepts and potential implications of agencification and distributed public governance have been highlighted in the literature summary above, including the most recent iterations and evolution of public sector governance. The framework presented by Edwards et al. (2012) reflects a macro, meso and micro approach: governance of a public sector body (micro), within a whole-of-government approach to governance (meso), sometimes across levels of government (meso), and often involving governance interactions beyond the public sector (macro). Nation-states and governments remain central to all systems of governance, regulation and responsibility (Bell & Hindmoor, 2009), but there are ongoing fundamental changes in how governments engage with other sectors, organizations, stakeholders, and the public. These changes may be structural or procedural and beg the question of how those
who wield institutional power, and make decisions, are held accountable. So, while governments remain firmly at the helm, non-state institutions, private sector players and other actors are part of the public governance framework and their changing roles, have increased complexity for public governance (Keane, 2009).

My study will primarily focus on the meso and micro levels of governance. However, this is not a neat assignment given that governance cannot be easily siloed and encompasses structure and process across levels of government as well as sectors: public, private and non-profit, and touches on the performance and evolution of individual public organizations. This model also supports an analytical framework that accommodates a more collaborative and multi-directional (vertical and horizontal) view of governance relationships.

The old governance model of hierarchical modes of decision making, sequential approaches to problem solving, and single points of accountability no longer fits well with the current evolution of government structures and functions and must adapt to be responsive to policy challenges that straddle traditional departmental lines of authority (APSC 2009b: 1–2 in Edwards et al., 2012). In this way, governance now engages multiple institutions and participants in multiple interactions. Various governance systems containing a plurality of actors interact with one another in a series of interconnected governance networks, employing multiple mechanisms for distributing, wielding, and rendering account for the exercise of power in society (Burris, Drahos & Shearing, 2005; Edwards et al., 2012).
My analytical framework will build on Bovaird and Loffler’s (2003) characteristics of good governance\(^9\) and Edward et al.’s. (2012) work on “framing the taxonomy of governance” (p.11). The latter speaks to the evolution of public sector governance, with a focus on the changing structure of government and its use of external bodies to deliver government functions and services. Table 2 provides the analytical framework that underpins the research approach.

### Table 4: Analytical Framework

<table>
<thead>
<tr>
<th>Level of Analysis</th>
<th>Meso</th>
<th>Micro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Public sector governance</td>
<td>Corporate governance</td>
</tr>
<tr>
<td>Focus</td>
<td>Government</td>
<td>Organization</td>
</tr>
<tr>
<td>Organizational Form</td>
<td>Types of agencies and corporate structure</td>
<td>Type of agency and corporate structure</td>
</tr>
<tr>
<td>Legislation</td>
<td>How are agencies established</td>
<td>How is agency established</td>
</tr>
<tr>
<td>Governance mechanisms (accountability):</td>
<td>Describe types of governance mechanisms that apply to agencies</td>
<td>Describe types of governance mechanisms that apply to the agency</td>
</tr>
<tr>
<td></td>
<td>• Financial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Government direction/policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reporting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Oversight by independent legislative bodies</td>
<td></td>
</tr>
<tr>
<td>History</td>
<td>Changes over time by government in their use of agencies</td>
<td>Changes in individual agencies over time</td>
</tr>
</tbody>
</table>


\(^9\) Key characteristics include citizen engagement, transparency, accountability, social inclusion (gender, ethnicity, age, religion, etc.), ethical and honest behaviour, equity (fair procedures and due process), and respect for the rule of law. These principles and processes of public governance are not absolute — their importance can be expected to vary between contexts and over time.
**Research Scope and Questions**

Canadian agencies have been largely overlooked in academic research and few analyses have considered a politico-administrative perspective. The current debate regarding the role, powers and accountability of quasi-autonomous agencies in Canada has not kept pace with that of other jurisdictions such as Australia and the European Union. The purpose of my dissertation research is to contribute to the literature on public governance by examining the nature, scope, powers and effects or implications of agencification and distributed public governance in Canada, as an aspect of the broader debate surrounding the future of public governance. This includes Flinders’ (2004) argument that the design and implementation of autonomous agencies is not a construct of “apolitical administrative engineering” (p.884) but should be interpreted as a central component of political debate regarding public governance. To demonstrate the validity of this argument, my research looks at the experience of two Canadian jurisdictions to assess implications for governance using a mixed methods design.

Morse (1994b) provides a useful rubric for understanding one’s research process as it relates to research design and outcomes. He describes four stages of cognitive process which can be linked to research purposes such as exploratory, explanatory or descriptive. Comprehending refers to learning about the setting, context and experiences of participants. This is usually reflected in the gathering of data to provide a “complete...detailed and rich description” (Morse, 1994b, p.27). Comprehension can be part of numerous data collection techniques such as interviews, observation and document analysis.
The second stage of inquiry is synthesis which is the integration and merging of various sources of data, experiences or cases, to describe a “composite pattern” of responses (p.30). The equivalent of this process in research design is the analytical method used, for example, for content analysis or saturation of categories in ethnography. Theorizing is the process of constructing alternative explanations of the data while recontextualization is the “development of emerging theory” (p. 34). While Morse’s (1994b) framework identifies these processes as linear in terms of stages of research, Table 5 offers a different perspective on the relationship between research purpose and stages of inquiry. If the stages are seen more as outcomes, then they can help inform research purpose and methods, clarifying the link between research design and outcomes (See Table 5).

Table 5: Research Purpose and Outcomes of Qualitative Inquiry

<table>
<thead>
<tr>
<th>Research Purpose</th>
<th>Cognitive Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploratory</td>
<td>* comprehending</td>
</tr>
<tr>
<td>Descriptive</td>
<td>* comprehending, synthesizing</td>
</tr>
<tr>
<td>Explanatory</td>
<td>* synthesizing and theorizing</td>
</tr>
<tr>
<td>Critical</td>
<td>* theorizing</td>
</tr>
</tbody>
</table>

The research design is multi-purposed in that it is exploratory, explanatory, and descriptive and can be linked to stages of inquiry as noted above. An exploratory focus is intended to investigate little understood concepts and phenomena, identify and discover important variables and generate hypotheses for future research (Gabrielian, Yang, & Spice, 2007). The data gathered and literature reviewed will help describe and explain the causes of agencification and related changes in the structure and shape of government. More

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11 Morse, 1994b.
importantly, analysis will identify connections between concepts that shape agencification and distributed public governance. Finally, a critical analysis will “uncover implicit assumptions and biases” that influence the debate on agencification (Gabrielian et al., 2007, p.152).

Three research streams contribute to exploring the current state of distributed public governance in Canada, explaining how governments evolve in relation to their choice of structure and use of arms-length entities, and describing factors and relationships that impact the creation, relationship with government, oversight and state of accountability given the current state of agencification in two Canadian provinces. A critical analysis of the data is intended to surface implicit assumptions (Miller & Whicker, 1999) about the nature of agencification and the evolving structure of government and the impacts on public administration protecting the public interest.

Based on this context, my three main research questions are:

4. What does contemporary public sector governance look like in Canada? What are the forms of organizational design that comprise a public sector at the provincial level in Canada?

I will examine the shape and structure of the public sector by comparing two Canadian jurisdictions on the number, nature and scope of agencies. Data will be analyzed to look at “what’s happening” in the agencification landscape; what is the trend in the use of arms-length entities in the Canadian context.

5. How has provincial public sector governance changed over the last 20 years? Relatedly, what has been the dispersion of government agencies and independent public bodies and why?
The literature struggles in defining the public sector with respect to changing governance structure, mechanisms and relationships. My research attempts to provide clarity to the current definition and reality of public sector functioning and identify potential implications and future research considerations. I will look at the governance mechanisms used over the past few decades and how they have changed in relation to the structure and shape of the public sector. Also important is to ask what were the stated reasons, by provincial governments, for the creation of independent public agencies and their governance?

3. What are the implications for distributing public sector governance on accountability, capacity, and performance?

My analysis will move beyond description and analyze the effects (intended and unintended) of agencification and distributed public governance on the structure and scope of the public sector. This includes examining the rationale for agency creation, relationship between government and arms-length entities, autonomy (the nature of independence) and its impact on accountability, performance and capacity.

**Research Methodology**

The research methodology is mixed, incorporating qualitative and quantitative approaches to data collection and analysis. It based on a post-positivist and constructivist perspective which recognizes “multiple meanings of individual experiences, meanings socially and historically constructed, with the intention of developing a theory or pattern” (Creswell, 2003, p. 18). This design enriches the analysis and contribution to the field of study by providing a deeper understanding of agencification and its impact on public sector governance.
Multiple methods were used to support a triangulated, corroborative approach to analysis. Three sources were used to collect data for the research: interviews, documents, and jurisdictional information. Triangulation of different data sources allowed me to examine evidence and build a coherent justification for themes (Creswell, 2007) as well as fill data gaps in the literature. The jurisdictional data supported a quantitative approach to analyzing the agencification trend in two Canadian jurisdictions while the interviews contributed to a more holistic analytical approach to addressing the research questions and provided more depth in understanding the agencification phenomenon in Canada.

Qualitative methods emphasize the interpretation of human cognition and action. The qualitative approach sometimes helps develop new theories, as the research is not bounded by old theories but guided by what the research observes (Gabrielian, Yang, & Spice, 2007). Perhaps a more important facet of qualitative research is the researcher himself or herself. As Lincoln and Guba (1985) argue, human beings possess unique qualities as instruments of research— they have the capacity to respond to a wide range of hints, to make often unpredictable mental associations and references, to see phenomena from a holistic perspective while detecting atypical features, to process data on the spot, and to test out new knowledge immediately. This is the case for myself as the research in this study, given my experience not only with the provincial governments chosen for analysis, but in the area of agencies governance and oversight more specifically. My experience allows for a greater ability to probe the responses of interview participants given my knowledge of and experience with the subject area. It allows me to make connections between the literature and the experiences referenced by interview participants with a greater understanding and
ability to interpret responses and draw conclusions that are relevant to the real world of public sector governance.

Quantitative methods were more appropriate in this study for describing the landscape of agency evolution or “what’s happening”. Jurisdictional data contribute to exploring the questions around agencification with respect to number of agencies created and dissolved over time and looking at the trend in the use of arms-length entities over time. The qualitative data provides a source of information to explore the “why” aspect of agencification. The interview data provide a more in-depth understanding of the rationale and context for agency creation, oversight and evolution. The quantitative data were used to confirm or refute the understanding of interviewees’ perceptions about the changes in public sector governance and agencification and contribute empirical research to the literature on the nature and scope of agencification.

Data Collection

Jurisdictional Data

Jurisdictional data was originally provided by the University of Ottawa as the result of a data-gathering process focused on agency corporatization across Canada. Five students were contracted by the Jarislowsky Chair in Public Sector Management to conduct text and document research for 10 Canadian jurisdictions (including the Canadian Federal government), over about a 1-year period. All were master’s students at the graduate school of Public and International Affairs (GSPIA) of the University of Ottawa. Relevant categories of information collected were:

- legal title of the agency
• institutional form (corporate or agency)
• year of incorporation
• history of organization

A review of the data revealed the need for additional research to clean and update information known to be inaccurate or missing based on the researcher’s own knowledge and experience of the jurisdictions being analyzed (BC, Ontario). Data categories were examined to determine appropriateness for analysis and conceptual clarity. One category required the definition clarified, while two categories of data were added to the database. Clarification of the definition of “institutional form” resulted in the creation of a dichotomous variable representing two organizational forms: agency (established under a statute and not specified as a corporate form) and corporation (corporate form created by statute such as under a business corporation or societies act). The second data category added was that of agency type (function). Types of agencies were classified as administrative, self-regulatory, regulatory, adjudicative, operational, or advisory based on preliminary assessment undertaken by the original researchers, and my own experience and knowledge of the classification and function of agencies.

Searches of government websites and Google were used to find current and historical information to confirm legal title, institutional form, type of agency, year incorporated, and year dissolved (if applicable) for the agencies originally listed and data added or amended where new information was found, including for agencies (current and past) not on the initial list. Additional historical information and data location information was also captured in the database for future research and data confirmation. Further internet record and text
research was undertaken to identify older agencies and any structural and historical changes that had occurred relevant to those agencies.

Finally, where information could not be found through internet searches, emails were sent to currently listed organizational contacts. Contacts were found through the website links for the relevant agency or Ministry. Information provided was then added to the jurisdictional database.

**Interviews**

The original plan was to collect interview data from three Canadian jurisdictions: BC, Manitoba, and Ontario. These jurisdictions were selected given the generally recognized extensive use of independent public bodies over time, as well as their nature and scope. This would allow for some comparability and for a reflection of the scope and use of various organizational forms chosen by governments to deliver public services.

Participants for the interviews were identified using a purposeful sample focused on their role in relation to the creation and oversight of independent agencies as well as structural and procedural changes vis a vis public sector governance. Participants were selected where they had been a senior manager in the public sector, whether in a Ministry or arm’s length organization, with considerable experience in dealing with agencies. A total of 45 interviews was planned; 15 for each of BC, Manitoba and Ontario. While BC and Ontario numbers were achievable, the availability of participants, particularly in Manitoba, was

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12 See Appendix D for a list of ministry, agency and central agencies represented by interviewees from BC and Ontario.
significantly impacted by the global pandemic brought about by the COVID-19 virus from March 2020 to the time of writing. The number of participants is noted in Table 6 below.

Table 6: Number of Interviewees by Jurisdiction

<table>
<thead>
<tr>
<th></th>
<th>B.C.</th>
<th>Manitoba</th>
<th>Ontario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired and current senior government officials and agency heads</td>
<td>17</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Provincial Population (2019)</td>
<td>5.09 million</td>
<td>1.37 million</td>
<td>14.54 million</td>
</tr>
</tbody>
</table>

Data Sourced from Statistics Canada (2020) at https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501&pickMembers%5B0%5D=1.11&pickMembers%5B1%5D=2.1&cubeTimeFrame.startYear=2016&cubeTimeFrame.endYear=2020&referencePeriods=20160101%2C20200101

Participant Sample

Individuals were identified through my network of contacts, search of government directories and personal contact with government departments and colleagues. They were selected based on several desired characteristics including senior level of government or agency experience, past or current, time in government, and having a substantive role in relation to agency governance. Senior government experience included Deputy Ministers, Assistant Deputy Ministers, and Executive Directors or their equivalents in either jurisdiction, for example, Associate Deputy Minister. Senior agency experience included Chief Executive Officer/President, Assistant Vice-President or their equivalents. Equivalency was determined based on the individual’s role in the organization and my understanding of those roles in government. To fill in data gaps and more accurately reflect each participant’s experience, a Google search was done on each interviewee. The results of this search helped to clarify
timelines, dates and roles for participants and better capture data reflected in the tables below to describe experience for the sample.

Table 7 shows the number of individuals with known experience at the organizational level indicated. Participants were asked to describe their senior level government and agency experience and thus the number for Executive Director and below are less. Individuals who have longer terms in government may have experience in various roles at different organizational levels, demonstrating their progression through the public service. Most participants in both BC and Ontario have DM and ADM experience while 47% of each jurisdictional sample had CEO/President experience in a public agency. What was notable in the sample was the number of participants that had senior level experience in both government and one or more public agency: in BC 11 (65%) and in Ontario six (40%).

**Table 7: Participant Experience by Jurisdiction**

( # and % of total jurisdictional participants)

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Deputy Minister</th>
<th>Assistant Deputy Minister</th>
<th>Executive Director</th>
<th>CEO/President</th>
<th>Assistant Vice-President</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC (15)</td>
<td>10 (59%)</td>
<td>12 (71%)</td>
<td>9 (53%)</td>
<td>8 (47%)</td>
<td>4 (24%)</td>
</tr>
<tr>
<td>Ontario (17)</td>
<td>9 (60%)</td>
<td>11 (73%)</td>
<td>4 (27%)</td>
<td>7 (47%)</td>
<td>2 (13%)</td>
</tr>
<tr>
<td>Total (32)</td>
<td>19 (59%)</td>
<td>23 (72%)</td>
<td>13 (41%)</td>
<td>15 (47%)</td>
<td>6 (19%)</td>
</tr>
</tbody>
</table>

Note: percentages include interviewees who held more than one senior level position in their career.

Table 8 shows the relative experience of participants based on their known number of years in government, including in a public agency. None of the BC participants had less than 10 years experience while two in Ontario did. These individuals were selected based on their unique experience in relation to arm’s length bodies – one as the head of a uniquely created...
agency which was subject to political influence in its creation and demise, and the other as a senior advisor in a political capacity, responsible for oversight of Ontario agency governance.

Table 8: Years in Government by Jurisdiction

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Less than 10 years</th>
<th>10-19</th>
<th>20-29</th>
<th>30 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC</td>
<td>-</td>
<td>6 (35.3%)</td>
<td>8 (47.1%)</td>
<td>3 (17.6%)</td>
</tr>
<tr>
<td>Ontario</td>
<td>2 (13.3%)</td>
<td>2 (13.3%)</td>
<td>5 (33.3%)</td>
<td>6 (40.0%)</td>
</tr>
</tbody>
</table>

Semi-structured interviews were used to elicit information from respondents with the questions lending themselves to selective probes and more conversational responses given the researcher’s experience and knowledge in the topic area. Semi-structured interviews allowed me to explore areas for clarity, depth and level of importance of information. Interviews were conducted primarily by phone or internet (Zoom, Skype and Google meets), with the face-to-face option being unavailable during the COVID-19 pandemic as individuals were restricted from moving about or gathering due to community lockdowns. However, four of the BC interviews were conducted in person, prior to social distancing requirements imposed by the pandemic. All Ontario and Manitoba interviews were conducted by phone or internet.

Interviews were scheduled for one hour but where additional time was needed, all participants agreed to complete the interview. There were seven open-ended questions which were shared with participants ahead of the interview in order to allow them to prepare and make the best use of the time allotted. Verbatim notes were taken on the researcher’s laptop.
Document Research

Two strategies for document analysis were used. The first was an online/internet search for any documents or records (reports, communication materials, policy documents and other text) on agencification, government reform and governance reviews that contributed to answering the research questions; describing and analyzing changes in government structure and reform. The second approach was to gather specific jurisdictional data on the numbers, types and history of agencies in BC and Ontario to build a database on the numbers and types of agencies, their characteristics, and changes over time.

Document research was conducted using publicly available databases and websites and returned reports, website information, communication materials and other relevant information sources. Searches were done using Google Scholar (directly) and the UVIC library which accesses the following databases:

- Academic Search Premier
- Web of Science
- JSTOR
- ScienceDirect
- Google Scholar
- Humanities Index
- Business Source Complete
- Social Sciences Abstracts
- ERIC (EBSCOhost)
- Nexis Uni
- CBCA Complete
- CINAHL with Full Text
- IEEE Xplore
- Worldcat (OCLC)
- PsycINFO
- Oxford English Dictionary
- HeinOnline
- PubMed

Document searches were also conducted of the BC and Ontario government websites, including where possible, the provincial archives. Requests were also made of personal contacts in selected government agencies as well as the interviewees, for any materials or documentation related to the dissertation topic and research questions.
Data Analysis

Introduction to the Analytical Approach

In a mixed methods research design, steps in the analytical process may be simultaneous, iterative and non-linear. Such is the case for my research process where analysis of and inference from one data source required further analysis and often research, in another. Rather than a linear process, Creswell (2007) describes the analysis process as conforming to a “general contour” (p.150). This contour is represented in a spiral image as shown in Figure 1.

Figure 1: Creswell’s (2007) Analytical Spiral

As shown in Figure 1, analyzing qualitative data begins with data collection and ends with an “account or a narrative” (p. 150). The researcher engages in data collection, organization and analysis; describing, classifying and interpreting, then looping back to collect additional data and continuing the analytical process. My research reflected this approach in its use of two sources of data (interview and document or text) for three collection strategies.

**Analysis of Jurisdictional Data**

The jurisdictional data was analyzed to answer the following questions:

- has the number of agencies changed over time in BC and Ontario?
- have the types of agencies changed over time in BC and Ontario?
- has there been a change in the use of the corporate form over time in Canadian jurisdictions (starting with BC and Ontario)?

Counts of the data were conducted to provide the number of arm’s length entities created; number of agencies/corporate entities created and eliminated; and a running total of agencies and corporate entities for each 5-year timeframe. Regression analyses and interrupted time series analysis were then used to test the relationship between the number of agencies (dependent variable) and time (independent variable) based on the jurisdictional data collected.

**Analysis of Interview Data**

My analysis of the interview data is a content analysis reflecting an inductive, data-driven (Schreier, 2012) or text-driven approach (Krippendorff, 2013). The analysis required a search for patterns or themes as reflected in an echo-sorting technique (Cunningham, 2001). The latter technique is an intuitive sorting process that allows for the emergence of
categories in the data; an analytical method used for “conceptualizing and reflecting the problems and issues identified from the interviews, question sessions, and observations” (Cunningham, 2001:10). The data analysis required me to search for similarities and differences in the data, which are described in categories and/or themes on various levels of abstraction and interpretation consistent with the macro and meso levels in Table 2 on p.9 (Graneheim et al., 2017).

Analysis of interview text first required organizing of responses by question. Categories were chosen and groups of codes identified that shared common characteristics in order to compare them with other categories, to divide them into smaller subcategories, or to pool them into broader categories. For each question then, the data were manually analyzed and coded and aggregated into the themes. Counts of the responses were done for each theme for each question, and the data represented in tables and discussion. Interview responses were reviewed again in their entirety to validate themes and categorization of the data. Initial coding was reviewed by two independent researchers to validate the approach, themes and coding.

Document Analysis

Online searches related to the research questions, surfaced documents, materials and information on webpages that required a different analytical approach. Information was read and categories of information were related to the analytic framework and the research questions. Categories of information were highlighted, and notes taken to build a “logical chain of evidence” upon which to draw inferences and links to the research questions.
(Huberman & Miles, 1994). Analysis of the information was an iterative process and required linking back to the interview questions as well as the analytical framework and research questions; analyzing the links between the three collection streams. Where data or information gaps were noted in the earlier analytical iterations, further research and analysis was done to try to fill the gaps. Additional online research was conducted to explore new avenues or sources of information to build on the chain of evidence as described by Huberman and Miles (1994). Additional conceptual linkages were made when researching and analyzing the data from all three strategies.
Methodological and Data Challenges

Methodology

Trustworthiness in qualitative research is an over-arching concept encompassing several characteristics describing sound methodology, such as credibility, dependability, authenticity, confirmability and transferability (Graneheim et al., 2017). Various methods of judging trustworthiness are appropriate at different stages of the research and thus refers comprehensively to the whole study. In the planning phase, credibility in the recruitment of participants can be based on finding those who have experience with the phenomenon under study. In my research, the trustworthiness of participants is strong as the relevant background and experience of each participant is independently verifiable and easily determined to be relevant to the research topic or phenomenon being studied.

Another important question concerns the number of participants. As content analysis emphasizes variation in content, there must be enough data to cover significant variations (Graneheim et al., 2017). The optimal amount of data depends on the aim of the study and the quality of the data. Selection of participants is also important for the transferability of the findings along with an “accurate and rich description of the context of the study” (p.33). For my research, a minimum of 15 participants were specified for each of the three jurisdictions identified for comparison (BC, Manitoba and Ontario). Circumstances made this target unachievable for the province of Manitoba (difficulty identifying and contacting potential participants, and the impact of a national pandemic on the availability or potential
participants) and therefore it was decided to remove them from the comparative analysis. For BC, the number of interviewees surpassed the minimum at 17.

While the ability to conduct and access documents and various forms of text information is greatly enhanced through internet searches, accessibility is limited by several factors including determining appropriate search words and parameters; having access to the right databases; and availability of online material (as opposed to hard copy in libraries). In addition, similar documents in different jurisdictions may not have the same information, making collection of comparable data difficult. This was the case with website information on agencies as well as archival data in both BC and Ontario. And while some historical information was found through a general online search, it was not always verifiable through government sources where confirmation was sought.

Data analysis

During the early analytical stage of creating categories, there is the challenge of deciding the codes and themes and determining what supporting quotes from the original text should be included in a category. As Graneheim et al. (2017) note, this is a matter of dependability, as is the view that the interviews are co-created between the researcher and the interviewee. This challenge extends to the issue of recording techniques and research bias. For this study, interviewees’ responses were recorded by the researcher, on a laptop, verbatim to the extent possible. This resulted in some gaps in interview data where the responses may not have been heard or responses were faster than could be recorded by the researcher. These gaps are open, then, to the researcher’s interpretation and possible bias.
My familiarity with the subject area and some of the participants, then, creates a potential bias in the co-creation of data and thus requires an awareness of my potential influence on the way questions are asked, what follow-up questions are asked, and how the interviewees' narratives are perceived and interpreted.

A common issue in qualitative content analysis is that categories and themes are described on various levels of abstraction and interpretation, which threatens not only credibility and authenticity, but also overall trustworthiness (Graneheim et al., 2017). Providing examples of the abstraction and interpretation processes has been used as a way to facilitate the reader's ability to judge the credibility and authenticity of the findings, as well as to prioritize the voice of the participants over that of the researcher in the presentation of the results.

Analyzing the jurisdictional data was limited by gaps in the historical threads of agencies, notably timelines for creation and dissolution of “older” agencies and the ability to link changes in agency name, structure and mandate, over time. The ability to research the history and evolution of an agency and its mandate is labour intensive and difficult given availability and completeness of government records and the number of agencies that currently exist in both BC and Ontario. Thus, the statistical analyses must be viewed and understood with caution. But the stories told by those agencies that I was able to trace back numbers of decades, provides an aspect to the research that was somewhat unanticipated but welcome and a unique contribution to the analysis and results.
The COVID-19 Pandemic Influence

Most participants were interviewed in the early and mid-stages of the COVID-19 global pandemic. Challenges for government have been substantial, requiring urgent and immediate responses by the public service to policy and program changes made in a crisis. Impacts of the pandemic itself have also hit harder in certain areas of the population, such as seniors and more specifically, in long term care homes. It is within this context that participants shared their views about the future of the structure of government and its use of arms-length agencies to deliver public services.
CHAPTER FOUR

Jurisdictional Data Analysis – The Agencification Landscape

Introduction

This chapter presents the results of the jurisdictional data analysis, which offers a high-level overview of agencification in two Canadian jurisdictions. It is important to paint a picture of the state of agency use in a Canadian context. It is only then that efforts to understand why, and the implications of these decisions on public administration, governance and public policy, carry weight. Having a sense of the direction of agency use begs the question as to why, to what end, and exploration of the outcomes and impacts can be put in their proper analytical context. The interview data need to be understood and analyzed in the context of the trends in agencification. The jurisdictional data are intended to paint this picture.

The data tell us what jurisdictions have been doing with agency creation over time. The data represent the use of arms-length entities and the trends in their use from the earliest data found to the latest data available on existing public agencies. It provides the basis for making some determinations on the status and scope of agencification and distributed public governance in Canada. An understanding of the current state of agencification in the selected jurisdictions is enriched by the interview data collected which looks at the rationale for agency creation, impacts on public sector governance and the future use of agencies for public service delivery.
Jurisdictional Data: Agencification in BC and Ontario

The results described in this part are based on data gathered for the jurisdictional database. This source contains qualitative and quantitative data on public sector entities in nine Canadian provinces and the federal government. Information was collected on:

- institutional form
- year of incorporation
- ministerial responsibility
- organization (what they do)
- budget/finance
- employees
- management
- organizational structure
- history
- mission
- source of information

Only two categories of data (bolded above) were selected as germane to the research questions and for exploring relevant conceptual development with respect to agencification. Validation was conducted as part of ensuring data integrity (accuracy and consistency) by doing document and website research to verify the information captured.

My professional experience in the BC government with agencies and the literature allowed me to clarify categories and definitions as well as make logical and informed decisions about data relevancy and accuracy. The two highlighted elements above were used in the analysis along with two additional categories of information created and collected by the researcher: type of agency and year of dissolution. This allowed for a more accurate assessment of the change in number and type of agencies over time. The term “public entities” is used to describe the combination of agency and corporate institutional forms.
For the purposes of this analysis, the institutional forms of agency and corporation are treated as dependent variables while time is the independent variable. Time series analysis was used to analyze the series of data points over time to look at the changes in the use of arms-length entities (agencies and corporations) as a representation for agencification as noted in the literature. Except for 1899 and 1900, the dates on the table represent five-year time increments beginning from the date noted. For example, the number of corporate entities created from 1951-1955 was one. The date 1899 references all agencies created prior to that date while 1900 captures all the agencies created from that date until 1950. This was done to capture the historical landscape as far back as could be found in available government records; serving as a baseline for change over time.

Regression analysis was used to estimate the relationship between the dependent variables (agency, corporation, all) and the independent variable (time). Statistical significance is noted by an F-test with \( p < .05 \). At this level of significance, the null hypothesis is rejected and the hypothesized relationship between the independent and dependent variables are confirmed. The R-square analyses the pattern of residuals in order to determine the goodness of fit of the model with the data. R-squared indicates the percentage of the variance in the dependent variable that the independent variable explains. R-squared measures the strength of the relationship between the model and the dependent variable. The results below present descriptive and inferential statistical analysis, beginning with the results from the BC data.
British Columbia

_**Number of Public Entities**_

The data show that there is a continuing trend in the use of arms-length entities in BC (Table 9). This applies to both forms, agency and corporation. The number of entities has continued to grow although Figure 2 clearly shows the “ebb and flow” of agency creation. Table 9 also shows the reductions in number of agencies and corporate entities over time, allowing for a clearer picture of agencification based on the net number of agencies existing at a point in time.

Table 9: BC – Number of Public Entities/Type by Year

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<thead>
<tr>
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</tr>
</thead>
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<td>3</td>
</tr>
<tr>
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<td>3</td>
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<td>1</td>
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<td>3</td>
<td>4</td>
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</tr>
<tr>
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<td>agency - advisory</td>
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<td>15</td>
<td>27</td>
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<tr>
<td><strong>Cumulative total</strong></td>
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<td>33</td>
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<td>45</td>
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<td>73</td>
<td>82</td>
<td>89</td>
<td>104</td>
<td>121</td>
<td>148</td>
<td>159</td>
<td>167</td>
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</table>

Figure 2: BC - Number Public Entities Created Over Time
The resulting cumulative total (Figure 2) shows there is a strong linear increase in the total number of public entities created across the years. The rate of increase in the cumulative total of public entities rises from around the early 1980s through the 1990s; consistent with the timeline for New Public Management in public administration. Of note is the steady rise in the use of public entities post-NPM. Still, the data support other research which argues that the use of agencies ebbs and flows over time, that is the number of agencies created is not constant. There have been periods where governments have created more or fewer agencies. What is evident however is that regardless of how many agencies were created in each timeframe, reflecting and ebb and flow in creation, the cumulative number of agencies has risen and continues to rise in BC (See Figure 3 in Appendix A).

Types of Public Entities and Change Over Time

The data also show a difference in the use of institutional form over time. Table 10 (See Appendix A) shows the cumulative net number of agencies and corporations created over time with the number of agencies outpacing corporations. The net cumulative number of agencies is almost double that of corporate entities for the time period analyzed. This begs the question as to why this is happening and what is the significance of this trend including impacts on agency performance, efficiency and accountability.

The divergence in the use of institutional form is evident around the late 1980s and early 1990s based on the net number agencies and corporations (Figure 4). For nearly thirty years now in British Columbia, the use of agency as an institutional form has been increasing at a faster rate than for corporate entities.
Regression analyses were conducted on all three dependent variables to determine if there was an effect of time on the cumulative net number of agencies (those created less those eliminated). For all three analyses there is a significant overall R square value, and, in each case, there is a significant effect of year on the number of agencies and corporations, with the number increasing linearly over time. For agencies, the resulting R Square was .957, with an F value of 268.924, and a P-value = .008. For corporations, the resulting R Square was .977, with an F value of 511.573, and a P value = .049. For all entities, the resulting R Square was .979, with an F value of 577.093, and a P value = .002.

The coefficients show that the number of agencies increase on average by 1.65 per unit increase in time, whereas the number of corporations increase by 0.88. So, on average, agencies are increasing almost twice as quickly as corporations (See Tables 11, 12 and 13 in Appendix A).
Ontario

Number of Public Entities

Like BC, the data show that there is a continuing growth trend in the use of arms-length entities in Ontario (Table 14). This applies to both forms, agency and corporation, over time. Table 14 also shows the reductions in number of agencies and corporate entities for each timeframe, allowing for a more accurate picture of agencification based on the net number of agencies existing at a point in time.

Table 14: Ontario - Number Public Entities/Type by Year

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<td>51</td>
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<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
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<td>41</td>
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<td>58</td>
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<td>128</td>
<td>161</td>
<td>175</td>
<td>226</td>
<td>239</td>
</tr>
</tbody>
</table>

Figure 5 presents a somewhat different pattern of agency creation but arguably still reflective of an ebb and flow consistent with the BC data. While the number of public entities created saw a steady linear increase from about 1950 to 1995, the increases have been less consistent since then. Like BC, what is evident from the trend line is the continued use of arms-length entities regardless of the nature of the ebb and flow pattern of agency creation. This contributes to an overall increase in the cumulative total of these bodies as part of the structure of the Ontario public sector (Table 14 and Figure 6 in Appendix A).
Figure 5: Ontario – Number Public Entities Created Over Time

Types of Public Entities and Change Over Time

In Figure 6 (see Appendix A), the resulting cumulative total shows there is a strong linear increase across the years. This figure also illustrates the rate of increase in the cumulative total of public entities. It rises from around the early 1980s through the 1990s; consistent with the timeline for New Public Management in public administration. However, the continuing trend, post-NPM, in the use of public entities is worth noting and suggests that this is not a passing fad. The use of arms-length entities has become an integral and foundational part of the structure of the public sector and governments’ delivery of services.

The results show a more dramatic differentiation between the use of the agency and corporate forms, compared to BC (See Table 15 in Appendix A). There is a linear increase in the use of both institutional forms, agency and corporation. However, the use of agency as an institutional form increased at a greater rate than the use of corporate form. This divergence began in the early 1960s and continues to this day (Figure 7). Not only has the rate of agency
creation been greater in Ontario than BC but so has the rate of divergence in the use the two institutional forms.

Figure 7: Ontario - Cumulative Number Public Entities by Type, Over Time

![Graph showing cumulative number of public entities by type over time](image)

Regression analysis on all three independent variables (agencies, corporations, both public entities) reveals a significant effect of time (See Tables 16,17,18 in Appendix A). That is the number of agencies, corporations and combined public entities has significantly increased across the years. For agencies, the resulting R Square is .939, with an F value of 183.54 with a p value = .007. For corporations, the R Square is .908 with an F value of 118.939 and a p value = .009. For both agencies and corporations, the R Square = .937 with an F value of 178.486 and a p value = .006.
Weaving Data and Discourse

Results of the jurisdictional data analysis show that the use of arms-length public entities is alive and well in the Canadian context. Not only is their creation a continuing trend in both BC and Ontario, evidence shows that most Canadian jurisdictions have demonstrated little desire to shift the functions of these bodies back into government on a large scale. The interview results provide additional depth of understanding about the challenges of agencification and the distribution of public sector governance in the continued use of these varied organizational forms. The interviews confirm what some research has shown is a trend toward rationalization and tightening of controls to strengthen performance, accountability and general oversight. Interviews also surfaced and confirmed dynamics which may impede and undermine good governance (political behaviour, political ideology and the role of personalities, individuals and organizational culture).

Previous research had shown that Canadian reform efforts have not been systematic or coherent (Graham & Roberts, 2004; Savoie, 2004) and the current data are consistent with this view. What has been coherent is the ebb and flow of agency creation over time and a resulting increase in the number of arms-length entities. Change has been incremental; embedding agency creation and rationalization in reform measures (Pollitt & Bouckaert, 2017). In the Canadian context, the data support the argument that complexity is due in large part to expansion of the number and scope of agencies and subsequent attempts at reshaping their governance (Pollitt & Bouckaert, 2017; Rhodes, 1996; Savoie, 2004). While there has been no systematic evaluation of agencification in Canada, jurisdictional data
demonstrate the continuing use of arms-length bodies in shaping the public sector and public administration.

What is not captured in the literature are the impacts of agencification in Canada and attempts by Canadian jurisdictions to address fragmentation, coordination, control, accountability and performance issues through changes to their governance frameworks. Despite this and the continued increased use of arms-length entities, governments are still looking for new ways to address these issues. More recent changes in BC and Ontario have introduced a new layer of bureaucracy into the structural equation, potentially conflating the coordination and control challenges. The creation of “super-agencies” is intended to address these issues in their role to oversee clusters of agencies and manage an increasing number of independent agencies delivering government services. However, adding a substantial level of bureaucracy to coordinate agencies suggests that a new layer of governance complexity potentially creates new challenges for accountability, including distancing some agencies from the political centre and the trust they have built to facilitate their independence (Busuioc et al., 2011; Verhoest et al., 2012).

And while governments have experimented with and implemented new forms of governance controls with respect to the oversight of arms-length agencies, there has been remarkably little analysis of the impacts and outcomes of this continuing trend in particular in a Canadian context (Auditor General of Canada, 1993, 1997, 2004; Bernier, 2011; Bilodeau et al., 2007; Bird, 2015; Burak, 2010; Peters & Savoie, 1998; Pollitt & Bouckaert, 2017; Osbaldeston, 1993; Savoie, 2004, 2010; Vining et al., 2015). The distribution of public sector
governance across jurisdictions in Canada continues to change the organizational and relational nature of public administration.

Wells and Salgo’s (2019) work provide a unique contribution to the literature and our knowledge about distributed public governance in Canada including at the provincial level. My study supports the conclusion by Wells and Salgo (2019) that arms-length agencies are increasingly relied on by provincial jurisdictions for service delivery purposes. Their research also outlines key implications which beg the need for attention to the impacts and costs of distributing public governance. Expenditures, as a measure of the scope of distributed public governance activity, account for the greatest portion of public sector spending in Canada (2019, p.3). However, a focus on expenditures as a measure of distributed public governance lacks attention to its influence on public policy and the rationale for the continued use of arms-length entities and their evolution in the broader context of public sector governance. In presenting the findings of the interviews, the following chapter provides a deeper insight into the “why” of agencification as well as the effects and implications.
CHAPTER 5
INTERVIEW FINDINGS and ANALYSIS: Perspectives on Agencification and Public Governance

Introduction

This chapter presents the results of the interview data collected for this dissertation. It begins with a summary of the themes which synthesizes responses to all interview questions. This is followed by the results of the interview data summarized by themes and sub-themes for each question, by jurisdiction. Discussion of the interview results are presented in Chapter 5 while the results, analysis and discussion of the jurisdictional data are presented in an integrated approach in chapter 6 to synthesize the analytical and conceptual framework on agencification and distributed public governance.

Interview results are discussed first as this was the primary focus of data collection, supported by the analysis of jurisdictional data. Quotes from interviewees are used where the direct words of the response are effective in illustrating the nature and tone of the responses. Survey responses are conveyed primarily through identification of key points or themes. Tables summarizing the complete responses are found in Appendix A. The results below for each theme are provided in order of the greater numbers of responses for a theme and the overall ratio of responses to participants. However, the results are not primarily identified using numbers or ratios due to the small number of responses for many questions or for identified themes, as well as the qualitative nature of this part of the research. Prior to a detailed presentation of the themes for each question, is a summary of the thematic
responses to the interview questions to support the focus on the two key themes that emerge from the data.

**Thematic Summary of Interview Responses**

Table 19 (Thematic Summary of Interview Responses) provides a summary of all responses related to a theme, by question and jurisdiction. It is a descriptive presentation to show a pattern and general weighting of responses; those themes referred to most often over the interview. However, it is important to explain my approach to distinguishing the two themes of political behaviour and ideology.

In the summary, political behaviour is distinguished from political ideology and philosophy. A political ideology largely concerns itself with how to allocate power and to what ends power should be used. Each political ideology contains certain ideas on what it considers the best form of government (e.g., democracy, demagogy, theocracy, caliphate etc.), and the best economic system (e.g. capitalism, socialism, etc.) as well as positions on various issues and how to address them. Some parties follow a certain ideology very closely, while others may take broad inspiration from a group of related ideologies without specifically embracing any one of them.

Political philosophies are distinguished by their different conceptions of political dialogue (Miller, 2003). They are general conceptions although they differ as to how general they conceive themselves to be: some claim to be abstract and to have universal relevance.

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while others are affirmed as more relative to context. Political ideologies, by contrast, are more programmatic than political philosophies. Instead of general accounts of the form and content of political dialogue, ideologists are more interested in the positions that should be taken on issues (Blattberg, 2009). Ideology, then, is the stuff of political culture, of law, institutional design, and policymaking.

Political behaviour need not be ideologically driven. Behavior is political whenever individuals or groups try to influence or escape the influence of others whether in a political context or in relation to political philosophy or ideology (Feldman, 1982). Organizational politics and behaviour can serve both organizational ideology and oneself; behaviours increase the probability of obtaining positive outcomes. Influence by individuals may serve personal interests without regard to their effect on the organization itself. Hence, political behaviour and political ideology/government priorities have been differentiated given the nature of the participant responses where political ideology and government priorities were most often described in terms of political party philosophy and positions.

The four themes most frequently referenced by respondents are governance (control, coordination and accountability); political; individual and personality; and, performance and responsiveness. These themes suggest that the greater the number of responses the greater the influence of this factor as reflected by individual responses over numerous questions. For example, the theme of governance had the greatest number of responses (117) over all the questions. This suggests a greater level of importance of this theme in understanding the relationship between government and agencies in terms of creation and management; relationships between them and how that has changed over time; how decisions are made;
and the future of the relationship. Respondents’ focus on governance and control was a
substantial factor in their description of the issues and challenges relating to agencification
and accountability. As governments continue to use this structural form to a greater extent
to deliver public services, their challenge is to find a way to maintain coordination, control
and accountability by establishing appropriate governance mechanisms such as various forms
of agreements providing clarity around roles, responsibilities, performance and
communication expectations.

Table 19: Thematic Summary of Interview Responses

<table>
<thead>
<tr>
<th>Questions by Jurisdiction</th>
<th>Governance, control, coordination, accountability</th>
<th>Political</th>
<th>Individual &amp; personality</th>
<th>Performance &amp; responsiveness</th>
<th>Increase agencies, decrease size of government, decentralization</th>
<th>Ideology &amp; priorities of government</th>
<th>Economic, Financial</th>
<th>Rationalization &amp; contraction</th>
<th>Skills, expertise, compensation</th>
<th>Interactions, relationships between agencies &amp; government</th>
<th>Negative impacts</th>
<th>No change</th>
<th>System/organizational complexity</th>
<th>Positive impacts</th>
<th>Stakeholders, interest groups, public</th>
<th>Labour relations, human rights</th>
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sound public policy reasons. This is the case for the ongoing relationship between
government and agencies and individual relationships between, for example, a Minister and
Board Chair or CEO.

As a third theme, individuals and personalities also matter in the governance and
oversight relationship between government and their arm’s-length agencies (54 responses).
This can have an impact on agencies if their leadership is seen to be offside with government
values, goals or priorities. Leaders may change or government may step in to provide more
direction even in an area clearly within the agency’s mandate or operational authority.

The fourth theme, performance and responsiveness, appears to be most important in
two ways: for the creation of agencies and the role that they have played in implementing
government policy, including their contribution to the reshaping of government. This result is
supportive of an NPM perspective and its continued influence in public administration.
Respondents felt that decisions about agencies were influenced by a need for more effective
and efficient performance. Government itself did not have the right expertise, was not
nimble or innovative enough, to respond to a need. Arms-length agencies were and continue
to be seen as a structural mechanism that allows government to deliver a service that meets
the needs of a constituent better than it could deliver within a ministry or department given
the number and types of constraints imposed on the bureaucracy. This means ensuring a level
of responsiveness to client or stakeholder needs. It also means being agile and creative in
setting up management, operating and policy systems to affect a nimble and responsive
organization. According to respondents, agencies have been set up for performance and to be
responsive to their clients. They believe that the expectation of better performance has
played a role in decisions about implementing government policy as well as contributing to the reshaping of government.

**Relationships between agencies and government (Q2)**

Interviewees were asked to describe their experience with various organizational forms based on their past government experience. This could include interactions with independent agencies that were part of a participant’s experience or knowledge, as well as preferred modes or methods of interactions by the government of the day with independent agencies. Several themes can be discerned in the responses. Table 20 (See Appendix C for full tables) provides a few summary comments grouped into key themes: political influence, individual or personality influence, ideology and government priorities, and modes of management and administration.

**Table 20: Interactions with independent agencies (Q2)**

| Political influence | - ...BC Ambulance, lot of interest from political side, more in-depth than most Crowns;  
| BC – 6 | - The lack of philosophical alignment can cause tensions; all politics is personal.  
| Ont - 11 | - Gets tricky if political level persists in influencing or directing entity;  
| | - Despite governance MOU, government intervened.  

| Individual or personality influence | - ...not just political individuals and personalities; Deputy Ministers may be more or less consultative;  
| BC – 3 | - Relationships depend on personalities whether positive or negative;  
| Ont - 6 | - Relationship between organizations and government are personal;  
| | - Occasions where agency executive got on someone’s nerves and senior members of government would say “don’t send that person back to me”;  
| | - Some agency executive more astute and knew how to “work the ministry”.

| **Ideology/priorities of government**  
BC - 5  
Ont - 3 | - Liberal government much more interested in moving things out; getting them away into arm’s length relationships. NDP not as concerned about that.  
- Sometimes political motivation was to distance government from tough decisions but the reality is that government is still accountable e.g., issues with BC Hydro & ICBC.  
- Around a change of government, “everybody associated with previous government got tainted”.  
- Numerous examples exist from around BC’s Cabinet table where advice of independent agencies viewed with deep mistrust and misunderstanding of that world. |
|---|---|
| **Modes of Management: Governance, control, coordination**  
BC – 3  
Ont - 11 | - Government tried different mechanisms of control and coordination of the Crown agency sector with various degrees of success;  
- Key thing that all ministries looking for is good communication, strong, proactive, transparent, no-surprises, loyalty to Minister and govt of the day;  
- Still a desire for accountability, evaluation, management but much stronger focus on partnership and funding;  
- Risk management process; now have all agencies reporting in on a regular basis following a risk profile; go before treasury board on a quarterly basis |
| **Modes of Management: relationships between agencies and government.**  
BC – 4  
Ont - 12 | - Administrative accountability laid out but government created a large amount of unfettered discretion in statute;  
- Relationships between government and agencies dependent on issues relevant to the priorities of the day. If something you did as an agency caused problems with constituents, it often resulted in greater involvement and intervention by government;  
- We have a rule of no surprises. If there’s an issue we’d communicate even it at midnite. Formally I’d meet with the Deputy Minister three times a year;  
- Minister able to give direction e.g. policy, sign off or approval, review, comment. |
| **Political reasons for agency creation**  
BC – 4  
Ont - 2 | - ICBC’s creation in 1974 reflected a political philosophy of the B.C.’s NDP government in creating a Crown corporation to solve a public issue  
- Waste management was a political nightmare as long as I can remember; politicians hate it; government wanted some way to get out of the maelstrom then set up independent agencies. |
| **Modes of Management: shifts in government control**  
BC – 3  
Ont - 2 | - Government had gotten more hands on, involved and directive; mandates initially short and high level but have gotten longer and more prescriptive with respect to such things as expenditures and numbers of surgeries to be performed;  
- Government control ebbs and flows. BC Liberal government initially more interventionist but the mode of governance was moved to a more arms-length relationship and government removed itself from day-to-day operations. NDP government put more stakeholders on boards; provided stronger direction for agencies;  
- outside constraints of larger government and extension of accountability measures means you become much the same as larger government, lose nimbleness. |
Political Influence

The first theme in Table 20 reflects comments on the political nature of the relationship or interactions between government and its independent agencies. The responses indicate that the primary direction of the influence is from politicians and government (usually senior bureaucrats) to arm’s-length bodies. Influence in the other direction (agency to government) was primarily of a policy nature – whether through informal or formal processes and relationships. In BC, the level and types of interactions are reflective of the political interest in a file or organization, or, in some cases, the people in senior positions in either an agency, ministry or key political position such as Secretary to Treasury Board or Cabinet Minister. One respondent noted that with respect to the BC Ambulance service there was a “lot of interest from the political side, more in-depth than most Crowns”. Relationships between government, including Ministers, and agencies were dependent on issues relevant to the priorities of the day. Government might want to “leave you alone as an independent agency” but if something you did caused problems with constituents it often resulted in greater interest, involvement and intervention by government.

Political interactions may or may not be indicative of a larger political philosophy or ideology, but the two concepts are not easily disaggregated. As one respondent stated, “all politics is personal – culture eats policy for breakfast”. Every political system is embedded in a particular political culture\textsuperscript{14} with trust as a major factor and built on relationships: organizational and individual. This is evident in such comments as “the lack of philosophical

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alignment can cause tensions and requires an adeptness at managing different personalities” and “the lack of philosophical alignment can cause tensions and requires an adeptness at managing different personalities”. In these responses the differentiation between a party’s philosophy and an individual’s political predilection isn’t clear. Individuals may act to secure their own political advantage without necessarily representing party interests or philosophy. This may be the case, for example, in representing constituency issues as opposed to party positions on an issue that affects the whole province for example, education, healthcare and the environment.

Political culture is reflective of the level of trust at both an organizational and individual level, as exercised in relationships between politicians, senior bureaucrats and agency leadership: “relationships depend on personalities whether positive or negative. So many things...depend on individual Ministers and even political staff”. From the agency’s perspective, it was clear that sensitivity to governments’ needs, priorities and political positioning, and the ability to communicate well with government, was helpful in ensuring a smooth working relationship and favourable outcomes for the agency. As one participant noted “some agency executives were more astute and knew how to work the ministry and better understood how to engage with government. Those members of agencies who understood government were better able to manage their relationship and performance”. Similarly, “when relationships are strong it is possible to work through the vagueness of accountability. When they are not working well, it was a huge source of conflict”.

The number of respondents in Ontario who noted a political flavour in the interactions was higher at 11/15. Minister’s offices will interfere with an agency, outside their authority,
where they are not satisfied with an agency’s actions or response to an issue or government direction. One participant noted that “despite separate governance and MOU, the government of the day intervened when they felt that decisions were not what they could support.” Interactions between an independent agency and government can “get tricky if political level persists in influencing or directing entity where they don’t want to and operation within its own autonomy and discretion”. This is evidenced in numerous cases where the government appoints someone to the board that is a political supporter: “When Ford government came in…put in someone who lost in the election. Always look at the stripes of an appointee”. Another participant described it as “Janey’s a friend and we’re going to put her on a board. Some CEOs and Chairs disagree, and they get offed”. While political influence in interactions have been noted at the executive levels, it is not exclusive. “Different interactions between political representatives and agencies”. “Some governments, young, inexperienced ministerial staff sometimes cross the line and do it more often if predecessors haven’t clued them in”.

**Individual or personality influence**

The second theme reflected in participant responses was the influence of individual or personality in the relationships and interactions between independent agencies and government. In BC (3/17), the issue of personality created conflicts between Board, CEOs, Ministers and their offices, and other government executive. One participant noted that “lobbyist registration responsibility was given to the Information and Privacy Commissioner because of personality issues”. With respect to the minimum wage in BC, another respondent reflected that ministry executive tried to set up a minimum wage floor and
recommended that a tribunal address future wage changes to “stay away from politicization”. While most of Cabinet was supportive, key members wanted to maintain control. When the political leadership changed the “first thing they did was increase the minimum wage. It depended on personality and where they wanted to stick their oar in. A lot of personality discussions – what’s going to play at the Cabinet table; can we get away with punishing the agency; who’s going to write about it in the Vancouver Sun”. This was so regardless of political party in power, but was also influenced by individual leaders, their personalities and agendas.

For Ontario, this theme was more prevalent with participants noting that interactions between organizations and government involve personalities and personal relationships between Ministers, senior civil servant and agency heads. “Often leaders are attracted not from the public but the private sector...Board and CEO need to be aligned with government and Minister or problems downstream”. Personal relationships can have both positive and negative impacts with one participant noting that “all won’t work well as you’re dealing with personalities; good relationship develop and that’s when things happen.”

**Ideologies and priorities of government**

A third theme that emerged from the data is that of ideologies and the priorities of government. In BC, like Ontario, agencies have been set up as arms-length from government for many reasons. One of them is so that decisions are made without undue political influence. When relationships are working well it is possible to work through the vagueness of accountability. When they are not working well, “it is a huge source of conflict”. One
participant noted that “the Liberal government was much more interested in moving things out; the NDP was not as concerned about that”. While this often meant moving programs or services outside of formal government for performance, efficiency or cost benefits, others commented that sometimes the political motivation was to distance government from tough decisions, complex or “sticky” problems, or potential embarrassment. But respondents were clear that “the reality is that government is still accountable”. This is evident in issues facing BC Hydro, ICBC and even the BC Ferry Corporation, which was established as a private corporation but its sole shareholder is effectively the provincial government.

Ontario (3/15) interviewees were less direct in their observations about ideology and the influence on relationships between government and agencies suggesting that “we were forcing ministries to see if they needed some agencies; bunch of silly ones; tough to convince Ministers and ministries to get rid of agencies”.

_Governance, control, coordination_

BC participants noted that governments had tried different mechanisms of control and coordination of the Crown agency sector. Guidelines introduced in mid-2000 provided some consistency in that a Crown agency was to be “responsible for the day-to-day operations, critical decisions on budgets, annual cycle of service plans”. It was noted that a Cabinet Committee on Crown Corporations existed but “didn’t do anything to harmonize” or address the achievement of common goals; “no one bought into the model”. When the Crown Corporation Secretariat was created, it resulted in some hostile relations between government and Crown agencies, in particular Crown corporations. One respondent noted
that there can’t be too many power centres in government, like “[Premier Gordon] Campbell who tried to run everything”. There has been a tendency to create new organization and if “we don’t like them, we don’t dismantle them, we just create new ones”. However, another perspective was shared by one interviewee who noted that key agencies such as the Human Rights Commission and Public Service Commission were eliminated for being highly inefficient, ineffective and costly. There was significant interaction between Cabinet and government staff on what it wanted to create.

More Ontario respondents raised the topic about governance, coordination and oversight mechanisms that influenced the relationship between government and its independent agencies. In trying to deliver policy initiatives or reforms through an agency, for example, a gaming strategy involving Ontario Lottery and Gaming Corporation, collaboration was important as noted by one former agency executive. A key thing that ministries look for is “good communication, strong, proactive, transparent, no-surprises, loyalty to Minister and government of the day”. Given the importance and conclusive nature of Ministerial accountability, an “entity needs to think about government interests and expectations”. One participant’s example of the “degree of accountability that government should acquire” involves an art gallery which had a publicly appointed board. There was a public “battle” as to how much control the board had and could exert over the founders. There was an “enormous range of consideration as to how much it should be politically controlled”, outside the control of the Minister and ministry of the day.

Planning and the relationships between external agencies and government is a “massive study in government’s push and pull”; in government’s giving authority and tying
the hands of an agency. It may be done through legislation, policy, agreements, routine processes and protocols. One participant helped create a risk management process which currently has agencies reporting in on a regular basis according to their risk profile.

Another form of control and interaction between government and its arms-length agencies in Ontario is a more recent mandatory requirement for all new board appointees to attend a 1-day training or orientation session. Government uses this mechanism to exert control over its board members to ensure they understand their role in the public context. As one former executive stated, “they wanted professional, skill-based boards”. However, the government of the day would look to people who had the same values, philosophy and network although it “wasn’t blatant political appointment”. Occasionally “some appointee felt they were smarter than anyone else” and felt they didn’t need orientation. “Either I or someone in the Premier’s Office had some challenging conversations with these people. They had to do the orientation, or we’d find the next appointee”. It was a “very effective tool for dialing down the risk for government” given that few agencies are truly independent. The participants in this study were clear that overall, the “province sets the framework and has tools to influence arm’s-length agencies”. This begged the question for one participant, “how long is the arm”?

Alternately, one respondent spoke to the need to educate Ministers and noted that they spent a lot of time doing this. Accountability agreements were a key mechanism for understanding the relationship between government and an independent agency including that of the CEO or agency head (Board Chair) and the Minister’s office; on occasion, the Premier’s office. Sometimes there was an awareness of accountability agreements and
sometimes not; depending on the nature of the relationship between the agency and the ministry. One participant noted that when an agency got into difficulties, they, as the DM, took on the Chair role while “they mopped things up”. The province sent in their senior government official to “put things right, including supervision of staff”. This led to the agency taking directions more closely from the Minister’s office; “independence starts to erode with lack of confidence by public and Minister takes charge”. This required a lot of time with the Minister’s and ministry staff.

Even larger, commercially focused agencies or Crown corporations such as Metrolinx\(^{15}\) have been “very closely held as objectives...closely connected to policy and direction of government”. It a tightly controlled agency and the “arm is quite short” because the “success of Metrolinx drives success of government”. Even in one ministry, there are different ways that government holds close or keeps distance from agencies. Sometimes this depends on the function of an agency such as regulatory or quasi-judicial, but this distance and the nature of independence may not envelope the whole organization. If an agency performs these functions or roles there is “more distinction between government and the agency” e.g. the Ontario Energy Board (quasi-judicial, regulatory function).

In Ontario, the provincial government has maintained a key role in appointing CEO’s to its agencies, corporations, etc. Some respondents noted that they discussed CEO appointments, with little ability to influence the outcome. One former executive noted that while CEO appointments were discussed, they were never changed. This process “binds the

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\(^{15}\) The Province of Ontario created Metrolinx in 2006 as a new regional transportation agency.
CEO to government in a way that’s different; somewhat unusual process”. With a key governance relationship inherent between the Board/Chair and the CEO, the CEO’s appointment by government “muddied up those relationships”.

For other executives, what mattered was what was written in the legislation that outlines an agency’s mandate, roles, responsibilities and accountabilities to government. For most organizations there’s been a statutorily defined distributed power. The intent of arms-length agencies according to one respondent was that they were not to be controlled. Government set the policy and mandate in legislation but didn’t tell them how to run the operations. Agencies were to be independent but closely working with government.

For two participants what mattered was the “legislation that has been written when it comes to agency governance and understanding your role. Have to understand what’s been put down on paper”. This works for and against both the agency and government if legislation is written too quickly, “you pay the price”. A scandal involving the Ontario Lottery and Gaming Corporation demonstrated how a Minister “wasn’t on top of it”. Government failure to communicate also contributed to the issue when it became known that an ADM was aware of the situation but did not let their DM know. The CEO of the agency was removed; “so much went wrong”. Serious issues result in leadership changes both in government and an agency and in this case, the creation of an oversight team. The impact on agency oversight and “everything in the Ministry changed; people lost their jobs; confidence lost.” The failure was the Memorandum of Understanding (MOU) between the agency and government (the Minister/ministry responsible) and the lack of clarity in how the relationship was to be structured and communication, monitoring and reporting carried out. All the points of
articulation needed to be captured in the MOU – “we all know that when something goes wrong it’s the Minister that will be held accountable”.

*Relationships between agencies and government*

The second sub-theme focuses on the types of interactions and relationships experienced between agencies and government. This is intended to capture more routine as well as informal relationship behaviour. Those outside the scope of MOUs, agreements, legislative mandate, etc. B.C. participants (4/17) noted that while administrative accountability was laid out in statute, relationships between government, including Ministers, and agencies were dependent on issues relevant to the priorities of the day. The “large amount of unfettered discretion in statute” is influenced by government and the Board of an agency. Various structured meetings are used to manage agency performance and as one former DM noted it often “felt like the layer of sand between two pieces of granite” given a board’s lack of experience with government. From an agency perspective, government might want to leave you alone but if “something you did caused problems with constituents it often resulted in greater interest, involvement and intervention by government”.

With the evolution of the Crown Corporation Secretariat to the Crown Agency Secretariat under the Liberal government (2001-2017) in BC, there was an attempt to lay out a series of policies and processes for consistent treatment of Crown agencies across government. As performance measures were introduced, consequences began to be associated with agency achievement. Performance measures were geared to efficient
operation rather than delegation of authority; removing them from the constraint of
government budgets.

Most Ontario participants described meetings between DMs, CEOs, Board Chairs and
Ministers as routine, with one focus of communication being the relationship between a
Board Chair and the Minister. The oversight relationship is always part of government and
ministry accountability for overseeing the entity. In carrying out this oversight, agreements
have existed that capture “all the responsibilities and expectations of the relationship”. The
Minister can give direction on policy, sign offs, approvals, review, comment etc.

One former Ontario agency CEO formally met with the DM three times a year. They’d
meet quarterly with the ministry senior management team and “go through everything –
progress, issues.” Additional meetings or phone calls were as needed with ADMs. Another
channel of communication through the board structure is with the appointment of
government staff to a board. As one participant noted “we have three appointed members
from government, and they share information with government on how the organization is
governed”. Another former CEO noted that “different governments are different, but my
primary contacts were with the DM”; meeting every month and episodically with a group of
DMs closely related to the agency mandate. An agency’s outreach to non-prescribed
channels, that is, other parts of the public service might be more challenging according to one
participant. Because of the hierarchical relationship in government, “they got the willies when
I talked with other than the DMs”. One interviewee noted that most ministries had “agency-
relations people who would ride herd on their ABCs”, keeping regular contact with them.
However, agency executive would have other, less formal opportunities to interact and
connect with other senior people: “lots of events where I would be at with the Minister, DMs and other senior people and would have opportunities to chat there”.

Agencies were expected to understand ministerial and departmental perspectives to deliver on their mandate, according to another interviewee. The ministry and agency had to work “hand in hand” to manage risk, causing an “enormous amount of stress, anxiety about Minister and Chairs appearing before Treasury Board”. This could be an effective tool to “drive home to Chairs and CEOs that...you’re a public actor and you owe a degree of deference to the Minister of the day” and emphasize the need to work together as an “enormously powerful way to help clear up challenges that agencies perennially had”. However, as one former DM noted, “you’re as good as your relationship with agencies e.g. Minister to Chair, Chair to Board, Chair to CEO, CEO to DM”. They described the chief of staff to the minister as needing to “hound agencies all the time”.

Eight of the Ontario participants described approaches to managing issues or risks. A common scenario, according to one respondent, is when someone calls the Minister’s office and says the agency is making life difficult. Deputy Ministers were the common touch points for dealing with agency issues and worked closely with agency head, Ministers and their political staff: “my personal interaction, supporting political office holders...sorting through issues coming down the pipe”. Some ministers were more “hands on; staff in Minister’s office want to get more involved and DM plays a role”. The role of the senior public service is to “trouble shoot – frequently”. DMs understood the importance of developing a good relationship with agency leadership, most often, the CEO. Government has an interest in an agency “comporting itself properly”, in a transparent manner; consistent with good
governance. This required ongoing, frequent communication between senior levels of
government and agency executive. According to one participant “better agencies have more
frequent contacts, no surprises policy”.

*Shifts in government control*

This sub-theme reflects participants’ views that speak to changes over time in how
government interacts with agencies. In BC, one respondent summed up the views of several
participants in both jurisdictions in that “government control ebbs and flows”. They stated
that the Liberal government was initially more interventionist but the “mode of governance
was reconstituted” as government moved to more arms-length relationships and removed
itself from day-to-day operations. A new NDP government made changes to put more
stakeholders on boards and provide stronger direction for agencies. Another former DM
noted that government had gotten more “hands on and involved and directive in lots of
ways” in the health arena. For example, they described health authority mandates as initially
short and high level but had “gotten longer and more prescriptive with respect to such things
as expenditures and numbers of surgeries to be performed”.

In Ontario, one participant reflected on a minister’s role in the changing nature of the
relationship over time. One example focused on Wastewater Ontario. The Minister wouldn’t
give direction and adopt regulations. There was no clarity of definitions and direction and
“things went from bad to worse after 15 years of intense unhappiness”. Eventually, the policy
role was brought back into government leaving the agency with responsibility for
implementation only.
The challenge with changes in the relationship may also be related to political philosophy or ideology, in addition to personalities. For example, “many programs that the Liberals set up, the Conservatives gave themselves immunity and took money back”. Another example was the changing role of Metrolinx. The Liberal government of the day wanted to create a framework for the Board that separated it from political machinations of the province and municipalities. Legislation was amended to clarify that Metrolinx provides advice to government and government was the final decision maker on investment and direction; reflecting an “evolution of the relationship over the last four years”. More specifically, this can be seen in the number of directives\textsuperscript{16} issued by the province to Metrolinx over time. “In the last three years Metrolinx has received ten letters from government”. Prior to that, the agency received a formal letter of direction from the province twice in seven years. Other influences and changes in the relationship between government and agencies is the extension of various control measures such as human resource practices, procurement policies, and additional financial measures, to “enhance agency effectiveness and flexibility to respond to stakeholders”. Another respondent described the imposition of “outside constraints of larger government” as extending the accountability measures so that agencies “become much the same as larger government, lose nimbleness”.

\textsuperscript{16} These are written directions from a Minister to the Board; different from the annual mandate letters and often authorized in them.
Agency creation and governance (Q3)

This question focused on how government decisions were made about creating independent agencies and the structure of government more generally. Respondents were asked to describe the criteria and identify the most important factors considered in agency creation and governance. In focusing on understanding the nature of government decisions with respect to agency creation, oversight and governance, respondents were also asked to articulate the pros and cons of agency creation and governance. Based on their experience, respondents were asked to describe the discussions around the governance mechanisms considered and any reasons for the choices and decisions made.

Participants commented extensively on the criteria that government considered and relied on for the creation, management and oversight of independent agencies. The rationale provided consisted of a broad range of considerations. The themes in Table 21 that were identified from the responses include governance mechanisms and accountability; economic and financial; performance; political behaviour and ideology; skills, expertise and compensation; individuals and personalities; and, financial contribution to government.

Table 21: Rationale for agency creation (Q3)

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<th>Governance mechanisms &amp; accountability</th>
<th>BC – 11</th>
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<tr>
<td>- Desire for clear roles and responsibilities, accountabilities;</td>
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<tr>
<td>- Good for government to articulate performance expectations then government can audit them;</td>
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<td>- You have to affirm the value of the entity you are creating; do an evaluation. But it doesn’t happen.</td>
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<td>- At the end of the day it doesn’t matter who is delivering services. If government creates the legislation, the accountability goes back to them.</td>
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<tr>
<th>Economic, financial</th>
<th>BC – 10</th>
<th>Ont - 9</th>
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<td>- Independent authorities like ferries, consumer protection and land titles were launched out of the Campbell government; economically driven.</td>
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<td>- Liberals trying to cut back budgets and bring in more fiscal rigor.</td>
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<td>- Fiscal management considerations trump everything at the end of the day.</td>
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| Performance, effectiveness, responsiveness | BC – 7 | - More private than public sector focused – driven by performance; important to incent performance.  
- Premised on being better focused, better in control of revenues, costs and intention of delivery.  
- Main rationale for health authorities (1) having them closer to home and more responsive at a community and regional level  
- Efficiency is a common argument for DAAs – delivered more efficiently outside government and not subject to bureaucratic red tape, more nimble. |
| - | Ont - 14 | |

| Political ideology | BC – 7 | - creation of agencies partly philosophical; make government smaller; partly economical;  
- sometime in the mid-1990s government looking at reducing size;  
- fiscal management trumped everything under the BC Campbell Liberals;  
- BC NDP more involved, less concerned about interference. What it meant to business was not quite as important;  
- Different parties value different things. Wynn (Liberal) devoted to good public policy, efficiency; government that followed (Conservative) different; what they valued had nothing to do with principles of public consultation. |
| - | Ont - 7 | |

| Political behaviour | BC – 6 | - BC Liberal government would openly take money from us. They’d use the healthy financial picture to help fund their election;  
- Political optics as important as strengths and interests of ministers;  
- People appointed to agencies from business sector, especially with the Liberal government. Not effective - people came in with their own agendas.  
- Every new candidate (board) is a defeated Conservative candidate (Ont);  
- Enormous range of considerations as to how much agencies politically controlled; creation driven as much by politics. |
| - | Ont - 12 | |

| Skills, expertise, pay | BC – 6 | - In the government’s framework, getting the right people who have the right qualifications can be challenging; challenging to get skills for engineers and statisticians. Being outside compensation guidelines, PSEC enable us to get some of those skills;  
- Put stuff out because you need to hire outside experts; staffing flexibility;  
- Most independent agencies when set up, want to put the best talent into these agencies; want to make sure you’re remunerating them well. |
| - | Ont - 9 | |

| Stakeholders, interest groups, public | BC – 3 | - Acceptance by the public, stakeholders or a particular interest group will sometimes drive the interest in creating an independent agency.  
- find ways to share authority; public trusts decisions if made by arm’s-length experts;  
- Government sets up arm’s-length agency to bring stakeholders and parties together. |
| - | Ont - 5 | |

**Governance mechanisms and accountability**

Respondents in both BC and Ontario spoke extensively about governance mechanisms, structure and issues with respect to the creation, management and oversight of agencies. In this context are government discussions and approaches with respect to how an
agency should be governed and the mechanisms to ensure accountability for results, financial outcomes, responsiveness to clients and stakeholders, as well as public policy. More specifically, responses reference governance frameworks; board structure and appointments; roles and responsibilities; the structure or type of entity desired; its relationship to government; and the controls that should be in place for accountability. Responses are categorized into numerous sub-themes which speak to the complexity of governments’ decision making with regard to the structure of public service delivery and public policy implementation.

*Board appointments, roles, mandates and expertise*

In BC, the establishment and role of boards is seen as critical in the structural framework for agency creation. It is the board that has ultimate accountability for delivering on an agency’s mandate and ensuring that it is fulfilled within the public policy context set by government. A more recent trend in agency governance is solidification of the relationship between an agency board and its responsible minister by some form of agreement. There is a desire for clear roles, responsibilities and accountabilities; government does not “want to own everything”. However, if the board does not understand its role, there can be “mandate growth”. That can happen easily without clear policies and expectations. Organizations can start to transform, and government needs to be clear on what it wants. Therefore, the shareholder, government, needs to be clear about the organization’s mandate and the Board’s role in carrying out that mandate.
Board composition and selection is also important in the participants’ views. The appropriate level of board governance, size and “pragmatics” was considered in negotiations according to one interviewee. Individuals selected for agency boards have not always had the requisite skill, competency and experience required to successfully navigate the strategic direction and management of certain organizations, and this has resulted in challenges for government and in some cases, public disasters. To address this issue, there has been more focus on board training; who was doing what and why. As one respondent said, a board only works “as long as there is discipline in managing it, not interfering if something isn’t going the way you want it”.

A more specific discussion in government circles is whether government representatives should sit on agency boards. For example, when Destination BC was created there was discussion about who should be on the board, including government staff. While one interviewee noted that this wasn’t good governance, there is “reality versus theory; staff shouldn’t be on boards, but it is very helpful”. In this context, it is helpful for government as having a staff person on an agency board provides a direct pipeline for information and is another way for governments to ensure boards are heading in a desired direction. It can be beneficial for agencies as they, too, have a direct pipeline for government information and someone who can help interpret government’s messages and direction, as well as communicate their position, issues and needs back to government. An example of the need to address board composition was provided by one interviewee in relation to a review of the College of Dental Surgeons of BC. The resulting Cayton report (2018) made recommendations to not only reduce the number of regulatory colleges but enhance relevant expertise on the
board. Cayton (2018) also recommended an increase to the number of public members on the board.

In Ontario, most of the participants provided insight into its government’s discussions and decisions around the creation and governance of independent agencies. While most of themes that arose in BC were noted by Ontario respondents, there are some differences. Like BC, there are guidelines for the appointment of directors to agency boards; detailing who makes appointments to the board, e.g., government, agency, profession, industry etc. Regardless of who recommends the appointment, the guidelines for establishing agencies specify that the people on a Board should be qualified. And despite the guidelines, “any government wants to be comfortable with the people on the Board”. The evolution of the Niagara Parks Commission board was given as an example of the Ontario government’s challenges in finding that level of comfort. After an eight-year period, the interviewee stated that “a very strong skills-based board was in place”. Having spent time on this board, the interviewee noted that while the board had a lot of strengths, when a new government came in, only one person had their Order-in-Council renewed. Their observation was that “every new candidate is a defeated Conservative candidate, so not nearly a strong skill base on the board”.

Government control of an agency and its board can be tied not only to legislation outlining their mandates, but the number and types of appointees government makes to the board. It is generally understood by both government and agencies that the line of accountability is exercised between a Board of Directors and the responsible Minister, who is then answerable to the legislature.
One participant compared the Law Society in Ontario with delegated administrative authorities (DAA) generally. The Law Society has legislation that specifies that government appoints a minority to the board and the agency is in control of its decisions. This is not the case for DAAs where government controls more of the policy arena regardless of board appointments. An example of the discussion around board appointments was apparent in determining the governance parameters for Metrolinx. One interviewee described discussions as including whether the government appoints all board members; public servants on the Board; appointment of the CEO; length of terms; and committee structure.

During transition periods related to a change in government, appointments related to agencies were central to the new government’s agenda or where they would like to see some change. As part of agency review, “we developed a competency framework for agency appointments; couldn’t be your buddy that worked on your elections campaign, had to meet professional competencies; informed the pool”. Governments can go slow on appointees or move quickly depending on their political and policy agendas.

While not referenced by many participants in BC, the issue of CEO appointments by government (as opposed to agency Boards of Directors), was raised by one respondent who mentioned that discussion on the issue would happen around agency creation. At one time “government was thinking about appointing all of them, but it would have created confusion.” CEO appointments are treated differently in Ontario and are often appointed by government as opposed to Boards of Directors. As noted previously, one participant described a great deal of discussion by government on governance parameters for Metrolinx. This included not only board structure and appointments, but whether government should
appoint the CEO. In Ontario, this is more common than in BC, unless a board is comprised totally or primarily comprised of public servants.

Structure of government: agency governance

In BC, conversations about the structure of government included whether a function could or would be managed better if it was “outside”. This idea captures the debate about whether services or programs should be placed outside of a government ministry. The “what” is the prerogative of government, for example, BC Safety Authority and BC Assessment. Two examples highlight the complexity of decision making with respect to the creation of an agency to deal with multi-government mandates and multi-sector oversight. With the Liberal (2001-2011) government’s promotion of the 2010 Winter Olympics, the Federal government wanted a downtown rapid transit line while regional governments wanted a line from Burnaby to Richmond. Decisions were challenging given the structure of the Translink board – the regional transportation agency responsible for the decision. The province argued that the governance structure was not appropriate, and this reflected the extent to which regional mayors were represented on the Translink board. New leadership in the Liberal government (2011-2017) created an expert board for Translink that was accompanied by less responsibility to local mayors. In addition, debt was not moved back into the province. The policy balance was to bring back accountability but keep debt on the local side. The concept was then applied more broadly for example, with the creation of Consumer Protection BC.

With the creation of Consumer Protection BC, the consumer protection model which had historically been housed in a government ministry, was moved outside government after
years of pressure by various industries. An external study was done by Grant Thornton, and according to one respondent government supported the agency model recommended by the authors – that of a Delegated Administrative Authority. The report brought together threads of delegated administrative authorities, agencies, boards, commissions, Crowns and factors such as legal, finance, governance and risk. “Probably a good idea to create a neutral body and create linkages to other regulatory bodies”.

Setting up agencies is a balance of what government wants to do itself and what it will push out into an external or arms-length agency. Ontario participants referred to the agency relationship as not being independent but “arms-length”; meaning that agencies are not conceptually independent or autonomous. They are structurally separate from ministries and internal or central agencies. When a government puts in new legislation and the need for something new to be done, it decides on internal versus external: should an agency be in government or take one more step and be taken outside government. Regardless of the controls and accountability mechanisms put in place by government to support agency independence, government controls the legislation and ultimately, the entity it creates. “In the end, government is responsible”.

One participant thought that the process of creating an agency “always starts out with the best of intentions” to balance oversight and discretion or independence and provide “some distance from government”. There is a process, policy and guidelines for creating agencies in Ontario. Regardless of the process and guidelines, the creation of agencies and their oversight was often a matter of internal debate over program structure and governance mechanisms. One former senior public servant described their role in structural decisions of
government as trying to ensure that agencies “were set up, consolidated and abolished based on solid public policy”. The intention was that agency operation should be efficient, effective, seen as legitimate, and that it and its decisions are trusted by the public. Another participant who worked in a central agency responsible for overseeing the structure of government and agency creation explained that if a ministry said their minister wanted to create a new agency, they would talk with the ministry about the mandate of the organization and the proposed governance structure. “Some pushed the margins in lots of different ways”.

Often ministers would go to Cabinet to convince colleagues and the Premier of their way and the central agency provided support and guidance. One participant reflected on the significant discussion of governance parameters for Metrolinx: “does government appoint all board members; can public servants be on the Board; will the organization have the ability to use its revenue to raise revenue; and, how does that impact the province”. These were critical factors discussed by public servants and politicians. Regardless, because legislative oversight mechanisms (e.g., public service, freedom of information, Auditor General) generally applied, disagreements over degrees of control could be minimized. But as one participant noted, they were there to ensure appropriate controls and avoid financial disasters on the province’s books and that the right kinds of decisions were taken. The “Minister must stand up in legislature and respond to questions of agency” and oversight became a form of “reputational management”. It is a balance; even within one ministry there are different perspectives in how long the arm should be.

This view is captured by one participant who noted that Ontario has a lot of operational agencies such as the Royal Ontario Museum, Niagara Parks Commission, and the
Art Gallery of Ontario, which have slightly different relationships in terms of autonomy and authority. Another participant reflected on the nature of independence somewhat differently in that they believed regulatory and adjudicative agencies were closer to government than operating agencies. A third interviewee suggested that advisory agencies come and go more quickly than statutory or regulatory agencies stating that it is “more difficult to change the mandate of the Ontario Securities Commission”. Agencies with stronger policy and statutory responsibilities are harder to get rid of than advisory functions.

New governments “always want control then after some time realize the benefits of having agencies far away but not too far away”. Another respondent stated that the current (Conservative) government spent months trying to figure this out; cutting pay and trying to find people to fill key roles. It needed to find a way to be competitive; forgetting the pitfalls of having agencies. In this way, sometimes governments are more politically driven. Politicians may have a level of understanding about the impacts of independence but civil servants “spend more time thinking about balance between freedom and accountability than politicians”.

This continues to be evident with successive governments’ choices to move existing internal program areas, to an external entity. For example, in the mid-1990s, the technical standards and regulatory oversight of areas such as gas, elevating and amusement devices was housed within the Ontario government. The whole program area was taken out of government with the creation of Technical Standards and Safety Authority (TSSA). The TSSA represents a relatively new form of government structure as a delegated administrative authority (DAA). In many cases, DAAs replaced a function previously provided by the
government. DAAs are not-for-profit corporate structures that derive their authority from government (Todres, 2009). DAAs were granted their authority through administrative agreements with the provincial government. Under this model, a ministry retains overall accountability and control of the legislation and regulations and the DAA assumes the regulatory enforcement, financial and legal responsibility for the day-to-day delivery of regulatory services.

One interviewee provided more detail on the structure of DAAs in the province. Overall, provincial government has formed about 13 DAAs, for example, the Real Estate Council, Board of Funeral Services, Electrical Safety Authority, TSSA, and Tarion. Most of these reside under one ministry – consumer services. Regardless of the structure and the service, “at the end of the day it doesn’t matter who’s delivering services. If government creates the legislation, the accountability goes back to them...people can go to government to complain”. The respondent noted that this was different from the Law Society or architects; they have legislation, but they are in control. Government may appoint a minority (on the Board) but the agency is in control. This is not the case for DAAs – government controls “more of the policy piece”.

Additional control mechanisms were highlighted by participants. Legislation and agreements detail the kind of relationship which may include who makes appointments to governance bodies e.g. government versus agency. Agreements often specify the relationship with a ministry in terms of such things as administrative and financial reporting, human resource practices, and data sharing. Most agreements provide for directives to be issued by a minister to agencies, laying out other accountabilities or directions but sometimes there are
exceptions made for different agencies because it doesn’t “fit the box”. The ministries creating an agency may want something different and argue for exemptions from various rules such as procurement. Governments give directions and “put in all kinds of constraints”.

Policy considerations were critical parts of government discussion about agency creation and governance. For policy, if government wanted to provide more support to domestic wine, it would be a Cabinet decision not the responsible Crown corporation, the Liquor Control Board of Ontario. Government’s desire to control various levels of policy are reflected in one participant’s description of the purposes and controls for a few types of agencies. Advisory boards were created where “you need to keep the information confidential” e.g. revenue forecasts. Government wanted to ensure they were being as diligent as possible, for example, in creating an economic advisory group, to share confidential information. Policy independence also depended on the nature and purpose of an organization. The Ontario Security Commission, whose Chair and Vice Chair are appointed by government, are more independent on the policy side given its role and the need for market and financial expertise; industry wanted greater independence.

Accountability

According to one former deputy minister in BC, accountability was always front of mind and overt – “how do we ensure it”. Independence has been understood conceptually but the bigger concern in establishing or changing an agency is accountability. In one example provided, some individuals didn’t understand how courts were independent. With respect to the Ministry of Finance and the financing of courts, one Minister wanted to give
judges quotas; “couldn’t reign them in”. There was a fairly constant drive to narrow the scope of decision making or drive government agendas into legislation. The key emphasis on accountability was almost always talked about in particular in relation to the development of various forms of agreements between the agency and government.

One such agreement in BC was mandate letters, which have evolved over time. Their predecessor in BC was the Shareholder Letter of Expectations; introduced as part of the Liberal government’s core review outcomes and the Budget Transparency and Accountability Act. The two participants who referenced some form of written agreement between government and its agencies believed that it was “good for government to articulate performance expectations” as it then provides a means for measuring performance and holding agencies to account. Further, “government can audit them”. Other governance mechanisms include community benefit agreements, labour agreements (with respect to the affiliation with unions) and the requirement for hirings to go through government. And while a written agreement may be helpful in terms of a governance mechanism, one participant believed that conversations and relationships are more important.

In Ontario, accountability underpinned responses on governance and its related mechanisms. Given that ministers are ultimately accountable for the decisions and actions taken by their reporting agencies, it is important to set them up well for their oversight role. This included providing clarity in the reporting relationship and expectations for reporting put in place at the creation of an agency, as well as changed over time through agreements and mandate letters, and ministerial directives. Legislative oversight mechanisms were generally
applied to new agencies e.g. public service rules, freedom of information legislation and Auditor General purview.

One former DM stated that they would ensure that appropriate controls were in place to “avoid financial disasters on province’s book” and that the right kinds of decisions were taken because in “reality that Minister must stand up in legislature and respond to questions of agency”. It is a matter of managing the government’s reputation and “these things press you to consider how to give flexibility but not put government into rocky straights”. And while standard accountability mechanisms such as annual reports, legislative reporting, and public accounts have been put in place for most Ontario agencies, “sometimes there are exceptions made for different agencies” because they don’t “fit the box”. However, when an agency is provided flexibility outside government rules such as for procurement or employee compensation, there is a need to capture that direction for accountability purposes.

Like BC, a primary governance and accountability mechanism for independent agencies is includes the capture of mandates, roles, responsibilities and reporting requirements not only in legislation but administrative agreements. These agreements normally include a requirement for publicly available business plans and annual reports. Additional and unique administrative or reporting requirements may be included in an administrative agreement including the need to consult, collaborative approaches to policy development and timelines for consultation. Relationships between a Ministry and an agency might also include providing policy support, sharing of costs for initiatives, and data sharing. One participant stated that if a ministry required data for decision making, then “this had to be part of the agreement”.

Economic and financial

One of the most frequently mentioned rationale for the creation of an independent or arms-length agency is economic or financial. This includes having commercial entities being more operationally nimble; increasing organizational flexibility to respond to market conditions; introducing more financial rigor; reduce costs; and removing the cost of the entity from government books meaning that they became financially self-sufficient or self-funding. And in fact, some commercial entities have been sources of revenue; directed by various governments to pay a “dividend” back to government as the sole shareholder on behalf of the public. While there can be many reasons for setting up independent agencies, operating agencies responsible for gaming, alcohol and cannabis usually have an economic rationale.

In BC, 10 of the 17 participants identified economic and financial considerations as influencing government decisions to create a new agency and in the determination of governance and oversight mechanisms. This means the application of provincial financial legislation and independent oversight [e.g., Auditor General, Financial Services Commission (Ont)], to the agency. Major Crown corporations with a commercial function in BC have been primarily economically driven. The privatization efforts of Bill Bennett (Social Credit, 1975-1986) were as a result of wanting to reduce the size of the provincial government by 25%. Reviews of government were to determine ways that were more cost effective and sustainable over time. One participant noted that “fiscal management considerations trump everything at the end of the day”. Under the Campbell Liberal government (2001-2011) when the debt to GDP ratio was declared to stay at 17% - “We can talk about independence and decision making but if public money is going into them then the fiscal impact is everything”.
Relatedly, discussions also revolved around whether expenditures should be in or out of government, referring to entities being within the government reporting entity for the purposes of public accounting. For example, the creation of the authority for consumer protection was an opportunity to “reduce the size and cost of government; take these off the government books”. Consolidating areas of consumer protection was expected to generate economies of scale and the ability to absorb ebbs and flows of the seven sectors initially covered under Consumer Protection BC.

Independent authorities like BC Ferries, Consumer Protection BC and the Land Title Survey Authority were launched out of the Campbell (Liberal, 2001-2011) government following its core review of all government structure (Ministries, Crown corporations, agencies, boards, commissions and other entities) in the early 2000s. Changes to government structure were primarily economically driven under the Liberal government at that time. The Liberals were “trying to cut back budgets and bring in more fiscal rigor”. The government wanted to cut the budget of Ministries substantially, out of economic necessity. There were also “big imperatives to shed staff” and determine if some part of government could be “put out and be financially viable”.

Another fiscal rationale for agency creation is the financial contribution to government or revenue generation primarily from larger commercial Crown agencies. In BC, lotteries and liquor are big revenue generators. They had been significant contributors to government revenues over time. ICBC contributed to government revenue at one time. The intent of government was to see an increasing contribution by its Crowns. However, there has been a steady and marked erosion of Crown contributions to government’s bottom line according to
one participant. “Every time it happens, it gets worse, and then government decides it has to be more interventionist”. Another stated that “as soon as you have more policy interference – less contribution.”

In Ontario, participants referenced economic and financial considerations in the creation and governance of independent agencies including as far back as the late 1800s with the establishment of the Niagara Parks Commission board. It was created to be “entirely self-sufficient from governments - always self-funding”. Since the establishment of the Niagara Parks Commission, successive governments have embarked on occasional downsizing efforts to save money; including by the shedding of civil service staff through the spin-off of programs from government to an independent entity. One participant noted that in the mid-1990s government was looking to reduce its size not because it wanted independence but that it was an appropriate service model for industry. The Municipal Property Assessment Corporation (MPAC) is an example of this approach to fiscal management - the downsizing of government: “got rid of lots of staff (500 to 600) and saving money; they were going to be self-sufficient”. In about 1995-96, the Conservative government reduced the public service from 190,000 public servants to 160,000. Much of the reduction was due to “spinning out agencies so that staff didn’t count” or contracting out to the private sector.

Some responses reflect a more ideological perspective driving fiscal constraint and smaller government. For example, in the early 1990s, the NDP government created the Ontario Training and Adjustment Board with regional representative of labour and business to make decisions about training. This agency was dismantled when the Conservatives came to
office, despite their greater interest in private sector delivery versus government. Sometimes decisions on agencies depended on political philosophy and the size of government.

Another common rationale for the establishment of independent agencies is a self-funding model, often for regulatory purposes including self-regulatory oversight of commercial or professional areas. Wastewater Ontario is one such entity where government created it to “make industry pay directly”.

Financial contributions to government were also referenced by two Ontario participants. Discussion around the creation of an agency includes whether the function should be done in government or whether there was more ability to attract revenue by putting the agency outside government. A key example is the Liquor Control Board of Ontario (LCBO) which is a “huge revenue generator”. In 1992, government created casinos to generate and “exploit” revenue. Governments “will look at ways to generate revenue by creating these entities”.

There are challenges associated with decisions to create independent agencies and different parties value different things. One participant observed that when they were set up, they were given fewer resources than would ensure they’re successful because they are carved out of ministries. The Wynne Liberal government (2013-2018) was devoted to good public policy, efficiency, principles that you read in terms of what is good public service. The Ford Conservative government that followed (2018 – current) differed in that “what they valued had nothing to do with principles of good public service.” In fact, the Liberal
government of the day focused on the next and subsequent governments not being able to take the money and structured changes to agencies.

**Performance: Effectiveness and Responsiveness**

A significant focus on the creation of independent agencies is the need to enhance performance most broadly. More specifically, participants spoke to issues of effectiveness, efficiency and responsiveness, as well as the need for additional organizational, administrative and operational flexibility to respond to stakeholder and client needs and fulfill their legislative mandate. As one BC interviewee stated, their agency was more “private than public sector focused – driven by performance”.

In BC, not only are agencies established to increase performance, but they must be given the tools to incent and motivate people to achieve it. This has been somewhat controversial at times where agency pay, benefits, work environments and bottom lines, have attracted interest and indeed questions from governments; threatening the scope of independence and autonomy. One participant described an ADM’s openly negative views about his agency’s good financial performance by stating that the agency should be giving government money. According to one participant, the most important issue and the biggest risk in an agency is the ability to respond when needed. Relatedly agencies must ensure they are making effective use of resources. “Government is no good at service delivery, so an agency makes sense”. This is the main rationale for health authorities, suggests an interviewee, having them closer to home and more responsive at a community and regional
level. Another participant stated that when it came to oversight, “we needed a mechanism to be able to move quicker in a fast-paced market (Pacific Climate Trust)”.

To a certain extent, agencies are transactional, for example, the Land Title and Survey Authority and Technical Safety BC. Both have “strong boards and management teams, performance management and clear direction”. They are more innovative and can make capital investment. There are many things they wouldn’t have gotten in a government department. This ability to focus on having the right teams, incentives and assets in place is key to enhancing an agency’s performance, including customer service, and is what many were set up to do.

In Ontario, almost all respondents (14/15) spoke to this theme, highlighting governments’ desire for increased performance with the creation of an independent agency. One of the driving forces for agency creation, according to one participant, is a “burning platform”. Something has gone wrong or not gone well in the bureaucracy and a crisis develops that needs addressing. This was the case with financial services where agencies had been set up. One senior public servant tried to make sure agencies were set up, consolidated and abolished based on solid public policy, that is, with a focus on mandate, operational effectiveness and efficiency, and legitimacy. And while agencies “often know how to run things” government’s role was to develop the framework; to figure out a more inclusive governance model. Such is the case with the issue of violence against aboriginal women, according to one participant. Government did the research and policy development to create a framework for dealing with domestic violence.
Government sets up arms-length agencies to provide a vehicle to execute on initiatives; establishing much of their own decision-making framework separate from government and keeping activities separate. Transit in greater Toronto is another example according to one respondent. It is incredibly complex for any government because of fragmented nature of the system, geography, stakeholders, and interests, and the lack of funding for capital expansion or repair. There are a multitude of different organizations, including municipalities, involved in transit is an area itself that it has no capability to deliver. Creating an agency, Metrolinx, provided for administrative and operational flexibility that would not have been possible within the jurisdictional constraints of each organization’s structure and mandate.

Effectiveness can be closely tied to operational flexibility. As one participant stated, there is an “interest in trying to get more done for public sector” and not necessarily doing it through a ministry department. The need for a different operating structure was intended to address requirements that are not available to ministries. The example of Local Health Integration Networks (LHINs) described the need for a more flexible approach to address issues with continuity and performance, as well as costs. The health care system, prior to the implementation of LHINs, was “expensive” and did not result in good health outcomes; government “needed a more flexible approach”. Performance expectations and metrics were implemented through formal agreements that were intended to address effectiveness.

One respondent said that creating an outside body can “integrate better with other bodies, local government, societies, when you want to integrate service delivery”. Moving a
function outside government to an arm’s length agency can contribute to better integration and ultimately more effective service delivery.

**Efficiency**

The concept of efficiency was referenced by two BC participants. One commented that individual subsidiaries should be set up with an operating model that achieves operational efficiencies. In moving an activity out to an agency, the decision should be premised on being better focused and in control of revenues and costs as well as the mandate for service delivery. A second participant provided a supporting comment with respect to the efficiency rationale for system of governance for health authorities in BC. Having a single integrated budget allowed them to make better decisions to support different parts of the system.

As one respondent succinctly noted, “all governments looking for efficient ways to deliver”. There is a common belief that in “putting services out”, government is going to achieve efficiencies. One of the challenges with agency structure more generally is that there are so many different types with some “fully consolidated into government books some not at all”. It is important to look at how agencies impact government’s bottom line.

Ontario respondents noted that efficiency is a common argument for delegated administrative authorities (DAA) whose functions arguably can be “delivered more efficiently outside government and not subject to bureaucratic red tape, nimbler”. Agencies typically have budgets set by government but not DAAs. “Government is comfortable with having them set their own”.

Efficiencies in health care have been a significant focus of changes to its structure and governance. Government took twelve agencies (e.g., organ donation, cancer treatment) and merged them into Ontario Health, a “massive organization designed to get efficiency”. While one respondent had their doubts about the ability to achieve efficiencies with this model, the level of governance required a sophistication beyond the current ministry’s experience. The attempts at restructuring health care to drive efficiencies has been the focus of many provinces, as well as to “deliver better outcomes and more cost-effective rates”.

*Nimbleness, Innovation, Creativity*

This theme relates to operational effectiveness in that it relates to how agencies can be more effective. The ability to respond to service needs either administratively, financially, or operationally contributes to successfully meeting a mandate and performance expectations, efficiently. The term “nimble” was used by many interviewees in the context of being able to respond more quickly, being more responsive to customers and clients, as well as stakeholders. This requires an agency to be able to build their own capacity, expertise and operational processes in a way that responds more quickly to meet operational and decision-making demands. It also requires a degree of innovation and creativity that may not be possible in government generally. One BC respondent said that they didn’t “recall getting into detail about whether agencies could respond more nimbly although that was one of the criteria; didn’t have to have 500 approvals”.

In BC, respondents felt that government’s decisions on creating an arms-length agency were “informed by best practice, private sector nimbleness...pseudo-private sector business
ethos”. Creating an independent agency is a legitimate public sector tool to foster “nimbleness, creativity and flexibility that is difficult for Ministries to replicate”. Part of a modern public sector is to use these agencies and expertise to “enhance public sector and make it more nimble, creative”. Functionally, agencies can get things done, be more innovative, and not be “stuck in the old way of doing things”. One respondent believed that agencies were better positioned to provide better quality service delivery because they were closer to the people they serviced; they can adjust and “not be bound by central rules that may or may not apply”. As another respondent succinctly summarized: “focus, footprint and innovation are three reasons that they [sic] are used and perceived to be useful”.

In Ontario, organizational flexibility was used to describe different levels and/or types of controls on agencies that constrain their ability to operate – “one of the reasons government sets up an agency is to give more flexibility”. The need for flexibility is dependent on an agency’s function and mandate for example, “enabling agency to have more flexible financial model than government”. Such flexibility may be operational, financial, administrative, or policy. As an example, one respondent stated that government decided to create tribunals (e.g., for social benefits) with the expectation of a level of independence or separation so that government decides on legislation, but service delivery would not be subject to government control. Another agency (ORNGE) was created despite the recommendations of senior government staff, partly for “greater organizational flexibility”. One of the challenges with ORNGE was its establishment as a Federal not-for-profit. It was set up to deliver services primarily for Ontario. On its website, there is no indication of its corporate or public agency status but is described as “a vital part of Ontario’s health care
system”, providing air ambulance service and medical transport to people who are ill or injured.

**Independent Decision Making**

While the need for independent decision making was not a prominent factor for BC respondents, it was referenced by six of Ontario’s fifteen participants reflecting a range of thought from being able to criticize government to the need for independent, quasi-judicial and regulatory decision making. “Why would you choose an agency, because you wanted to have the decision making more arm’s length, deal with stakeholders”.

According to one interviewee, in some of the commissions there was a “lot of pressure that they be independent, for example, human rights, as they can criticize government”. Sometimes a “board” is needed for “judgement you can’t get in a ministry”. Such is the case with decisions to be made about legal aid. The courts have weighed in and, in their view, government should not be making decisions on who gets legal aid. “That’s why they are independently operated, and decisions are independent”. More generally, anything that “has a tribunal” or involves quasi-judicial or regulatory decision making, should be separate. For example, condominium management where there are issues and problems from a consumer perspective, has resulted in the creation of an agency for oversight. The Travel Industry Council of Ontario (TICO) was established for just this reason – the need to have an independent perspective.
Political Behaviour

This theme can be differentiated from political ideology in that factors that influence the creation and oversight of agencies are relevant to political outcomes for an individual or the party. Political philosophy is more closely related to an ideology such as “left” or “right”; Conservative or Liberal or NDP, and may reflect the desire for smaller government, less government intervention, more social programs, cutting red tape, etc. Political decisions are relevant to the election or re-election of a person or party; an attempt to sway the electorate that is not necessarily related to a party’s philosophical base or specifically to the party platform as the basis for their successful election.

Six respondents from BC spoke to this subtheme and recognized a degree of political influence not only in the creation of agencies, but their oversight and interference in policy and program decisions. “Under the Liberals, government would openly take money from us. Getting close to an election they’d use our healthy financial picture to help fund their election”. In ICBC’s case, dividend cheques were sent out to all premium holders; “we couldn’t say no”. Legislative changes also provided an arena for influencing an agency’s agenda. Discussions about how to best amend legislation to achieve policy and program aims have long been part of the process, especially when it comes to enhancing an entity’s ability to deliver better. But there was “a lot of debate beyond the business case and more about the electorate’s desire”.

Political optics were as important as the strengths and interests of Ministers. If a Minister was in trouble over an agency’s decisions, an option was to move it out from under
that Minister meaning that the organization would report to a different Minister under another portfolio. Sometimes whole portfolios would move, taking an agency with it.

The human rights area was particularly “thorny” for the Liberal government under Campbell (2001-2011). Given its ongoing fiscal and operational challenges, “Campbell blew it up”. Its advocacy role was a “thorn in everyone’s side”. In general, considerations for agencies included the level of influence government felt it needed to have.

One other key area of political influence has been the appointment of directors to the boards of independent agencies. Historically, the province has given itself a fair amount of latitude in making appointments to boards, often with little criteria, qualifications or standards. Primarily under the Liberal government, people who were appointed to agency boards were from the business sector. Appointments may have represented a philosophical alignment or have been past political supporter. One respondent noted that it was not effective because the people that were appointed had their own agendas.

References to political considerations were more numerous in Ontario where most respondents (12/15) spoke of political influence in the business of agency creation, management and oversight. There was an “enormous range of considerations” as to how much an agency should be politically controlled by a Minister. One participant’s experience is that governments are sophisticated about what agencies, boards and commissions will do and how their hands are tied when they’re set up. When you’ve got agencies trying to operate in the public interest, that’s where the art of politics comes in. Politics is very much a
part of the world of public policy and varies in terms of the government in power. It’s a “fact of life anyone working in those systems needs to understand political process”.

Under the NDP government (1990-1995), the creation of the Ontario Training and Adjustment Board was constituted with regional representation of labour and business and according to one respondent a “very much NDP thing...then taken apart when Conservatives came in”. The Conservative government came in with an agenda not based on evidence; didn’t trust the public service; and “wanted cushy things for friends”. What the Conservative government valued, respected and listened to, were totally different. As one respondent noted, “government created these things for reasons, sleight of hand” and to cut the civil service.

Discussions around creation included whether the area of responsibility is something the Minister wants to be directly accountable for (politically) or have at arm’s length in order to distance their accountability. With new organizations, where the government was interested in getting it up and running in a hurry because of their mandate to address a political crisis, there was still the question of how independent the organization should be in order to ensure independence and operational integrity. Did the Minister/ministry want to be responsible for delivering day to day operations? This question became more pertinent in discussion about how to manage difficult issues and create some distance with respect to negative aspects of agency direction and decisions. Relatedly, discussion also included the extent to which the broader public interest be considered. A former deputy minister described the context for decisions around the Ontario Drinking Water Agency as an outcome
of the Walkerton disaster.\textsuperscript{17} They noted that its creation was driven as much by politics as the development of its oversight and operational roles. The government needed to be seen to address outcomes of the Walkerton tragedy.

In some cases, Ministers wanted to be on the Board which one participant called “patently idiotic”. If not the Minister, some would want their DM or ADM on the Board and “we would say not good governance, here are the guidelines”. However, even where it was clear that having a Minister or the DM on the board was not good governance, if Cabinet agreed, then it would happen. In this case, political influence was clearly felt. Where a Minister was appointed to a Board, “we worked closely with the agency Chair and CEO; bit of a weird space...be extra careful”.

\textit{Political Ideology}

Ideological considerations with respect to the creation, management and oversight of independent agencies were raised by several BC and Ontario participants, suggesting a significant rationale in both jurisdictions. Political ideological factors are differentiated from political behavioural factors in that they reflect a value of the party in power as opposed to a strategy or approach chosen to increase chances of re-election by an individual or party in power.

\textsuperscript{17} O’Connor, The Honourable Dennis R. (2002) Report of the Walkerton Inquiry: The Events of May 2000 and Related Issues. Toronto, Ontario: Ministry of Attorney General. In May 2000, Walkerton’s drinking water system became contaminated with deadly bacteria. Seven people died, and more than 2,300 became ill. An inquiry was called to determine what happened in Walkerton and why, who was responsible and how could it have been prevented. The report cited shortcomings in both the agency responsible for monitoring water quality (Walkerton Public Utilities Commission) and the Ministry of Environment.
In BC, the creation of agencies was partly ideological (e.g. to make government smaller) and partly economical. The drive to make government smaller was connected to fiscal management considerations. One of the earliest recollections by a participant was the privatization efforts of Bill Bennett (Social Credit). His government was focused on reducing its size by 25% - “a hard political number with no relevance to ministries”. Subsequent Liberal governments were centred on privatization: “if this isn’t the business of government, get rid of it, e.g. BC Rail”. Under the Campbell government (Liberal), when the debt to GDP ratio was declared to stay at 17% that drove everything. The Liberals wanted to save costs and money to do other things. In using their fiscal management platform, the Liberal government maintained that “they were best for the overall economic health of the province”. When Consumer Protection BC (CPBC) was created, rationale included reducing red tape, the size of government, consolidation and the cost of government. Experience from the late 1990s versus 2001-2016 showed that with the Liberals, government was generally very responsive to the marketplace.

The NDP had different ideas. From CPBCs perspective as an agency, the tendency was to inform government policy. The NDP were “more involved, deep, thorough, and less concerned about interference”. They had more desire to get into relative degrees of protection. What it meant to business was not quite as important. Political ideology affected the structure of government both ways: “entities were outside and were brought back in and when government wanted to move them out, they moved them further”.

Almost half of the Ontario participants reflected on the impact of government philosophy on the creation, management and oversight of arms-length agencies. Different
parties value different things. “Sometimes decisions on agencies depend on political philosophy on the size of government”. Respondents saw governments that were ideological – more interested in private sector delivery and less interested in government.

More conservative governments were centred on a desire not to grow the size of government. The creation of agencies, however, was not necessarily seen as growing the size of government because the Full Time Equivalents (FTE) would not always be counted in the size of the public sector. As one participant recalled, “a lot of that was due to spinning out agencies so that staff didn’t count”. In the 1990s, under the Conservatives, government was looking at reducing its size. Not because government wanted independence but because “it’s an appropriate service model for the industry”. The Conservative government’s restructuring, including the creation of numerous agencies, saw the public service go from 190,000 public servants in 1995 to 160,000 to date. The creation of Municipal Property Assessment Corporation (MPAC) was a result of government downsizing. We “got rid of lots of staff (500-600)” and saved money. MPAC was created to be self-sufficient and “off government books”.

Alternately, an Ontario Liberal government under Wynne was “devoted to good public policy, efficiency, principles that you read in terms of what is good public service”. The Ontario Training and Adjustment Board was created under an NDP government. The board was established with regional representatives of labour and business to make decisions about training. It was “very much NDP thing then taken apart when Conservatives came in”. While NDP governments generally valued public consultation and participation, this was not the approach of Conservative governments.
Skills, Expertise and Compensation

Quite a few BC and Ontario participants spoke to specialized skills and the ability to pay for those qualities, as a rationale for the creation of agencies. This was especially the case in areas of commercialization, technical and professional requirements such as engineers, financial analysts, international relations and trade. The requirement for independent decision making also resulted in the need for those knowledgeable and experienced in regulatory and quasi-judicial arenas.

The need to attract certain, specific expertise is another rationale for creating an independent agency, and to be able to compensate for that expertise in a way that is not supported by public service hiring and pay guidelines. Consumer Protection BC, for example, has a technical operation and it’s challenging to get skills for engineers and statisticians, according to one participant. In BC, many Crown agencies have been set up with civil servants either on the board of directors or as staff of an agency, which can cast suspicion on the underlying real goal. There has been substantial debate about hiring and compensation practices as “getting the right people who have the right qualifications can be challenging”. An example provided was the establishment of the Independent Investigation Office. The agency wanted to recruit a lot of people in different roles, which aligned with others such as peace officers; giving them “authority in the system”. They were given staffing guidelines that allowed them to operate in the equivalent talent market. However, the agency experienced people moving back and forth the between offices and found that they needed to “keep an eye on compensation”. Similar challenges exist with respect to independent decision making needed for tribunals where a specific expertise is needed.
Hiring and pay flexibility means that agencies must be established outside normal public service rules and guidelines including outside the auspices of the Public Sector Employers Council (PSEC). Being outside compensation guidelines set by PSEC enables some agencies to get the skills they need. Compensation, however, is not as straight-forward as paying competitive wages and benefits given the ultimate public accountability. “We position ourselves between the public and private sectors. We pay better than PSEC but not private”.

Even more emphasis was put on this rationale by the Ontario respondents. The need for specialized expertise is well recognized by study participants: you “put stuff out because you need to hire outside experts”. As with BC, discussions focused on whether government staff were the best for delivering the service and met the need for technical expertise. Consumer protection was one of the issues for government. Agencies were also better able to create their own competencies and skills that were not readily available in government. The challenge in acquiring the right talent, as with BC respondents, is being able to incent them to join a public sector agency.

One participant provided several examples where expertise was at the heart of an agency’s creation. What was wanted for most independent agencies, like Infrastructure Ontario (IO), was to “put the best talent into these agencies when set up”. Expertise was our second most important factor in setting up an agency and often we needed to hire from the private sector. We knew that when we were negotiating with, for example, multi-national companies, we needed to have the right lawyers, financial analysts, etc. The Ontario Financing Authority, which oversees the largest borrowing programs in the world, needed to bring in traders, PhDs in math; you “want the best because you’re up against big challenges”.

For these and other agencies such as Orange (Emergency Medivac System), part of the reason for their creation was the need for a greater rate of pay for senior people. A former senior employee of a major Canadian bank spoke about their relationship with relevant Ontario agencies - “the higher quality people they had the better it was for those of us who paid their bills”. In their view paying for talent “increased efficiency”. There was a general view that you needed to compensate people with appropriate expertise and experience. “You want to make sure you’re remunerating them well to negotiate multi-billion-dollar contracts”.

Stakeholders, Interest Groups and the Public

In BC, different interests have influenced the creation of agencies over time. Acceptance by the public, stakeholders or an interest group will sometimes drive the establishment of independent agencies. One participant noted that in one case, the involvement of unions became a pivotal consideration given the labour relations impacts of moving government employees into an independent agency. Industry has also influenced the shape of government with one interviewee stating that a key to managing the relationship with government was being able to “translate industry needs back to them”.

Similarly, Ontario participants identified stakeholder interests as an influence on the creation and oversight of independent agencies, for example, in the determination of whether a new program would be delivered in or outside of government. Setting up arms-length agencies can also provide a vehicle to bring stakeholders and parties together. Interest groups have their own points of view and have had to be considered in the broader public eco-system before coming up with a final structure.
The government may also be looking for ways to share authority with an individual, organization or industry demanding it. One example is with respect to First Nations communities where shared decision making is claimed by both Indigenous and non-Indigenous publics and greater trust is perceived in independent decision making.

Lobby interests also influenced government decisions on agencies. One respondent’s recollection about the establishment of a new agency was that “it’s about lobbying elected officials, so we had to take it outside the executive branch”. One respondent recognized that a lot of authority was given to unions and labour in terms of how things were delivered “giving away authority that government doesn’t normally”. Another respondent reflected on the interest of the construction or building industry in the set-up of Tarion\textsuperscript{18}. The builder community “saw themselves as owning that responsibility. Builders wanted to set up an oversight agency”.

\textsuperscript{18} Tarion Warranty Corporation is responsible for administering and enforcing the Ontario New Homes Warranties Plan Act date?.

Changing Nature of the Relationship between Agencies and Government (Q4)

This question sought to capture the perspective of respondents with respect to the changing nature of the relationship between government and agencies over time. Respondents were asked if they believed there had been a change in relationship based on their experience, and if so, how. They were also asked if they thought the values of government had changed and if so, in what ways. This question was intended to explore respondents’ views on the current shape and scope of government in terms of central and formal government (Ministries, central agencies and internally created agencies, etc.) versus the creation and structure of entities that have some level independence from government, regardless of function.

Table 22 highlights the themes identified from the responses include political and philosophical; decreased size of government and decentralization; impacts of changing people, relationships and Board appointments; governance and government control; and values.

Table 22: Changing relationship between government and agencies over time (Q4)

| Changes in control & governance | - Initially done with the view that they would be more innovative. Over the last 15-16 years, government has treated more of those entities like their ministries; ensuring that they are more tightly aligned.  
|                               | - Steady and marked erosion of Crown contributions to government’s bottom line. Every time it happens it gets worse; government decides to be more interventionist. As soon as you have more policy interference – less contribution.  
|                               | - Accountabilities have tightened up; more restrictions, expectations, reporting requirements from outside entities. Every time something goes wrong, government must respond with a solution that leads to reforms that create more accountability, control;  
| BC - 12                       | - Relationship changed over time. Initially government more hands off. Government now has put more uniform processes in place e.g. DAA – gives  
| Ont - 14                      |  

| Changes reflect political philosophies & party principles of people in power | -- Different stripes of government come and go and I see relationships change, grounded in alignment of values.  
- The NDP were keen on outsourcing and privatization – not a philosophical thing, principle was more efficiency. Consultants showed that wasn’t the case. Strong argument from the private sector that wanted it saying government has no business being in business.  
- Harris government involved massive changes in tax authority, education funding, downloaded a lot of things; more accountability. Everything more public & government driven by media & next headline, shorter term.  
- Greater willingness/interest to use agencies now than in the past partly because wanted to distance themselves from operational type decisions. Government appointments under Ford got criticism for appointing friends. |
| Changes had impact on decreasing size of government, decentralization | - When I was at Treasury Board, I think we had three Crowns; government has way more stuff now and a proliferation of these bodies. Government dumps accountability onto a Board but not government itself; a blame game that works for government.  
- Shedding of government size-if it was FTE’able then we should get rid of it. I worry about the clarity that attaches to the process for creating these agencies; avoidance of responsibility, off-loading  
- In terms of agencies, boards and commissions and other independent agencies– “like rabbits they tend to multiply over time”. Find a lot more of them now than in my younger days in government; more of them and far more variably independent.  
- Cheaper, half the wages government has; variety of reasons but at same time trying to standardize services. Move work out through transfer payments – outside agencies to third parties. |
| Changes are consistent with core values of government | - When boards populated by government appointments, that changes when governments change. That’s the way governments manage to influence boards in their direction. It also depends on the relationship between Board Chair and Ministers. Power-persuasion on Boards will always be there;  
- With Conservatives almost every Board member as Liberal appointee was tossed regardless of profile;  
- Some of the chairs have had relationship to Minister and created issues. |

| BC - 9 | Ont - 9 | more authority to Minister on policy front; levels of control more than before e.g. Tarion. |
| BC - 10 | Ont - 5 | Changes reflect political philosophies & party principles of people in power |
| BC - 7 | Ont - 6 | Changes had impact on people, relationships, Board appointments |
| BC - 2 | Ont - 2 | Changes are consistent with core values of government |
Governance and Control

The theme of government control and public governance was raised by most BC participants. While there were a few different points made, one of the over-arching sub-themes was that of increased government control whether through political influence or the implementation of new governance mechanisms such as increased reporting, rules for government direction and policy management. Government created more formal accountability frameworks that address the need to hire professional board members; provide ministry letters of expectations to boards; and use annual reports more professionally and strategically. One respondent believed that this also resulted in better recruitment of CEOs along with improved board appointments. Some have traced the trend to strengthened accountability and performance management, to Liberal government efforts in the early 2000s. “Over the last 15-16 years, government has treated more of those entities like their ministries; ensuring that they are more tightly aligned and looking more like ministries”, impacting independence and ultimately, performance.

Evidence of challenges with government agencies abound and demonstrate why and how governments have had to impose greater control over time. With the BC Pavilion Corporation (PAVCO) and the BC Lottery Corporation, there was a lack of government relations capacity which translated into a dearth of ability for Crowns to think of the shareholder. Governance decisions about BC Ferries (now not a Crown) and the Land Title and Survey Authority, were also based on control. While both are structured with significant theoretical independence, the public sees them as part of government and DMs “have no problem stepping on mandates”.

The former BC Human Rights Commission is another example provided that created significant angst for government and when it got so big and was not managed well, the Liberal government of the day eliminated it. Key factors in the government’s inability to regain control over the agency was its legislation and the “limited levers” it had to manage the challenges it faced with the agency. It was “too big, too many staff and too much time on their hands”. An organizational review found a backlog of files taking three to four years to get to a tribunal decision. It was described as a “most inefficient place” and when the pressure from advocates, clients and stakeholders got so bad, it got “political again”.

With the increased use of alternative forms of service delivery, including creating more arms-length agencies, direct government is “smaller than it’s ever been”. Government focused on the creation of rules and the “truly governmental things” like making laws and regulations. As the creator of agencies, government controls their structure and governance and study participants believe that government has become more hands on. In the public service, over time, central agencies have provided more oversight with a greater interest in agencies. In the 1990s, the relationship was more centrally managed, followed by more independence, and now again DMs are more involved in oversight. This view is consistent with other respondents who suggested that the cycle of agency control ebbs and flows:

I don’t think we’ve been headed in one direction. Very difficult for government to deliver services. If it was possible for government to set policy and others deliver it, that would be the model of the future. Agencies big and small go a long way to meet that goal but very difficult to implement. (BC participant, 2020)

The lack of linearity in agency creation and government control is reflected in the comments of one respondent who saw “government mature and became a little longer in the
tooth” and developing an “appetite for independence”. However, facing implementation of a new agency, government would discover how much was going to be devolved and “it was like pushing a rock up a hill”. The meaning of the reality of independence caused some “shock waves” and government inevitably put more controls in place. This created more challenges for boards when they realized they were not “going to be able to do what they wanted to do”.

One respondent described the relationship between government and its agencies as “love/hate - we complain about health authorities and they complain about us not being responsive to an agency. They want us to give them direction then hate us when we do”. Because of global, fiscal constraints, you’ve got organizations that should be able to work without constraints but are “shackled by government”. Capital controls were imposed as a type of constraint that would “slow things down inordinately” in one agency.

With increased control using various governance mechanisms, has come more directive government. In BC, the explicit authority for ministries and Ministers to direct their agencies has been built into the legislative and governance frameworks. Mandate letters commonly lay out the ability of a Minister to provide direction, in writing, to agencies. The formal, however, has not replaced the informal and political direction or influence that agencies must manage within their mandate and publicly stated mandate and performance objectives. One agency participant explained that they “try and communicate that safety isn’t political”. Despite their approach, government has explicitly mandated that the agency will provide technical advice to the Ministry to support government objectives:
With the old government (Liberals) if something caught the Minister’s eye, we’d get a call to ask us what we’re doing and if it wasn’t a great time, they’d tell us. This government (NDP) has been more direct about stating expectations. When they want support they want us to be there. (BC participant, 2020)

Another respondent stated that government had drawn their agency “a bit closer” with more recent revisions to their delegated administrative agreement. Government made a point of stating more clearly that the agency was their “technical advisor” and would support them on policy initiatives important to government. What has not changed but continues to colour the relationship and control between government and its agencies is a low tolerance for embarrassment or making a Minister’s life more complicated.

One respondent described how their agency’s relationship between government and board had evolved in that government was more directive on occasion. This created uncertainty with respect to governance and operations of Crown agencies. For example, with respect to online gaming, the lack of BC Lottery Corporation participation meant loss of funds and struggles with communications or portraying the issues. With ICBC, government has “waffled sometimes”; there have been many ideals and goals, but this has eroded with competition. BC Hydro has evolved from one enterprise to “playing the markets”; a shift in purpose and intention. Powerex, a wholly owned subsidiary of BC Hydro, demonstrates the challenges with governing agencies within the framework of independence. When Powerex was first set up it was intended to manage risk. When it began to drive profit, it strayed from the original goal. The risk is not just for the parent Crown corporation but government, which, as the creator of the agency and governor of public policy, needs to be “mindful of mandate and intention” because, ultimately, they are accountable.
Of lesser mention is an increased consistency in financial reporting which has resulted in a decreased likelihood for “things to go off-side”. Given that some agencies have been established with a degree of financial flexibility and independence in mind, there has been little desire to repatriate responsibilities back into financially inhibited ministries. Ministries are more constrained in that they are bound by stricter legislative rules and generally cannot carry over revenues from year to year. Community Living BC is an example of an agency that experienced significant controversy, but it would have been more difficult to absorb its functions back into a ministry. In this case, government considerations and decisions didn’t really change the mix of what should be in or outside of a ministry.

Another impact of the changing nature of the relationship between government and agencies is the “steady and marked erosion of Crown contributions to government’s bottom line”. Governments have introduced policies that impact on an agency’s ability to operate effectively, such as increasing competition for commercial Crowns, constraining their ability to compete on a level playing field, and directing pricing policies. One participant observed that when contributions did decline, government became “increasingly interventionist”. Even operations that have a clear mandate and a long-standing tradition of stable operation and contribution to general revenues, such as the Liquor Distribution Branch, can be impacted by changing government policy and political directives. Alternately, government directions restricting an agency’s ability to respond to market conditions, rising costs and shrinking revenues, can contribute to organizations such as ICBC and BC Hydro struggling to keep up with evolving markets. In the case of these two Crown corporations, rates have been
politically capped for both. These decisions compound some of the issues and blurs the lines of accountability in the governance model.

Almost all the Ontario (14/15) participants commented on the changing nature of governance and government control of agencies over time. Their reflections ranged from a steadier, consistent state of agency governance to systems being chaotic or “in a mess”. Often this was dependent on the type of agency being described, its function and the governance mechanisms in place to oversee it. Different models have evolved over the last twenty or more years, with more sophisticated accountability structures which appear to a larger number of participants to result in an increase in control over agencies more generally. The nuances of individual responses are reflected in numerous subthemes beginning with increased stability and consistency.

This subtheme captures the idea that governments have learned from experience about how to better oversee agencies, even though there are more of them today than a few decades earlier. According to one respondent, stability has been a function of agencies “maturing” under a lengthy, nearly 15-year period of Liberal rule (October 2003-June 2018). Government appointments ensured a longer-term view and the experience gained created a steadier state. People were around long enough to understand not only their organizations but their roles.

The use of one agency structure, the delegated administrative authority (DAA), has resulted in a greater degree of consistency and stability in agency governance. Consistency and a degree of uniformity has followed the use of the same structure, service delivery model
and approach to governance. Government has been consistent at applying governance
mechanisms to delegated administrative authorities. Delegated administrative agreements
have basically followed the same format, again, contributing to consistency in treatment
across DAAs.

While some participants have witnessed consistency and stability, others have shared
their observations on a more chaotic state, primarily as a result of shift in the political system.
The switching of allegiances, political philosophy and policies has taken a toll on the social
system in Ontario. Shifts in government result in short term gains and losses that “may not
always make agencies the most efficient ways of running governments”.

Government inefficiencies may be exacerbated by the changing nature of Parliament;
more fractious because of the different demands and expectations of its constituents. A
greater variety of views are currently represented in Parliament contributing to difficulties in
choices that governments makes about how it operates and structures the delivery of its
services. As one participant noted the “old ways don’t work anymore”. Another interviewee
spoke of the “deliberate choice of Conservatives... to demonize parliament, attack it”. The
increase in elected representatives suggests a greater diversity of views, interests and
constituent needs, making government more “difficult to manage”.

Government has been particularly interested in imposing more control on those
agencies they funded, particularly through board appointments. The funding relationship also
dictated other types of controls where government wanted to have a tighter reign. This has
not changed over time for some types of agencies, such as tribunals, according to one
participant. The relationship has been less than ideal. As one participant recalled, in some cases the “environment is chaotic” because government appoints all of the board members and the tribunal is subject to “every aspect of government policy - appointments, procurement, financing”. Political influence contributes to this chaos or uncertainty in that “some Chairs had access to the Premier”.

Many Ontario participants spoke to increased government control of agencies over time, with exceptions for a few groups. There is a consistent view by these respondents that government initially had been more hands off but more “accountabilities have tightened up”. Government has imposed more restrictions, clarified expectations and set reporting requirements for “outside entities”. This issue of government control and accountability over its agencies surfaces often when something goes wrong. The public and stakeholders look to government to respond with a solution that leads to reforms and creates more accountability, control, information and reporting. This is again seen as a reflection of the tension between independence and control.

Some participants observed that large corporations have had the benefit of greater independence but over time they, too, have been drawn “back into the government fold”. Large corporate entities are running businesses and more arms-length than other smaller agencies. However, the extension of rules to all entities happens once something “hits the fan” and questions about consistency arise. This practice continues and is evident in the position of the current President of Treasury Board who still wants to ensure all agencies are following similar rules to government.
Another change reflected by participants is the continuing centralization of power in the Premier’s office, minimizing the influence of individual Minister’s offices. As the Premier’s Office staffs up, they have more control and Ministers require more approvals including for their agencies. In carrying out this oversight, departments exercise and implement more controls over agencies. This trend of increasing control makes it potentially more difficult to set up agencies and give them authority as well as impinging on their ability to meet expectations set by government given their need for flexibility.

One participant reflected on the issue of agency governance in a broader socio-political context, suggesting that “in the environment we find ourselves in in Canada and most western countries, there is less room for independence in decision making because consequences of real or perceived failure comes so quickly back to the feet of government”. This observation speaks to the heart of Ministerial responsibility fundamental to democratic systems. This tenet limits Ministers and governments in establishing a system that gives agencies flexibility and independence to be more operationally creative and innovative. With the increased control by successive governments, the accountability of agencies has become more firmly ensconced. From government’s perspective if the public and stakeholders hold them so closely to account for agencies, then they need to “shorten the leash” and minimize the choices that agencies make. This perspective has driven government generally to hold agencies more closely. This is consistent with the view that government has become more centrally run through the machinery of the Premier’s office and its central agencies. At the same time, a more central approach to agency management is reflected in the increased
oversight of agencies by independent officers of the legislature such as the Auditor General and Conflict of Interest Commissioner.

Given the ongoing challenges with agencies over the years, more uniform processes have been in place, for example with respect to DAAs. The agreements give more authority to the responsible Minister on the policy front and levels of control have been increased following several reviews of DAAs. One was referenced - that of the Tarion Warranty Corporation. It had been “absolutely independent” in carrying out its mandate to licence homebuilders and ensure they honoured home warranties. However, there were challenges with oversight of a strong stakeholder group, Ontario builders. As a result of the Auditor General of Ontario’s review, Tarion was separated into two organizations with government appointing all board members. Government appointment of board members was then applied broadly to enhance control over agencies more generally.

Rationalization

Somewhat related to the concept of tightening controls on agencies in an evolving governance framework is that of rationalization. This is the application of learnings and knowledge to achieve better oversight of arms-length entities. Rationalizing agency governance has resulted in many changes including amalgamation, integration, changes to governance mechanisms, and elimination of various entities. For example, Ontario’s amalgamation of Local Health Integration Networks (LHIN) and integration of Community Care Access Centres into LHINs. In this case government was looking for efficiencies, role clarity, and taking advantage of expertise. In the health sector, these moves were believed to
focus government’s direct responsibility and resources on core policy development and try to ensure the organizations that serve health service delivery, are well supported. There was no general movement to spin off responsibilities beyond a Ministry or government. Rather, a case by case analysis of health care regions and services was the basis for rationalizing the governance structure, number, and purpose of agencies in the delivery of health services throughout the province.

Bureaucracy

A somewhat different by-product of the changing relationship between government and independent agencies is that governments have increased their own competencies; expecting more from public service and agencies. One participant who had been an executive in government and a Crown agency, found that the interplay of bureaucracies and government is a critically important factor in agency governance and this relationship changed over their more than 35 years in public service. Ministers’ offices are now much larger than 35 years ago when the Ministry provided all the policy support. The government of the day had been in power almost 40 years so “there was a comfort with public service” that evaporated with a turnover in political leadership. This change resulted in the scale and size of Ministerial offices increasing along with the rebuffing of policy advice because “they saw their role as telling you what to do and you doing it” rather than taking a collaborative approach to decision making. The role of central agencies has also changed. Some agencies were playing “fast and loose” with budgets and mandates, creating scandals that governments of day addressed by adding more bureaucratic rules to some agencies then applying them to all agencies. Because of this change, “senior people have left government”.

Setting up a new agency has become subject to increasingly more controls. One respondent recalled being involved in setting up a financial services agency where there were over 300 government directives. They viewed this as an unsustainable and stagnant bureaucratic model; the antithesis of an historical approach where there was little questioning of proposals or decisions by boards or agencies. “No one knew what they did”. They became “little fiefdoms: over years those benevolent dictatorships work well if they are benevolent, but they don’t if they aren’t”. Government was a passive player in the entity’s operation. These views are also consistent with what other participants have described as a “pendulum” or swings in the control/independence approach of agency governance.

The Pendulum – Ebb and Flow of Control

While some participants describe a more linear trajectory for changes in agency governance, fewer (3) identified the relationship as ebbing and flowing; over time, controls would increase and decrease, and “things would get created and then shelved”. One interviewee described this as a “weird space, constantly shifting”. This constant shifting in agency governance is an attempt to find the balance between “freedom, flexibility and bureaucracy”. This desire exists until someone “does something massively stupid such as letting expenses get out of control or not paying attention to a major issue that impacts government”. “Classic public sector pendulum; constantly swinging back and forth” on degrees of control, governance and oversight. One participant noted that in their ministry’s attempts to provide oversight and scrutinize its agencies, they put in place basic tools to monitor issues and initiatives and assist boards in understanding their agency’s relationship to government and the public.
This cyclical pattern of governance has been linked to the need for political accountability. One respondent described this as the “fact that the Minister can blow up the board” and take control. This is perhaps more of a risk in certain sectors than others, for example, large commercial Crown corporations are less likely to be wound down compared to the ability to reshape school boards where elected trustees are controlled by the province.

Political Ideology and Behaviour

A general view expressed by BC respondents is that agency creation and governance has been subject to swings in government approaches - “bit of a pendulum”. Different stripes of government come and go, and relationships change; grounded in the alignment of values and political ideology. With over 30 years of experience in BC’s public sector, one former DM described the use of independent agencies as waxing and waning. This could mean, for example, an increase in the creation or number of agencies, expansion of mandates, greater organizational flexibility or independence for agencies versus a focus on rationalization, contraction or fewer agencies through amalgamation or integration, great control and devolution of program areas back into government.

Sometimes an approach to agency births, structure and deaths depends on the party in power’s political and ideological leanings. The greatest “blossomings” were in periods of strong political philosophical pre-disposition. This did not necessarily mean smaller government but more business-like versus bureaucratic approaches being the priority under different political leadership. One participant noted that “in any government, the closer to the election, the greater the control”. Another respondent talked about his views with
respect to the election of an NDP government. He believed that the new (current) government would start “eliminating Crown corporations left, right and centre, but they didn’t”. However, this is not the only political factor influencing the governance and oversight of agencies. Governments also get “more nervous about decisions that they have to defend”, suggesting greater controls with greater political risk. When the objectives of agencies and government get out of alignment there is “risk and frustration”, for example, when the Financial Institutions Commission was not being as responsive to stakeholders.

The risk for government in agency oversight is that people do not distinguish well between these types of bodies. Complaints still go to politicians and ministries and “accountability is still an issue with politicians”. In one situation, a Crown agency was going to change the way it dealt with a private sector partner, who went to the Minister, who then said that it wasn’t going to happen. The Crown agency “saw where the political power was”. The view that Ministers could be “hands off and powerful” adds a level of complexity to the relationship between agencies and government. As several respondents have suggested, while agencies may be arms-length they are not independent; government is the ultimate account holder. The dynamic that is independence “is always there” and is up to agency CEOs and Boards to traverse given that there continues to be a “dual accountability to the Board, Minister and government”.

The challenges of reading the agency landscape are reflected in the comments of one respondent who didn’t know if the relationship had changed. When the NDP formed government in 2017 some senior officials thought that the new government would “start eliminating Crown corporations left, right and centre, but they didn’t”. There is more a
recognition that agencies are necessary. The view that the relationship waxes and wanes over time appears to refer more to the levels and types of controls that governments exert, based not only on political and ideological leanings but the level of risk with an agency’s performance.

According to one participant, under the NDP (1991-2001), politicians were keen on outsourcing and privatization not as a matter of philosophy, but to drive greater efficiency in public service delivery. While there was a strong argument from the private sector that wanted it, the NDP brought in consultants that showed that wasn’t the case. Pressure from the private sector to outsource and privatize public services continued through the NDP’s reign, echoing the “great call that came starting in the 1980s” that “government has no business being in business”.

Comfort with bigger government and using government to achieve social policy aims is something that the NDP continue to want to be “more in control of”. One participant shared their view with respect to the more recent use of delegated administrative authority (DAA). Philosophically, the DAA model is not one that the NDP is comfortable with and their view is that if “we were starting today, I don’t think they’d start an independent authority to do the services we do today”. While the respondent described their agency’s relationship with the current NDP government as “respectful”, higher profile agencies such as WorkSafeBC, have been subject to greater political intervention because of a high risk situation with the sawmill explosions in BC – “government gets their fingers in there; tells them what to do; impacts unions; workers complain.”
According to Ontario participants, governments have been driven by changes in their environment over last 20-30 years including actions and decisions being “more public, driven by media, next headline, shorter term”. Given the ultimate accountability of government for agency behaviour, relationships between them are more challenging. Several respondents believe that approaches to the use and governance of agencies is driven by differences in political philosophy or ideology between Liberal and Conservative governments. Some governments want to use agencies and “others want to keep them out”. An alternate view, however, is that the use of agencies as instruments of public policy by successive governments is more of a “stylistic question”. As one participant reflected, there’s “not any real ideological party, it’s more about language than reality”.

The view of agencies changes depending on whether a party is in power or in opposition. When in opposition, according to one participant, they are more supportive of independent oversight bodies like the Ombudsman and Auditor General. But when governments are new, they are suspicious of independent agencies especially with leadership that has been appointed by a previous government; “loyalty means a lot to new government”. Another interviewee described a shift in the relationship between government and its tribunals when the government changed. The nature of political relationships was important in that some Chairs had access to the Premier and could “pick up the phone about the Ministry or a particular person”. A former agency board member observed that with “Conservatives almost every Board member as Liberal appointee was tossed; regardless of...profile – we were gone”. Political appointees (board and agency executive) are a factor of agency governance and management.
In Ontario there has been a great deal of policy change and experimentation with what authorities are devolved to arms-length agencies. There has been an evolution with respect to independence and authority. Government seems to be more willing to interfere and “change something based on headlines”; to regulate and standardize. For example, the Harris governments (1995-2002) were involved in “massive changes in tax authority, education funding, downloaded a lot of things”. In looking at how to do things differently, the Harris government tied agency funding to authority and accountability.

There is now a greater willingness and interest to use agencies than in the past. Governments are increasingly comfortable creating agencies and giving them rule-making authority partly because Ministers want to distance themselves from operational decisions. That said, governance and control mechanisms have increasingly been scrutinized to enhance government accountability; providing clarity in direction and performance so that agencies are delivering on the mandate set by government. One participant noted that those agencies funded by public appropriations attract a higher degree of government interest and are subject to greater “political input into budget area”. In some cases, the level of political involvement depended on individual ministers, their ideological focus such as “small is good government”. This level of political scrutiny and involvement has been highlighted with the turnover in more ideologically driven governments and the degree of suspicion that accompanies the turnover.
Decrease Size of Government and Decentralization

The focus on decreasing the size of government and decentralization was an emphasis of BC respondents. Most participants believed there has been a proliferation of arms-length bodies over time to address the size of government. In the 1980s government still had big operational institutions e.g. Riverview institution, highways and health care. Over time, government has evolved service delivery to have more done by agencies at arms-length from government. This “spinning off” of agencies has been seen as a “shedding of government size” primarily as a factor of reducing the number of full-time equivalent positions/people on the government’s books; “if it was FTE’able then we should get rid of it”. A former deputy minister recalled that at their time at Treasury Board, there were only “three Crowns” but that “government has way more stuff now”. Governments have sought to shift accountability onto an agency Board but the “blame game” hasn’t worked all that well.

The continued creation of agencies has raised the question of the “avoidance of responsibility” through “off-loading” of functions. With varying degrees of independence, cooperation between agencies and governments can be wanting; creating confusion and a lack of transparency with respect to accountability for agency performance. In the health context, “it’s a very flawed model because accountability is entirely taxpayer funded”. Systems should be seamless and transparent but various boards have shown that they “don’t want to play the game”. One participant found that agency relationships that work well are those that have some form of revenue generation, e.g., hydro, investment management corporation, liquor. An alternate perspective questions how these same types of agencies can
operate with the level of government intervention they experience, for example, direction of their financial contributions to the government’s consolidated revenue.

Alternate views suggest that agencies have also become more sophisticated in how they interact with government in terms of influencing policy and acquiring financial and operational flexibility. Independent agencies have more independence than they ever did. They have “stronger voices”, are more “mature”, and have a better understanding of how to interact with government. A former agency board member recalled recruiting two or three lawyers on the Board who understood the need to have a good relationship with government and could “advocate back in”. Their role was more than just educational but advocates for the agency’s needs. They assisted the board and the agency in interpreting their legislative authority and mandate in conversations with government.

One respondent described their agency’s evolution as a smaller organization within the big machinery of government, where central agencies are drivers of culture and values, human resources, management and leadership. “We are a small and mighty agency that has this ability to define our own destiny and... success”. That ability to define and control success has become more important for delivering on an organization’s mandate. Being able to choose knowledgeable, professional people, define one’s own values means as an agency can be nimbler and develop its own expertise and talent. But it also attracts more vulnerability in that there are issues that an agency cannot tackle on its own because the risk is too great, or there is a larger risk to government. In government you have access to centralized services and a depth of financial, legal and policy support. Some agencies, primarily smaller ones, continue to struggle to maintain some of those necessary functions. As a form of
decentralization, the lack of access to these kinds of centralized supports create a risk for the agency and government more broadly.

Finally, one participant thought that there had been no “sea change” in terms of agencies and government. They have been viewed positively, consistently over time, referencing the business approach taken at BC Hydro and the ability to set dividend expectations for ICBC. However, this begs the larger question about the usage and manipulation of Crown agencies for political benefit.

Ontario respondents believed that there were more agencies now than over the past few decades; “like rabbits they tend to multiply over time”. In terms of agencies, boards and commissions and other independent agencies, there are not only more of them, but they vary in their levels of independence, control and government oversight. Governments are more willing and have more interest to use agencies now than in the past, partly because Ministers want to distance themselves from operational decisions.

With the increase in numbers of agencies and their governance variability, issues have arisen that governments have addressed with varying levels of success. “When you’ve had years of constraint and agencies are more voluntary, depending on what government directs, it often creates challenges for government”. One of those is the compensation discrepancy between agencies and government’s public service. As one participant stated, there has been a “growing list of agency executives over six figures”. With operational independence may come a degree of flexibility to compensate employees and agency executive outside government guidelines. One former executive who had responsibility for the oversight of
Metrolinx, described a situation where the public became aware that employees, including executives, got to ride free and was a non-taxed subsidy. It became a “bee in the bonnet of political staffers when they heard”. The compensation gap continues to result in difficulties keeping staff in government as there is a “temptation of employees to go to agencies”.

Some agencies (e.g. Ontario Power Generation) have become more expert driven and risk management focused. Business enterprises like the Ontario Lottery Corporation and Ontario Power Generation have become more sophisticated in their operations and relationship to government. This has resulted in a lot of organizations, every now and then, wanting to grow their mandate. Governments have had to spend more time curtailing mandates and putting processes in place to prevent “scope creep”, keep aligned with government direction and priorities, and keep agencies in their own “swim lane”.

Impacts of Changing People, Relationships, Board Appointments

BC respondents felt that there may be different reasons relationships go from “good to rocky” or vice-versa, but they all can play an important role in an agency’s ability to successfully fulfill its mandate. Several sub-themes are evident from the participant responses some reflecting positive change and others confirming an ongoing lack of stability in certain aspects of the agency-government relationship.

There is some support for the view that board recruitment has improved, not only with respect to managing political influence in the process but with selection and qualifications more generally. The relationship between government and agency oversight can be complex to navigate in the governance process given the desire of governments to
exert control through board appointments. As one respondent noted “power-persuasion on boards will always be there”. When boards are populated by government appointments, “we’ve seen that change when governments change”. This was and continues to be a way that governments manage to influence boards in their strategic direction and ensure alignment with their values and direction.

One participant described a better balance in terms of having board members aligned with government’s direction but have the core competencies needed to ensure the agency runs well. There is a trust that develops so that government is “getting the best of both worlds”. In one former deputy minister’s experience, the relationship between their Minister and a major budget Crown corporation was confrontational. Given the chance to change out the board, “we managed to put in Board that had a better mix of experience” including accounting, budgeting, and business expertise. The Minister regained confidence in the board and trusted that the Crown would accomplish what was asked of it, as opposed to an “advocacy role by the Crown where the board represented stakeholders and clients”.

Because people change roles and move within and between ministries and agencies, relationships also change. If there is a new Minister or deputy minister, “relationships and expectations may get muddy”. This includes the relationship between Ministers and Board Chairs. Given that the ultimate control lies with government, Ministers must be confident with agency leadership, hence maintaining the ability to appoint Board Chairs and a specified number of directors, depending on the government’s desired level of control. There is some thought that relationships between government and agency mandate have evolved. There are now clearer guidelines and agreements on government and agency roles and
responsibilities in carrying out mandates, facilitating the need for more routine communication and cooperation. However, as one participant noted, DMs recognize independence but “have no problem stepping on mandates”.

Participants most often described key relationships as being between the Minister and Board Chair, and the CEO and Deputy Minister, recognizing that often personalities are involved, and relationships are sometimes a “style issue”. However, the strength of the relationship only partially depends on this level of cooperation and collegiality. There’s a need for strong coordination across the system of public service; everybody must “play ball”. A former ministry executive in the post-secondary arena dealt more with the President than Board Chair of post-secondary institutions. Some ministers may be more interested in their agencies and Board Chairs, and others, less so.

Another example of how the relationship between government and an agency has changed over time, is that between the Ministry for Children and Family Development, and the Representative for Children and Youth (RCY). In this example, personality and relationships have played a key role in determining how well government and agency worked together. Changes with the representative in that position have resulted in a closer working relationship between ministry staff and the representative’s office. However, as one participant stated, the ministry is more mindful of the RCY’s separate mandate – oversight of government’s work. In the past, there was less of an appetite to share information but now, with the changed relationship, the ministry errs on the side of providing more information. The working relationship and the values attributed to the entity have changed considerably; “it’s a much healthier relationship”.

Relationships may also be influenced by who’s in the role as a reflection of a government’s philosophy. For example, the past Representative for Children and Youth (Turpel-Lafond) was more aligned with the NDP than Liberal government and that set up a challenging dynamic. “She was an extremely strong personality beating on the government of the day and government gets its back up, leading to dysfunction”. The DM was unhappy and that made the situation worse. When a new DM came in, they tried to mediate the relationship between offices but “by then it was almost too far gone”.

Another participant described the change in relationship between the Freedom of Information commissioner’s office and government, based on the personality of Commissioners. Under Denham, things were “not all that cheery”. She was “always biting at the heels of government”. When Loukidelis came in he had a totally different approach. He and the current commissioner know how to “get things done with government in a way that’s functional”. The current seniors advocate is another example of someone who’s strong in her advocacy of an issue, doing her job for seniors, but doing it in a way that doesn’t “piss off government and works well with the Ministry of Health”. She knows where to push and back off; a lot of things get resolved outside government. The public doesn’t get involved because it doesn’t become political and that relationship is very important.

Like BC respondents, Ontario participants believed that government control and influence of an agency and its board is an underlying factor in the relationship between the two organizations. Sometimes governments take a more controlling hand where they’ve provided funding; appointing the majority or all the board. And while there are guidelines, policies and processes in place for board appointments, this does not negate government’s
ability to choose or influence the choice of appointees where they do not appoint some of the board. As one interviewee noted, “some Chairs had access to the Premier and can pick up the phone about the Ministry or a particular person”.

The challenges of minimizing political appointments to, and influence on, agency boards continues. When the current Conservative government took office in Ontario, almost every Liberal appointed Board member was “tossed regardless of...profile”. One Conservative Minister put his own family on the board of an agency. A former deputy minister with a breadth of portfolios in the Ontario government across Liberal, NDP, Conservative regimes stated that some of the chairs had relationships to Ministers and this created issues - “I saw that a lot”. Chairs that were highly regarded in their private sector career, might be closer to the Premier than a Minister and would “pick up the phone”. One respondent believed that the qualifications of boards had increased along with the quality of senior staff in agencies.

**Role of Deputy Minister**

Political influence over appointment and dismissal of officials has attracted a sizeable literature (Cooper, Marier & Halawi, 2020; Hood & Lodge, 2006). Over the last 40 years, governments across the globe have increasingly used their power to appoint senior bureaucrats to control the bureaucracy (Dahlstrom & Holmgren, 2019). Political interference in senior public servants’ careers is seen as a fundamental departure from the contours of the Westminster administrative tradition (Campbell & Wilson, 1995; Savoie, 2003) and research has found that when there is no change in government leadership, a change in the governing
party leads to a marked rise in the probability of external appointments and dismissals. Results of this study are consistent with this literature. Over time, the average tenure of ADMs and DMs has become shorter and their subject matter expertise, less. “When I was young, you’d get the DM who’d worked his whole life in that area; subject matter expert”. They don’t have time to do things slowly. DMs have become more professionalized and interchangeable. In addition, there is a much more diverse group of people who occupy these positions. The complexity of understanding and managing relationships has increased considerably. With the more frequent turnover of senior government staff, you “fight the same ground over and over; people forget, and you lose an enormous amount of public memory”.

Similarly, Ministers used to have tenure long enough to know their portfolio and have more time to deliver on government priorities. Now Ministers have shorter tenure and “get flipped around”, making it difficult to accomplish almost anything in a year or two. The shortening of Ministerial tenure makes them “less powerful, more impatient”.
Impacts of the changing relationship between government and agencies over time (Q5)

This question follows from question 4 and attempts to generate a better understanding of the impacts of the changing nature of the relationship between government and agencies, over time. Respondents were asked to describe the impacts, if any, and their characterization. This information is key to understanding how models of agency governance shape government and public administration. Knowing how successful various mechanisms are in achieving the goals set by government in the establishment of arm’s-length agencies, feeds into their future use and development to enhance the effectiveness of the public sector more broadly.

The themes that were identified speak to indirect impacts such how personalities, politics and political philosophy influence the relationship between an agency and government and are captured in Table 23. Direct impacts have been noted on, for example, governance and control, agency responsiveness and performance, organizational and system complexity.

Table 23: Impacts of the changing relationship between government and agencies over time (Q5)

<table>
<thead>
<tr>
<th>Government’s response, governance, oversight, control</th>
<th>BC - 11</th>
<th>Ont – 11</th>
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<tbody>
<tr>
<td>- when province starts leaning on the entity has sharpened. More experience and generations of senior managers have an understanding of the subtleties of being independent but not.</td>
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<tr>
<td>- Governments hide behind Crowns. DMs more responsible now. Board Resourcing and Development Office role evolved; decisions made by Ministers, ratified by Cabinet; little input of Board Chairs. Skills matrix use decreased.</td>
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<tr>
<td>- The further you move these organizations away from government they become too disparate-part of the problem. Government brings them closer. For example, Destination BC – pulled right back into government and reformulated.</td>
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<tr>
<td>- change in extension of different government policies to agencies – closer to government, less arm’s-length than they want to be.</td>
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<tr>
<th>Agency responsiveness,</th>
<th>- Crowns operating in much more predictable, accountable fashion; less surprises for government.</th>
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<tbody>
<tr>
<td></td>
<td>- become more responsive to government priorities and direction because they’re funded by government and have no choice.</td>
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### Governance, Oversight, Control

There have been some major reform initiatives in BC that have resulted in significant changes in governance, oversight and control of public sector entities. Of note is the Core Services Review undertaken by a new Liberal government begun in 2001. This review included agencies and other entities and resulted in some rationalization including the sell-off of some organizations such as BC Rail, Pacific National Exhibition and BC Pavilion Company. However, outside of those changes some respondents believe that the current Crown agency governance framework and government

<table>
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<tr>
<th>Expectations, Learning</th>
<th>BC – 7, Ontario – 6</th>
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<tbody>
<tr>
<td>- Reduction of creativity and flexibility. More of an awareness at the agency level of the needs of government; tightening; need to satisfy political masters of the day.</td>
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<tr>
<td>- Financial, policy, program, reputational expectations – more pressure for agencies to define a voice and not too much behind the scenes.</td>
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<tr>
<th>Politics, Political Philosophy</th>
<th>BC – 4, Ontario – 9</th>
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<tr>
<td>- Not the same stark shift with the NDP government as with the Liberals in 2001. Shift in tone and philosophy with NDP.</td>
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<tr>
<td>- Don’t want politics of the day to get in the way of issues; protect from Ministries mucking in issues.</td>
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<tr>
<td>- Ontario government was establishing employment equity agency that got kyboshed when Conservatives elected.</td>
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<tr>
<td>- If you can make an external entity look bad then Minister/government will look bad. Fosters ongoing level of mistrust between government/Minister and entity.</td>
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<thead>
<tr>
<th>Personalities - Relationships between Agency &amp; Government</th>
<th>BC – 5, Ontario – 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>- relationships change with players; over time you build trust and the reigns will be relaxed.</td>
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<tr>
<td>- it comes down to relationships; governance framework is one thing but relationships key.</td>
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<tr>
<td>- need to work really hard to have good relationship with Minister but sometimes you have to deliver on different mandate; trust an issue.</td>
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<tr>
<td>- government can upsize or downsize and influence tribunal operations because they totally fund the agency.</td>
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<tr>
<th>System and Organizational Complexity</th>
<th>BC – 4, Ontario – 5</th>
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</thead>
<tbody>
<tr>
<td>- System didn’t change with change in government; system robust enough to withstand changes.</td>
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<tr>
<td>- More horizontal and complex structure re: operations of government. relationship is becoming more complicated because government is becoming more direct about supporting agencies on different policy initiatives.</td>
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<tr>
<td>- anything that pushes the system to integrate health goals is good.</td>
<td></td>
</tr>
<tr>
<td>- Lack of coordination of work passing along different agencies; loss of coherence, no mechanism to coordinate across these bodies; lots of moving pieces doing substantive government activities without coherence; army but no general.</td>
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</table>
practices have stabilized and that, on balance, “things haven’t changed much” since the mid-2000s. While there may be “a little more respect for the idea of independence” there has been less of a rush to set up new agencies. According to one participant, government’s willingness to create independent or arms-length agencies has diminished.

Other respondents described the impacts of the ebb and flow or “swinging back and forth” of agency creation, management and oversight, as leading to governance becoming “murky”. Adding to this trend is the recognition that relationships are different for many organizations for varying reasons. “The further you move these organizations away from government they become too disparate and part of the problem”. Governments’ responses have been to bring them closer by exercising more control and direction. For example, Destination BC was pulled back into government and “reformulated” according to one participant. The challenge in understanding the impacts of changes in agency governance are the added dimensions of personality, political and philosophical perspective. As one respondent shared, if government empathy is not there then “some of these folks find themselves on the outside”.

Respondents believe that governments have sharpened their “demarcation line” or how much latitude they will extend an agency before they start to “lean on” it. With the increasing number and use of agencies over time, governments have become more experienced at managing them. There have been improvements in other areas of government such as financial accountability through the Budget Transparency and Accountability Act that have been applied to independent entities, requiring tabling of service plans and the use of mandate letters. Freedom of information and privacy legislation in its application to agencies has enhanced transparency and oversight by other independent officers of the legislature have added another layer of accountability.
Governments have learned “what works and what doesn’t” leading to more intentional thinking about what agencies to set up and how to support them while maintaining accountability. Deputy Ministers, having key roles in the governance model, are more responsible and understand their role in agency oversight, and experienced executive and senior managers understand “the subtleties of being independent but not”.

One area that governments have used more effectively to their own benefit is a central agency for coordinating board appointments and development of policy and processes supporting the implementation of the Crown agency governance framework. Even within this context, governments continue to subtly exert political influence in the governance process. The framework was initially developed by the Crown Agency Secretariat, which was headed by a CEO reporting to the Premier. The secretariat has since been dissolved with vestiges of its responsibilities absorbed into the Crown Agencies and Board Resourcing Office (CABRO), whose role has also evolved. CABRO does not make decisions on board appointments. Those decisions are made by Ministers, with advice from CABRO, and ratified by Cabinet. There is little input from Board Chairs on the province’s appointments. One respondent noted that the use of the skills matrix for assessing qualifications of board candidates, has decreased, for example, “NDP appointments...more political as opposed to skills focused”.

As government is the primary stakeholder for agencies, it is clear in the current agency governance context that legislation provides a level of accountability in articulating clear mandates, roles, authority, decision making, oversight, reporting etc. When issues arise, the question is whether government can manage the agency without being political. One respondent “saw many Board chairs and Ministers not aligned”. For example, with respect to ambulance
services, if someone dies before an ambulance arrives, the media goes to the Minister, not the
Ambulance Authority which is responsible for the service. Over time, issues management has
tended to dominate good governance. The need to solve an issue quickly has pushed aside good
government. Social media has impacted this trend where government tends to look for “quick
reaction rather than thoughtful stance”. These trends have made Deputy Ministers’ lives difficult.
Ministry executive have been increasingly challenged to create environments where “risk is not an
enemy”.

Like BC, Ontario respondents believed that the creation, management and oversight of
agencies have ebbed and flowed over time, including the need to rationalize their existence more
generally. One participant described them as a “necessary evil”. Government can upsize or
downsize and influence operations through various control mechanisms and in some cases,
through funding. For example, Legal Aid Services is subject to government’s influence by the
increase or decrease in the income level threshold and its determination of which programs to
support, such as immigration or criminal. The whole issue of scope is government’s purview.

Sometimes governments are forced to address operational and financial issues for agencies
because of external pressures and changes. The Ontario Film Commission had to be dissolved
because it couldn’t financially sustain itself primarily due to the increase in online videos,
streaming and other forms of entertainment access. Government was forced to replace an old
system and took in residual functions after shutting the agency down. Where relationships are
broken and issues arise as a result, government will feel that they need to intervene, for example,
with Tarion Corporation. It had provided new home warranty services for 40 years. Most of the
board had been appointed by industry and as a result, problems with consumer protection began
to surface. Having an organization dominated by industry led to an inability for Tarion to listen to consumer complaints. The issue came to a head and after an external review, government decided to break it into two organizations overseen by elected non-builders and builders.

Ultimately, regardless of who’s delivering the services, accountability goes back to government. An agency can discharge the service but “people can go to government to complain”. Issues will always arise with independent entities and government’s response contributes to the ebb and flow of control. When government puts in place new control and accountability mechanisms or uses a new organizational model such as delegated administrative authorities (DAA), there will be a time of building the relationship and trust before government loosens the reigns. They tighten them up again when forced to address issues created by agencies, which have often been a source of criticism for government. Sometimes governments feel they have too many agencies and need to “prune them down”. One respondent noted that issues tended to result in a shift in structure rather than policy; there is an “imperative that comes out of structure that is more seductive”.

There is more agreement around the view that there has been an increase in the exercise of controls by government over agencies, making them “less arms-length than they want to be”. Fewer agencies are truly independent. Even those that have been historically independent such as large commercial Crown corporations or tribunals with regulatory or quasi-judicial decision-making authority, have seen increased constraints on their administrative and operational functioning. Where there is less scope for the application of professional and operational judgement by agencies because they are being more closely overseen by government, the ability of an agency to achieve its objectives is “diluted”. One respondent described the increased
reporting measures put in place under their watch as Deputy Minister. They felt that agency governance was about protecting government, more specifically the Minister and ministry. Another participant felt that there were more intrusive bureaucratic and irrelevant reporting requirements.

A positive change is the increased attention paid to appointing competent Boards and the lesser use of board positions as rewards for political allies and friends. The focus has been increasingly on critical expertise that can give the government confidence that the “right questions are asked” and oversight is working. Part of the changes to board appointments is mandatory orientation. This, along with risk reporting, have provided Ministers a degree of protection from “agency folly”. “If they’ve gone through a process then the Minister has plausible deniability”. They allow a degree of oversight with having to have absolute control; that’s “the perfect spot” and agencies can be enormously helpful.

A by-product of the more professional and skill-based appointment process is a new problem with recruitment. There was a time when the process was “looser”, when getting people to take community positions on agency boards was regarded as part of giving back to public service. The current process, its degree of transparency, and the level of scrutiny applicants are subject to, makes it more difficult to recruit board talent. “It’s a brave person that puts their name forward for the board”. The difficulty recruiting is compounded by a cumbersome, slow and intrusive process, and inconsistencies in remuneration. As one participant summed up “I don’t expect to be paid a lot but if you provide nothing, it speaks to the value of my contribution”.

One participant spoke to Ontario’s inability to modernize government; failing to match governance structure with the challenges of public service through funding mechanisms and
performance measurement. What has not been good is the drive to align the structure of public service delivery to the cheapest alternative.

A unique perspective was shared by one participant who indicated that discussions about independence were ongoing in the context of education and health care. They described their experience as a “big evolution bringing public service educational institutions into a somewhat different accountability framework”. However, this was not the case for discussions about the level of independence for universities, colleges and other post-secondary institutions. Negotiations focused on independence, funding and accountability including agreements, outcomes and forms of measurement. Ontario appears to be more reluctant to take a similar approach as BC did with hospitals and universities. Traditional interests are more sustained in Ontario and governments want to regulate and standardize more.

Agency Responsiveness and Performance

This subtheme suggests that some agencies have learned that they need to attend to the priorities and direction of government; aligning their policy and operational approaches to ensure there are “no surprises” for the government of the day. This allows them to operate with more stability, predictability and accountability while still being innovative and flexible. As one former BC Deputy Minister stated, “satisfaction is a function of expectations”. In their role as DM, they oversaw a Crown corporation, and provided advice to the Minister. The early days of the relationship between agency and Minister were less than pleasant. Over time there was a “lot of pushing, shoving and elbowing to get to a place of suffering between the two; mistaken impressions, communication and false expectations, and issues”. It is within this context that understanding government expectations begins to shape the relationship in a more positive way.
Other agencies that have forged a more strategic and collaborative approach with their parent ministry and Minister have experienced more success with greater operational independence, enhanced policy support, and influence with the ministry. A senior executive with one of BC’s agencies described how the organization’s profile has increased along with their influence in the province. With their enhanced profile they have been able to garner the province’s attention where they wouldn’t have been successful a few years ago.

A similar experience was shared by another agency participant who noted that they had not been successful in getting regulatory changes on the government’s agenda for about 15 years and wanted to give the relevant program area back to the government. Over the last couple of years, government has gotten more engaged and the agency has developed a good collaborative relationship that has enabled them not only to “get things done” but is more respected for their expertise and advice. Alternately, with an increased profile means the agency is now “more on their radar”. Government wants to know more about what the agency does, its compensation and financial health, and is considering an independent audit for the first time.

So rather than increased independence, there is a likelihood of “tighter oversight”. As one participant observed, there is increased pressure for government to be more strategic about service delivery. This includes avoiding foundational flaws in governance that results in an undue influence by the interests that are served in the agency model, particularly in regulatory and self-governing professional arenas. Experience has shown that poor governance and oversight by government impacts public confidence in these agencies, for example, BC Lottery Corporation and the Real Estate Council of BC and their roles in money laundering in BC.
Like BC, Ontario respondents felt that there was more of an awareness by agencies of the needs of government and a tightening up of governance controls to “satisfy political masters of the day”. Some have suggested this creates issues for agencies because it reduces the flexibility and creativity traditionally associated with one key rationale for creating an arm’s-length entity. One example provided was the challenge experienced by the Ontario Art Gallery of being able to raise a private sector sponsor. The imposition of greater controls has also impacted larger agencies, such as the LCBO and OLG, often having cost constraints that are very similar to public and private sectors, e.g. unionized employees, hiring constraints and multiple levels of oversight. One former agency executive explained how most of their staff had never worked in government and felt like they were part of an independent organization. However, this was not the case and this participant spent a lot of their time helping staff understand the context of working as a public sector agency and the “significant accountability measures” in place.

The challenge for arms-length agencies is to remember that they are “not the same as a business”. While governments may want some nimbleness, there is less focus on making money and more on “effective operation of service”. What agencies, like government ministries, continue to wrestle with is the growing number of stakeholders whose interests need to be considered in policy and program development. One participant noted that when they were in a public agency, they had “30 different stakeholders with conflicting views – very different than commercial operation”. They were challenged by the view that the agency had to “run like a business”.
Political Behaviour and Ideology

BC respondents reflected on the different approaches by various governments primarily depending on the party in power. Liberal governments have brought more of a corporate and economic lens to its vision of the structure of government. More specifically with respect to agencies, they brought a more control-based approach for service delivery. “You have not seen the same stark shift” with the NDP government as with the Liberals in 2001. There has been a shift in tone and philosophy with the NDP. They’ve looked at things slowly and made things easier. They have a different relationship with labour and more of a collaborative approach on service delivery.

More generally, the impacts to agencies depends on government priorities and if it has a plan that includes looking for fewer agencies. In this scenario agency survival has evolved to include political strategies so that government would “choose them”. This was not always a successful strategy because governments “could not stay away from the ideas they had; they were blinded by their purpose and work and some agencies suffered”.

Another view is that over time, mandates would drift. When governments changed, there would be an opportunity to “look at whether we should get rid of them”. One participant described the health authority relationships in this way - varying over time. The ebb and flow of agency creation and oversight has resulted in a cyclical nature to agency existence in the structure of government.

Agencies have long been a tool of political crisis development in Ontario politics, often fueled by opposition interests to show government in a negative light. “If you can make an external entity look bad then the Minister and government will look bad”. The result is the fostering of an
ongoing level of mistrust between government, the Minister and an entity. Sowing seeds of mistrust becomes leverage for opposition parties. Its counterbalance is the constant need to nurture and develop relationships of trust given that government gives a degree of independence because they believe they are “purchasing something they value, legitimacy”. What governments find is that it is much easier to create arms-length entities than shut them down. However, this has more often led to abandonment of agencies as governments lose interest, have reduced mandates or determine that the agency has served its political purpose. This creates substantial uncertainty for some agencies and disrupts the efficient provision of government services.

Several examples of government and political manipulation were provided by participants. A previous Liberal government responded to a Premier’s council recommendation that labour market training programs be led by a board represented by business and labour. When the NDP took power in Ontario (1990-1995), it expanded the governance structure to include education providers and “equity seeking groups”. Two years were spent establishing the governance structure. The business community failed to send their leaders to the table while the NPD sent their top “ideologues”, resulting in a “lot of ideological debate about labour, business and equity”. Relevant programs were removed from Ministries and aggregated into an agency, which was subsequently “kyboshed” when the Conservative government was elected.

Another example of the impact of the political touch on an agency is the College of Trades in Ontario. The College was an initiative of the Liberal government (2009) and was established as a professional regulatory body to oversee the certification of skilled trades. It took over functions of government such as testing, setting of standards, and apprenticeship. In November 2018, the new Conservative government announced that it would be winding down the College and re-
integrating its functions back into government. The political influence was obvious and permeated everything according to one participant. The new government came in with new people who wanted the rules around apprenticeship changed; claiming more modernization was needed and set out to “shut this agency down, perpetuating an old system”. When government has a new “policy bent” it’s going to “change those operational pieces that affect policy”. Governments have been unable to let politics go; preferring to exercise their own forms of control in directing public services and assets.

Governments do not always stick to tinkering around the edges of service delivery and structure. Big impacts are felt with decisions such as that by the Liberal government in Ontario to convert Hydro 1, a large Crown corporation, to a publicly traded company in 2015. There was not lot of public policy around distribution and transmission lines. Without that framework in place, the Liberal government of the day didn’t feel they needed to own it and that the $9 billion in assets could be better used. Even the current Conservative government is not committing to buy it back. Questions of public ownership have also arisen with respect to gaming, which is “owned” by Ontario Lottery and Gaming Corporation, and nuclear power (Ontario Power Generation). All political stripes of government look at why and how they should continue to own these entities. If the agency isn’t addressing the issues - politicians want to re-organize.

*System and Organizational Complexity*

The agency governance framework that has been in place in BC since the mid-2000s has injected some stability into agency creation, management and oversight. As one respondent noted, the “system is robust enough to withstand changes”, that is, the system of governance has not changed with the transition to a new government. The level of system complexity has also
grown. The proliferation of agencies and governance mechanisms to tighten and engender greater consistency in control, has created broader horizontality and complexity in the structure of government. Another contributor to complexity includes the layers of reporting, accountability and decision making within an agency’s operating sphere. The further you move these organizations away from government they become too disparate and “part of the problem”. An agency may report through to a Minister, have reporting responsibilities to other areas of government (central agencies) and be subject to oversight from various independent officers of the legislature or regulatory bodies. Not only do these multiple layers of accountability add complexity in the governance of agency and service delivery, agencies may be confronted with blurred transparency, increased costs and inefficiency.

If something goes wrong, the accountability mechanisms and multiple reporting requirements may have significant impacts on agency capacity and ability to respond. That said, there is still a sense that government remains accountable and the interests and priorities of agencies are often secondary to those of government. Given the shift to greater control, one former agency executive believes that the relationship is becoming more complicated because government is becoming more direct about supporting them on different policy initiatives. Government wants to understand “more of what we’re doing; more engaged”.

A final aspect of complexity is more community involvement in how services work e.g. non-profit housing and women’s transition housing. Each agency has a board, client networks, associations of like organizations and “networks of actors”. The expanse of connections impacts the organization’s capacity to consult, engage and respond. There is also a cost to the expanse of due diligence activity related to the need for consultation and engagement as well as the layers of
government oversight in the form of reporting, information sharing, and decision-making processes, and responding to independent watchdogs.

While Ontario respondents generally believe there has been an increase in the use of agencies to deliver public services and the related system complexity, there has been a concomitant shift to extending accountability measures to gain greater control, impose operational reforms, and force standardization for programmatic consistency. “Can’t have important services delivered in too many different ways”. This thought underlies the “constraints of larger government” being imposed on arms-length agencies so much so that they “become much the same as larger government” and lose some of their nimbleness.

Agency independence can be problematic. The more agencies there are in the public service delivery continuum, the greater the challenges in managing and overseeing that system. The current system lacks coherence; there is no mechanism to coordinate across these bodies; no central agency that can coordinate. There are “lots of moving pieces doing substantive government activities without coherence”. The complexity of government and its governance of agencies can have a significant impact on effectiveness, efficiency and accountability.

Governments have become aware of what one participant described as “inertia” stating that it is “harder to get rid of something once you’ve brought it to fruition”. When they run into issues, Ministers may not have adequate direct controls in place and the ministry will spend more time with the agency to manage the issue and ensure government’s interests are protected.

Finally, government’s continual restructuring of some areas of service delivery can have substantial impacts on an agency’s ability to maintain consistent standards. Health care and education have been subject to the ebbs and flows of agency expansion and contraction, with a
general trend toward decentralization and greater complexity. However, the tendency to find the balance in asserting control with maintaining flexibility is expected to continue.

**Personalities - Relationships Between Agency and Government**

Both groups of respondents believed that personalities and individuals have an impact on agency-government relationships, despite the governance frameworks in place. As noted by one BC respondent “you can have all the structure in place, but if people feel like they’re being ignored or dismissed it doesn’t matter”. Relationships impact the functioning of an agency and this can have long term implications for performance depending on the length of tenure of key personalities whether in the bureaucratic or political realm; within government or an arms-length agency. Key relationships identified by respondents are that of a board, its leadership, the Minister and DMs and their interest in a particular portfolio or issue. New governments may take some time to observe what an organization is doing and assess its mandate and operation against the government’s philosophy and direction. It is in this context that respondents identified the need to have the right people on boards. The expectation is that over time, you “build trust and the reigns will be relaxed”.

In one BC respondent’s experience in the post-secondary system, the relationship between government and its institutions was highly dependent on DM and ministry personalities and characteristics. “It’s as simple as personality”; if the DM and Ministry are engaged and willing to get to know the sector, and willing to communicate in a consultative way, the relationship is beneficial to the functioning of the sector.
At a broader level, there has been a shift of government oversight from a centralized approach to a decentralization of accountability to individual Ministers. This evolved with the dissolution of the Crown Agency Secretariat, which served both government and its agencies and facilitated the relationship between the two. Deputy ministers are responsible now; highlighting the personality dynamic in agency governance. As a former Deputy Minister noted “it comes down to relationships; a governance framework is one thing, but relationships are the key”.

Ontario respondents recognized that the “relationship between government and agencies [is] dynamic, never static” and that “governments don’t understand problems of agencies”. As the socio-political environment changes, so does the need to review agency mandates to make sure they’re relevant. Ontario respondents more closely tied the political nature of personality to the impacts on relationships between government and agencies, including staff in a Minister’s office. Relationships became more of an issue with changes in governments or roles, that is, when Ministers or Deputy Ministers were shuffled to new portfolios or a new government was elected. “When Ministers and their staff change – it’s amazing how little they understand about governance of agencies; they’ll pick up the phone and call agency folks”. One respondent noted that when newer and/or younger political staff arrived and they didn’t like a CEO or Board Chair, this created challenges in managing the agency relationship; “you had to ask who has your back”. As one former DM found, they had to have a trusted team that could deliver good work even if it went nowhere. Trust between a DM and Minister was also key to supporting the DM’s role with respect to agency oversight. While government has protocols in place to support oversight of agencies by their parent ministries, having a good relationship with a chair opened the door for better communication and building of that trust.
Role of independent agencies in shaping government and policy (Q6)

This question is intended to capture the perspective of respondents with respect to the role independent agencies have played in implementing government policy. More importantly, interviewees were asked what role independent agencies had played in the reshaping of government over time. This is closely related to question five that was intended to get at the changing relationship between government and agencies. This question is intended to delve deeper into how changes have contributed to the structure of government.

Overall, governments have developed a greater understanding of agencies and their governance and rely on them for service delivery in key areas such as health, public safety, community and social services. However, the mechanisms and systems put in place to control, hold accountable and direct agencies are undermined by the reality of working relationships influenced by the public, stakeholders (including the media), individual personalities, culture, politics and political philosophy. In short, theory and reality are often mis-aligned.

Table 24 provides a summary of responses for each theme that emerged from the data. The themes include agency effectiveness and benefits; political and philosophical; people (experience and expertise) and organizational and system culture; policy and positive impacts; change in government roles and size; and negative impacts.
### Table 24: Role of independent agencies in reshaping the public sector (Q6)

<table>
<thead>
<tr>
<th>Agency effectiveness, performance</th>
<th>BC – 12</th>
<th>Ont – 10</th>
</tr>
</thead>
</table>
| | - Governance frameworks should be nimble; give people the tools.  
- A lot of cases where the operating paradigm of independence has helped push a profound cultural change within the organization to embrace customer service for example BC Purchasing Commission.  
- If relationship between Ministry and agency good, healthy then carrying out government policy relatively well done.  
- When you have to live and die on your own resources it changes the world and the organization steps up. To the degree you have clarity of mandate and capacity you can see some success in achieving societal objectives. |

<table>
<thead>
<tr>
<th>Policy role</th>
<th>BC - 6</th>
<th>Ont - 3</th>
</tr>
</thead>
</table>
| | - Crowns are policy takers, implement government’s policy agenda, given high level instruction.  
- In the big picture they’ve contributed enormously. Work that they do informs government decision making for better or worse.  
- Lottery corporation shaped government policy on casinos and video gaming. Financial Institution Commission CEO had a huge influence in terms of economy and industry in Asia.  
- Separation between policy and political and operationalization by experts allows for legitimate policy direction by government to be delivered by independent agencies.  
- Agencies important when government is trying to develop policy as they have expertise in the field for the people trying to develop policy. |

<table>
<thead>
<tr>
<th>Political ideology</th>
<th>BC – 4</th>
<th>Ont - 3</th>
</tr>
</thead>
</table>
| | - Fiscal priorities and philosophical positioning: if you believe private sector does things better then you’ll move things into that quasi-sector more. If you don’t then less will be moved into that sector.  
- The issue became so politicized. This is what happens when you have politics trying to change policy and leadership.  
- Board members don’t like it when Minister steps in and direct agencies.  
- Political interference difficult with an independent agency; separation between policy, political and operational by experts allows for legitimate policy direction by government. |

<table>
<thead>
<tr>
<th>People, culture</th>
<th>BC – 6</th>
<th>Ont – 1</th>
</tr>
</thead>
</table>
| | - Crown boards are heavy hitter people with quite a range of skills; ability to leverage skills.  
- Players influence the process and outcomes a lot. Leadership makes a difference; can’t disassociate individuals from structure.  
- Agencies can be good but also ineffective with culture and people issues. |

<table>
<thead>
<tr>
<th>Negative impacts</th>
<th>BC – 10</th>
<th>Ont – 2</th>
</tr>
</thead>
</table>
| | - Government should act in ways which are more horizontally connected.  
- Problem for us to get regulatory changes through; still have to go through government.  
- Government policy unclear; policy and agency must talk together.  
- No universal respect for independent decision making,  
- For the most part people think of agencies as part of government.  
- Inadequate oversight by government – huge scandal with ORNGE (Ont). Lack of oversight and public sector ethos had direct impact; slowed down agency development and government introduced risk management reporting for Ontario’s agencies. |
Change in government roles/size

|       | - Direct government a small part of public service delivery. MOUs/AAs those are really just a shell. The shape of delivery is developed by the entity itself.
|       | - When you spin off parts of departments into agencies you are reshaping government and have more of a focus on that issue.
|       | - Right response is to create these things with enough linkages to government and the right oversight and accountability. |

### Agency Effectiveness

There is some agreement by BC respondents that governments have developed a greater understanding of the role and challenges of agencies and have honed a system of oversight that allows them to tighten and loosen controls using various accountability mechanisms. While governments create agencies to move programs, problems and funds “offsite”, they can pull them back either structurally or administratively. It is this dynamic that respondents have described as the “ebb and flow” of agency creation and oversight.

The evolution of agency governance, then, is more about the control mechanisms governments need to put in place to allow them to “reel in” agencies when they stray from their lane or deviate from the path that governments set. Good governance depends on relationships between agencies and government which are underpinned by clarity in mandates and expectations (including performance), and roles and responsibilities. In addition, the governance model that is, the level and types of independence, and structure of the entity, have contributed to agency effectiveness.

Depending on the nature and types of interactions between agencies and government, certain models are better than others in terms of facilitating effective and efficient service delivery. The more constraints imposed on an agency, the less flexibility and control they have over their operations and outcomes. For example, the BC Securities Commission (BCSC), which has rule making powers, can more specifically target areas of the financial industry that need change rather than
going to government. It has its own legislative counsel which has a sophisticated understanding of issues. The BCSC is seen as a leader in its regulatory purview; maintaining strong policy and government relations links to the BC government. Consumer Protection BC (CPBC) has seen its success evolve as a result of the level of independence it has earned from government. It has the authority to enter contracts with other governments for providing a service. CPBC acts as a third-party service provider for other provinces whose governments have made policy decisions to reshape their service delivery by closing their own program and agency and contracting with BC. This has reduced the scope of government in those jurisdictions and introduced horizontal efficiencies.

Regional health authorities in BC have taken over administration and management of health care and this agency governance structure has had a big impact on the province. The effectiveness of the current system has been tested with its ability to respond to the COVID-19 global pandemic. While one participant described the system in Ontario as “chaotic”, BC has fared better given that it has a “stable network with DM and CEOs working together”. These roles are an integral component of government’s service delivery architecture and how it maintains accountability for the dollars it spends.

The flexibility of a governance model is, in part, dependent on the tools or mechanisms that government has to manage and oversee the entities within its control or influence. There are many reporting mechanisms which can and are used for managing relationships with different entities outside formal government. Political leadership isn’t bound by their governance frameworks; if something is not working for a Minister or the ministry, the mechanisms such as MOUs, agreements and legislation can, and do, change.
Part of the governance model includes establishing a clear mandate for an agency and articulating its accountabilities, roles and responsibilities in relation to government. To the degree you have clarity of mandate and organizational capacity “you can see some success”. Being able to accomplish the goals set out for an agency and being able to move things forward is predicated not only on having a clear mandate but having the “freedom to move”.

Effectiveness depends on structure, clear accountability and the trust that government needs to rely on the agency not only delivering on its mandate and staying aligned with government values, direction and priorities. Having agencies oversee agencies adds layers of administrative and operational complexity contributing not only to challenges with effectiveness but inefficiencies. “If we put one entity on top of another it becomes dysfunctional…it’s the CEO who’s calling the shots”. If government is to rely on agency operations, it needs clear lines of accountability.

One BC participant saw the value of independent agencies in their ability to “build more efficient and effective ways” that can then be built out across government, creating economies of scale. For example, the creation of CPBC shifted the regulatory focus to operate “a little bit like a business” and increased efficiencies.

Ontario participant responses tied agency effectiveness to the nature of the governance model and clarity of mandate, similar to BC responses. If the “relationship between Ministry and agency a good, healthy one then carrying out government policy is relatively well done”. More emphasis was placed on the relationship between government and the agency. The need for good feedback and communication on when something is not going well, is important to government. For example, the
Workplace Safety and Insurance Board and Ministry of Labour have strong relationship in terms of data, what needs to be addressed, and how to address upcoming issues in workplace safety.

Mandate clarity is also thought to be a contributor to effective agency performance: “when you set up an agency with a primary focus, then you get results.” Having an arms-length agency take on a program can “give new focus to a new or languishing issue.” One former DM recalls modifying regulations to clarify an agency’s purpose. In that case, feedback from the agency, based on a positive working relationship, was seen as quite useful. As has been previously noted, a positive relationship builds trust in a way that fosters independence in an agency’s delivery of its mandate. In Ontario, the LCBO exemplifies this principle. It has been in existence since around 1930, and “has been a bit of a model for a lot of agency development.”

**Performance**

In some cases, BC respondents believed that the operating paradigm of independence has helped push a profound cultural change within the organization to embrace customer service. This was evidenced in ICBC’s approach to the production of driver licenses, having taken over the function from government where “people were talking about what a fantastic service” they got. Similarly, the Purchasing Commission’s partnership with IBM provided the opportunity for the Crown corporation to revamp its approach to quality customer service. “Maybe when you say you have to live and die on your own resources it changes the world and the organization steps up”. However, this is service in more of a commercial or transactional context. To do this with core government in areas such as justice, welfare, or child protection, is much more difficult than for
delivering or producing driver licenses. The success of better service delivery is largely dependent on “shaping out of what can be shaken out of government and what can’t”.

The concept of “nimbleness” was highlighted by many participants. As alternative service delivery mechanisms, agencies have been described as more business focused, driving to the bottom line, and have the ability to adapt to change. Often equated with “flexibility”, governance frameworks that allow for more independent decision making facilitate quicker and more innovative responses to client and stakeholder needs. While there may be elements of a governance framework that are going to be more rigid, flexibility and nimbleness surface in how an organization responds. One participant described their experience with Crown agencies, noting that they understand much more about brands, image, customer response and that “small, more independent bodies have the ability to be more adept...ability to adapt.” Another participant suggested that BC Housing can better deliver services than having to go through government; being more financially nimble and service oriented. So, the framework may not need to change, but the tools and approach as to how to operate within a given mandate, need to facilitate organizational flexibility.

A significant contribution of agencies according to Ontario respondents, is service quality and enhanced operational performance. Government’s choice of an agency to deliver service is premised on the view that it can be better done outside versus inside government, where a specific expertise and agility is lacking. Relatedly, operational expertise can be expected to

\[19\] The word brand is now commonly used in political discourse, evoking an image that resonates on an emotional level and “stimulates customer loyalty” (Marland, 2013: 1).
translate into commercial benefits in the form of financial surplus that is then contributed to government’s consolidated revenue fund. In some cases, agencies work more closely with government on setting policies that are intended to achieve a financial target, and the operational implementation is left with the agency, along with a greater degree of independence to achieve the targets set.

The Liquor Control Board of Ontario (LCBO) is an example of a service quality success story, generating net revenues of around $2 billion annually. Pricing, however, is set in collaboration with government; the Ministry of Finance retaining its role in policy setting which is an important element of control. Alternately, the privatization of a large portion of highway 407 during the Harris Conservative years (1995-2002) resulted in a loss of control of any revenue stream from that asset. Government gets a “heads up on a toll increase” but nothing more. When Ontario extended highway 407 it chose not to sell that portion and maintained control of a key asset and its associated revenue stream – tolls. The province gets the revenue and controls the tolls, which are lower than the private sector so that taxpayers benefit.

Agencies have made government more flexible and adaptable when rules facilitate their agility in meeting their program needs. Again, participants linked the ability of agencies to acquire more expertise than government, with the ability to be nimbler and more innovative. Government facilitates the acquisition of expertise by moving them outside normal compensation frameworks; allowing them to “have pay bands that meet their needs”. This is seen as an entrepreneurial approach to talent management and performance.
Resources that can be devoted to talent and expertise must be justified from an efficiency and performance perspective, which is more challenging inside a government ministry.

Another former government and agency executive provided a unique perspective on agency flexibility as a tool of government. Agencies can adapt and change based on how governments see problems and “strive to expand their mandate to deal with those problems”. As governments see new problems, existing agencies will be tasked to deal with them. Metrolinx is an example of an agency that expanded rapidly to deal with the larger issues associated with gridlock in the metro-Toronto area. A small policy shop evolved into being a “massive planner” today.

*The Policy Role: Agency Shakers (shapers and takers!)*

Views expressed by BC participants differ on the role of agencies in the policy arena. While the majority believe agencies have evolved into policy shapers, some argue that they are policy takers. As policy shapers, they have contributed to clarifying roles as they “raise issues up the political ladder.” The possibility of fixing or influencing policy issues helps to shape government. As one respondent summarized “in the big picture they’ve contributed enormously”. The work that they do informs government decision making “for better or worse”. They supply distance from government but educate them on what the issues and concerns are in a way that government can think about it but not be directly responsible.

Several examples were provided to support agencies as policy shapers. Under BC’s *Freedom of Information and Protection of Privacy Act*, there’s a clause that allows the commissioner to comment on policy, proposed laws etc. The reality of the offices of
independent officers of the legislature is that they have expertise in administration, of the law and its implementation, through their education and support resources work. “They have a great deal of expertise to contribute to government’s development of new laws and proposals”. The BC Lottery Corporation had a significant role in shaping government policy on casinos and video gaming. One participant reflected on a CEO of the Financial Institution Commission, who, in their 5-year tenure had a “huge influence in terms of economy and industry in Asia”.

An Ontario participant saw agencies as policy takers. Agencies implement government’s policy agenda and are the implementation of government’s policy agenda. They are subject to varying levels of direction and intervention in the pursuit of a government’s goals regardless of the degree of independence they have from government.

Another view expressed by an Ontario respondent is that overall, the “dial hasn’t moved.” There has not been a “wholesale movement to see value of agencies” and how they will work together and deliver on government policies and priorities. There is no universal respect for independent decision making or agencies as policy tools that shape government. It takes a while for trust to build up especially with new governments who are managing risk within the core public service and know less about the risks inherent in the distributed network of independent agencies that exist to fulfill a public purpose.

BC respondents felt that agencies could be positioned to achieve societal or public policy objectives in a more focused way. Structure, processes and expertise are focused to address public policy and related stakeholder needs more efficiently and effectively.
Translink was referenced as an example. Its creation was intended to respond to a regional concern that land use development had to be supported by transit lines.

The achievement of social and public policy objectives was referenced by more Ontario respondents. Government asks for input and consults with agencies on the impacts of changes to key areas of policy focus. Where changes are being considered, government asks us about impacts in terms of an agency’s organizational capacity and the sector it governs. One respondent stated that their agency had done surveys of its industries on issues they’re facing due to COVID-19. More specifically, they asked what areas needed government assistance? “We give government options and government has been addressing them”. A similar approach was taken with auto dealerships on identifying issues and what measures they saw as helping to bring back the industry. And while agencies do not decide on policy, they participate in its development. With respect to DAAs, government has been clear about which areas they’ve delegated and recognizes where agency decisions lie. Agencies not only provide input to policy development but are critical in its implementation.

Political Ideology

BC participants noted that political ideology has played a role in how agencies have been used to implement government policy and contributed to the reshaping of government. Respondents felt that fiscal priorities and philosophical positioning impacted the shape of government and implementation of public policy objectives. Governments that believed that the private sector does things better tended to move things outside of government into the “quasi-private sector”. This was evident in the debates about the structure of health care
where the NDP have traditionally been against private health care service. “The issue became so politicized. This is what happens when you have politics trying to change policy and leadership”. Certain stripes of government are more inclined to do certain types of things e.g. Liberal governments more inclined to use financial levers as opposed to the NDP.

In BC, the Liberal government was forced to be clear about what is within the government reporting entity (GRE) for the purposes of budgeting and financial accountability. The GRE is a critical, but not the sole, determinant of the scope of government. Within its financial framework, governments have used Crown agencies to “siphon money” and contribute to the consolidated revenue fund as well as engage in strategies that use agency funds to support political ends. One participant described the Liberal government’s attempts at reform of licensed daycare as political stating that “we’ve seen the implications of these decisions over time”. Investment in computer systems for the provincial government was also seen by one participant as being shaped by political philosophy which “short-circuits all due-diligence. There were times when it was just done”.

Ontario respondents also reflected on the influence of political behaviour and ideology the use of agencies to implement government policy. The ability to influence policy or interfere in agency operations may be difficult for politicians to do given the structure of independence in the current agency governance framework, but it happens. However, as governance frameworks have evolved, the separation between policy, operations and politics outlined in mandate letters and other forms of agreement between the players, allows for legitimate policy direction by government. Whether it is authorized or not, Board members do not like it when a Minister or the ministry steps in and directs their agency.
In Metrolinx, there was an almost complete turnover in the Board because the Premier’s office was anxious about Liberal appointees not being neutral advisors. Organizational politics were also at play. This was evident in Metrolinx’s rapid expansion into regional transportation and increasing authority to deal with the larger issues associated with gridlock in the metro-Toronto area.

*People, Stakeholders and Culture*

According to BC respondents, Crown agency boards are “heavy hitter people” with a broad range of skills. Governments have come to rely on their expertise. However, they are more representative including from stakeholder communities, insulating government from political risk and providing more credibility to agency governance and oversight. With modern Crown agency board structure, government doesn’t remunerate people on Crown boards like the private sector, but professional advantage helps attract some people to oversee organizations. Despite the Crown agency governance framework in place in BC, some respondents felt that players still influence the process and outcomes significantly.

Like ministries and government in general, agencies are not immune from cultural and people issues, for example, WorkSafeBC is seen as bureaucratic rather a nimble, independent organization. Leadership also makes a difference in shaping the culture of an agency. Several respondents highlighted personality and individual influences on organizational culture and leadership. Relationships were characterized by disinterest or hyper-interested from the agency perspective, resulting in dysfunctional communication and collaboration. One “can’t disassociate individuals from structure”.
One participant described how agencies have shaped government as dramatic – “we went from running the system to stewarding it. In government they started viewing us all as generic specialists”. Having subject matter expertise was not seen as helpful and changes deskilled senior government staff and impacted their ability to understand the system and subject area for which they were responsible. A notable example is the Ministry of Health scandal that followed the firing of five external researchers and the eventual suicide of one of the student researchers. The Ombudsman’s report on the fired researchers supported the above view and found that Ministry staff and leadership had little to no experience in the health care sector. There were no doctors on staff in the Ministry, only generic professionals who “didn’t understand the culture and system”. And while Ministry culture is only one part of the organizational dynamic, each health authority has their own culture and the “way they behave as a board is different”; perpetuating a cultural divide at another organizational level.

BC respondents felt that agencies benefitted from being strategically placed closer to their stakeholders, with expertise that provides a “much greater sophisticated and professional focus in particular areas of operation in [the] economy as isn’t the case with being in government.” How they operate can enable a closer relationship with their constituent communities and be more focused on meeting their needs, for example in finance, real estate, builders, business community and immigrant support agencies. Agency expertise enables greater understanding of issues and relationships with stakeholders.

Ontario participants believed that outside entities have a greater ability to interact with third parties, stakeholders, and other experts. Government is more restricted in who they can interact with and what they can say as they are closer to the “political world”. In the
external world of agencies, an entity develops its own culture as opposed to “monoculture of government.” It then has a greater ability to take risk and engage with others to build and strengthen its organization. However, agencies are not immune from managing their stakeholder relations in a way that doesn’t embarrass government. In this way they are handling risk associated not only with external stakeholders (including the media) but also with government.

**Negative Impacts of Agencification**

BC respondents identified several negative impacts of agencification, demonstrating consistency with the findings of previous research (fragmentation and accountability challenges) and suggesting a new area of concern (agency nimbleness). The increased use of agency structures contributed to a fragmented system of government and inefficiencies resulting from poor governance and oversight. Government should act in ways which are more horizontally connected and integrated providing, as one participant stated, a “more ecological view of public sector”. One example is the creation of Translink which was partially based on government’s view that the “points would never be connected” as long as the provincial system was in place. Land use decisions could not be connected horizontally as there were “too many players, people, competing decisions”. The focus on building a system involving operational entities had a “better chance of ‘syncing’ up decisions”.

The second challenge raised by BC respondents is confusion over accountabilities. In delivering public services, agencies are seen by the public and other stakeholders as part of government. However, it is confusing for people. What do agencies do? Where does public
accountability rest? Participants confirmed the view that, for the most part, people think of agencies as part of government. They may find it more frustrating to deal with complaints and believe that there is no government accountability and no way to elevate their issues.

Sometimes governments want to push out sensitive program areas because they do not want to deal with an issue and creating an arms-length agency shields them from responding or accountability. What may compound the problem of accountability is government’s reliance on organizations that “also don’t know how to address these things”. A former deputy minister described their talks with agencies and discussed how policy (housed in the ministry) and the agency “must talk together”. But government must lead even if both agencies and ministries do not like the policies.

Building on the previous example, where ministries do not have the expertise to fully understand an agency’s structure, mandate and operational culture, issues are bound to create problems for both parties. Agencies that have not developed good relationships with their parent ministry will also struggle to have issues addressed and operate successfully within their mandate. The “whole mess at the Ministry of Health, firings, report of Ombudsman” is one such example. In this case, the ministry and the Health Authority were criticized by the Ombudsman for their contributions to the issue.

The failure of government to appropriately respond continued with the ministry making “all kinds of policy changes in a knee jerk reaction and sometimes action doesn’t logically fit the response”. The internal confusion that followed created “such a mess that by the time it got to the House, the government of the day was in trouble running up to the
election.” This issue just “got away on them because nobody was paying attention”.

Government has now reverted to a tightening of controls, consistent with views on the ebb and flow of agency governance. The province has “gone back to a situation where the DM is responsible for signing off on any hiring and firing.” A former senior executive believes that actions taken need to resolve the issue instead of “creating a whole layer of stuff; it’s overkill or doesn’t solve the problem”. The relationship between the agency and government needs to be strengthened through cross-learning; building an understanding of the roles and responsibilities of each party and how to address issues that meet the needs of both parties.

The third issue of note is the impact on the nimbleness of agencies or their ability to respond to their own operational and stakeholder needs. The relationship with government is key if an agency needs to get legislative or regulatory changes to meet their business needs. Not being able to get government’s attention on needed changes can have a detrimental impact on its “nimbleness” and creativity. One agency executive described the challenge their agency has getting regulation changes through government. They see these changes as needed for their agency to be more progressive and advance certain changes, different tools, and more flexibility. Resistance can be at various places in the bureaucracy, creating even more roadblocks to change for an agency whose need for flexibility is the hallmark of its reason for existing. “We can only be as progressive as most conservative and that can impede us from being as effective and impactful in assisting industry”.

Overall, according to one BC respondent, the negative impacts are “around the edges” but they may be significant. For example, capping rates for services erodes discretion and the ability of an agency to act and ultimately contributions to government’s goals whether
financial or public policy. A similar perspective was shared by one Ontario participant. In their view, it is less that agencies are shaping government but “mistakes shape agencies; part of that pendulum”. Governments get comfortable or complacent in their relationship with an agency and loosen the reigns of control. Inevitably an issue arises that impacts government and “it swings back”, imposing more controls.

Other Ontario participants have seen the consequences of having agencies “deal with things”. There have been “massive failures”. Where “major players in government...don’t understand how agencies work”, performance suffers and impacts both agencies and government. Ministers need to understand their role and how they can steer through a variety of mechanisms. Lack of oversight and “public sector ethos” has a direct impact on agency performance and accountability. The Ontario government’s experience with ORNG is an example of the consequences of the lack of clarity in mandate, roles, responsibilities, appropriate oversight and ultimate accountability. The Emergency Medivac System in Ontario was run by an agency (ORNGE) which used to be in the Ministry of Health. ORNGE was created about 15 years ago, contrary to the recommendation of senior government officials. Complicating its structure and accountabilities was its partnered existence with the Federal government. It was created as a Federal not-for-profit agency, for “greater organizational flexibility and rate of pay for senior people”. One participant described it running as a private sector organization with the Board Chair making loans to the CEO whose pay was “astonishing”.

It blew up in the public realm about five to seven years ago. There was inadequate oversight and a “huge scandal” erupted with millions of dollars at stake. It nearly brought
down the government of the day and it cost the Health Minister and DM their jobs. Other people were fired, and the entire Board was replaced. “It was a horrific experience for government of Ontario.” Its creation as a non-profit with a private sector culture, and lack of clear oversight and accountability, contributed to this disastrous situation for government.

The ORNGE experience had a significant impact on government which slowed down agency development. It was also a factor in the government’s introduction of risk management reporting and mandatory orientation for all of Ontario’s agencies; again, the reigns of control were tightened in agency governance pendulum. It was clear things had gotten away from Minister of Health as they chose to create some different kind of entity without adequate controls.

*The Size and Role of Government*

While no BC participants commented on the size and roles of government in this question, four of the fifteen Ontario interviewees did. It was clear from these respondents that “when you spin off parts of departments into agencies you are reshaping government.” Direct government is a small part of delivery of public services and agencies occupy a different role: operations or service delivery such as hydro, gaming, health care and education. Arms-length agency construction provides more of a focus on a policy or program area than if it were in a government department e.g. arts funding body, whose focus is on funding the arts and nothing else; it is not a policy making body.

One participant noted that while it is the right response by government to create “these things” there needs to be “enough linkages to government and the right oversight and
accountability that you can have warnings, yellow flags of caution”. This is key in the successful relationship between government and its agencies. Nevertheless, tensions will arise. As people and environments change, there will be government officials who see agency “folks as captive and espousing a sector’s point of view”. This may be partially addressed by various accountability mechanisms in place, such as mandate letters, MOUs, and administrative agreements, but they are seen by some as “just a shell”. The shape of delivery is often developed by the entity itself, and there may be impediments for government that need to be managed. However, governments may benefit from a closer relationship with agencies according to one participant: “Watching how outside organizations implement regulatory programs has helped me learn how to implement inside government.”

The Future of Public Governance (Q7)

There are two key parts to this question, both important for understanding how the structure of government may be shaped in the future and the challenges faced in enhancing the overall system of performance and accountability in the public sphere. Thoughts on the future can be categorized into three themes: increase in use of agencies; rationalization and contraction; and no change. The challenges that face governments in their future decisions on the use of agencies as tools of public structure and service delivery, are numerous. These include leadership; mandate clarity; governance and accountability; people and personalities; pay and compensation; and, the inevitability in democratic politics of governmental interests and changes in governing parties.

Tables 25(a) and 25(b) provide a few examples of responses to question 7 about the future of agencies. The themes are in relation to the two parts to question 7 “Where do you
see the relationship going” and “what are the challenges governments must meet in the future”? The response summaries are divided into two tables for ease of digesting the themes.

Table 25(a) Future of Agencies

<table>
<thead>
<tr>
<th>Rationalization, contraction</th>
<th>BC – 9</th>
<th>Ont - 10</th>
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<tbody>
<tr>
<td>- Agencies may exist but not the same.</td>
<td>- Interesting to see where government has divested itself of services; some agencies could be devolved or have their mandates reviewed.</td>
<td>- Interesting to watch post-COVID; how it translates into how corporations will function. Maybe we’ll see some contraction...we will see changes. - Next year/18 months interesting, bunch of agencies government will likely have to bail out; not sure what future will be like. - We will see a continuing assessment and shaking out of the process; huge political accountability - Rationalizing agencies is unlikely to happen at fast pace;</td>
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<table>
<thead>
<tr>
<th>Increase in agencies</th>
<th>BC – 4</th>
<th>Ont – 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government has to continue to use agencies if our economy has to evolve, with the innovation and pace, internet, AI and machine learning; - Pace of change so great that some traditional approaches and government needs to change over time, more programs and services will go out to agencies, government will stay in business of policy and guidance; - Governments continue to create these things; continue to come up with new variations; - Governments want to reduce their size and cost. - Might see more moving things out; don’t want big government or too influential. More agencies being funded outside taxpayer general contributions. - May be getting back to a place where government recognizes legitimately core functions and what government needs to keep inside. - Exercise of controls by government over agencies more significant; fewer agencies truly independent; government looking to put in more controls. - Government reviews its agencies, boards and commissions periodically and has gotten rid of smaller agencies. - Focus will be on accountability mechanisms or getting rid of agencies.</td>
<td>- Government pushed so much out to the Crowns in early 2000s, not much more to push out. Nothing will change. - Relationships likely to stay the course. - With COVID, need to be nimble but need to centralize oversight of any major recovery efforts. - Don’t know if they’re doing more or less agencies but there will continue to be a strong role for agencies to play</td>
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<table>
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<th>No change, hold the current course</th>
<th>BC – 4</th>
<th>Ont - 7</th>
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Rationalization and Contraction

Regardless of growth or contraction in the use of agencies, most BC participants believed there will be changes; the structure of government will not remain static. “We will see a continuing assessment and shaking out of the process where the ‘must haves’ remain in government”. One participant reflected on their difficulty “trying to get the trajectory of where government is going” suggesting that there are so many factors at play that it is difficult to determine. More specifically, political philosophy, and “individuals that have a hobby horse” cloud the analysis with respect to the future structure of government given the challenges they face in the moment. Like most participants, they see government as needing to recognize and keep “legitimate core functions” inside government, for example, policy capacity, which has been stripped out over time. Distributing government functions and responsibilities to arms-length agencies creates external dependencies and related vulnerabilities. “Stripped down government has an impact”. The effect of the loss of policy capacity has been felt throughout government systems; creating not just operational but strategic risks in terms accountability.

The consensus of the participants, then, is that agencies will remain, but they will not be the same. For example, some agencies could be devolved or have their mandates reviewed. Devolution can mean anything from a mandate change, secession or integration with another agency, or restructuring of some kind, as has been seen in health sectors in BC and Ontario with the rationalization of regionalized entities. Additional control or governance measures are likely to be imposed to improve transparency and accountability.
Growing distrust of public institutions will need to be considered in rationalizing the structure of government. More control and clarity in mandate is needed to address the lack of public trust in public institutions, including the breadth of agencies established by government. Enhanced control includes, for example, a renewed focus on skill-based Board composition. Further, if a key concern is managing issues and reputation then government may want operations closer to the centre, even though this may not be best or most effective alternative.

A final perspective touches on the larger global context of public service delivery. COVID-19 has highlighted and pushed the use of technologies for business and service delivery in all sectors. The pandemic has highlighted telecommuting as a catalyst for change in how we work. It will pressure governments to look at their agency structure in this context. Global problems require global institutions on environmental issues, health care, pandemics, etc., and government will need to restructure its agencies to better deal with these problems.

Those who believed that there would be no change with respect to the structure of government vis-a-vis agency governance, generally felt that there wasn’t much more to “push out” given the core reviews that have taken place in and since the early 2000s. There is a view that government has “winnowed down” the core ministries “as far as it could do” There is little direct service by ministries and government itself is “pretty slim”. As one participant noted, despite this, the balance between core and arms-length organization is good.

Alternately, there is no desire or room for some agencies being collapsed back into government given the need for “business flexibility” in the bureaucratic structure. There is a
stability in the current organizational structure of government that has survived through various political and leadership philosophies, between business and social justice governments, and “the system has held”. While there are problems with the BC Lottery Corporation and ICBC, government is taking an active role in policy and program development to address the operational and risk issues, but the problems are not ones of governance. In sum, relationships are likely to “stay the course” and remain positive if criteria stay the same and public expectations do not change.

A smaller number of participants think that, given the longer-term impacts of the COVID global pandemic, cost-cutting will result in fewer agencies. The current pandemic crisis will have governments looking at what is important and where it will need to divest itself of services. “I see a reduction in number of agencies that government funds, could be brought back in based on economy driving government’s agenda”. Cost cutting will drive change, but participants did not think that a lot of Crown agencies would be created at this time. Small agencies may get absorbed but large bodies will remain resulting in some contraction in the number of agencies. With COVID, there is a need to be nimble but also centralize oversight of any major recovery efforts.

A sizeable proportion of the Ontario participants (10/15) believed that the use of agencies to deliver government services would be subject to some degree of rationalization and consolidation, unsure of what the future will look like. Two participants specifically mentioned the impacts on government of the global COVID-19 pandemic. It is likely that the timing of the interviews have played a role in influencing participant responses with the onset, development and impacts of the COVID-19 pandemic.
Regardless of the COVID-19 pandemic influence on participant views, there is a significant focus on increased scrutiny of agencies which have become “more sensitive to political oversight”. The province has been consolidating agencies in key areas such as health and regional government to address fiscal challenges and this is expected to continue. Government took twelve agencies and merged them into Ontario Health; a “massive organization designed to drive efficiency”. Expertise, data analytics, and artificial intelligence are expected to promote efficiencies in agencies with additional restructuring flowing from overlaps in administration and operations.

Rationalization provides an opportunity to simplify the reporting relationships with agencies and the “form of distributed accountability”. Even in a fully privatized situation, “at the end of the day the Minister is still accountable”. Government is always looking to improve and minimize risk. Agencies may be a big risk and Ministers ask how they can “avoid being raked over the coals”.

Rationalization may also include contraction or a reduction in the number of agencies which could mean elimination altogether or absorption back into government. The latter is seen as less likely to happen because to do so suggests that ministries would need to expand and “that’s not the way I think governments are going to evolve”. The focus will be on improving accountability mechanisms or eliminating agencies (primarily smaller ones). For example, the current Progressive Conservative government of Doug Ford has listed some agencies that were not working any more.
Over time there has been some effort to consolidate and change governance structures in some service areas, for example, in health care, going from 14 agencies to one. Other attempts to reduce the number of agencies met with limited success because they were subject to “a lot of pushback”; and that is expected to continue to be the case. One participant described the changes to the Ontario Ombudsman’s jurisdiction as “a big fight”.

The current Ford government amalgamated some agency mandates, for example, the Environmental Commissioner and the French Language Commissioner roles were integrated into the Ombudsman office. Government “expanded role of ones they like…and diluted responsibilities and closed agencies in the name of saving money”.

The focus on governance of larger agencies recognizes that they are a significant part of the Ontario economy; representing about 30,000 employees and $30 billion (in about 2017). While not to be ignored, on the other hand, Cabinet does not want to spend hours of its time on agency issues. The challenge for overseeing the agency network is to pay “enough attention but not suck up so much political and bureaucratic energy”; there needs to be a middle ground such as the success with risk reporting and mandatory orientation.

As one participant summarized, the future of government structure and agency governance “will be dynamic”. Governments will continue to be “challenged with effectiveness unless they know what outcomes they want”; what public purpose should be met. The relationship between core government and its arms-length agencies will also be one that needs to be respected politically and bureaucratically. The increased use of tri-partite agencies will challenge this relationship. With more shared responsibility, agencies can be a good tool to bring constituencies together – whether multi-government or multi-
partner/stakeholder. Governments will need to “see agencies from the public perspective” and “think about who is affected” by them. That is, what is the importance of a sector and how can government best structure public services to meet the need as opposed to “letting every ministry set up their own agencies, run by themselves”. There is an array of delivery mechanisms that includes agencies but decisions to create or rationalize the system needs to shift to a public-centred as opposed to a purely government structure focused approach.

Government agencies are facing the same challenges as many other private and non-profit organizations in terms of viability. Temporary closure of services has resulted in jobs being lost or reduced; little to no revenue coming in; and costs continuing to be incurred regardless of the revenue impacts. The financial situation of government is going to force change in service delivery models with core government not being seen as the preferred model. One participant believed that government will create an agency to look at public-private partnerships for care home development given the significant number of virus cases and deaths in seniors care homes – primarily in the private sector. With respect to the impacts on Niagara Parks, a “bunch of agencies will likely have to bail out because they had to close down” and their revenue streams have been essentially eliminated. Another respondent felt that there wouldn’t be a major shift “going in a different direction at least for the foreseeable future” and saw the DAA model as one to be refined in the structure of government and service delivery in the future.

In sum, respondents felt there would continue to be a strong role for agencies to play within the overall framework set by government, including the need for ongoing review to ensure the original purposes are being met and whether agency structure is still the best
public service delivery strategy. A slightly different perspective was articulated by one participant who believed that agencies themselves will continue to play an important role within our current Westminster model of government. Arms-length agencies provide a level of flexibility and adaptability to the challenges of modern-day government. They “allow the Westminster model to continue” while allowing bureaucratic government to adapt. Ministerial accountability can be maintained while operational responsibility is delegated outside of a core ministry. The continued use of agencies provides more capacity and flexible arrangements for government to manage and oversee evolving areas of regulatory oversight such as artificial intelligence, climate change governance, and technology and privacy.

*Increase in Agencies*

The continued use and growth of agencies was supported by four BC participants who believed that the growing complexity of government and its “wicked problems”, demand for service, and need for expertise, will drive the choice for alternate forms of structure to deliver public services. Government in its current ministerial form cannot manage this complexity and the continuing increased demand for services.

The growth of niche expertise in agencies will have to continue if the economy is to evolve. It will also be needed to keep pace with innovation and change as driven by global networks and information and communication technologies such as the internet, social media, artificial intelligence and machine learning. As its environment evolves, government will need to experiment with different models to determine “what works and what doesn’t” focusing on creating a more flexible approach to agency governance. There are going to be
mistakes as government delegates more authority and responsibility if it “wants to be nimble and deal with the pace of change”. This requires more trust in letting agencies “be masters in their areas and respect the advice they give”.

The increased use of arms-length agencies is also related to governments wanting to reduce their size and cost. Big government is not desired but there are “a lot of things that you can’t get rid of and have to be delivered”. The impacts of climate change and economic challenges will have government reviewing its core services and “what government should look like” to determine the best means of delivering public services. Increased demand for public services will drive the demand for independent agencies that deliver work in creative ways and reduce the size and impact of government.

A greater number (9) of Ontario participants felt that over time, more programs and services will be distributed to agencies and government will stay in the business of policy and guidance. Operations will be decentralized while policy will be centralized in government ministries and central agencies. Government will continue to explore and implement delivery systems outside of formal ministries in areas such as health, education, climate change, and infrastructure management. One participant believes that there may be new agencies to deal with new, more complex problems which require broader integration of players and interests. For example, novel agency models may be explored for dealing with global pandemic responses and cyber risks. Arms-length entities not only provide a collaborative forum for managing multi-jurisdictional and multi-party issues, but enable distributed decision making and a “rationalized local delivery system”. The growth of agencies as applied to these contexts is intended to drive efficiencies with greater accountability.
In exploring new models and variations in agency governance one of the challenges is a tendency for people to put their own unique stamp on the design. “Like a new toy, people that design the toy generally want what they saw somebody else have whether it fits or not”, avoiding the focus on long term governance challenges. One participant believes the discussion on the structure of government may centre on the role of independent agencies versus privatization in the context of ongoing debate about “making government smaller and delivering the same amount of service”.

As technology evolves, so does the complexity of our systems. However, technology also enables more arms-length delivery of services to address complex issues. It will become easier to build and deliver services outside of government because connecting and engaging with communities can be more easily facilitated with technology. The ability to more easily connect with people or organizations that are distanced may also drive more trust, collaboration and accountability.

Challenges

The second theme captures the challenges that respondents believed to face governments in making decisions about their structures and agency roles. Table 25(b) provides a summary of a few examples for the themes of governance (including mandate clarity); accountability; leadership; political ideology and behaviour; pay and compensation; and, people and personalities.
### 25(b) Challenges

<table>
<thead>
<tr>
<th>Governance</th>
<th>BC – 4</th>
<th>Ont - 11</th>
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|            | - Crowns will need good governance and clarity of mandate.  
|            | - Challenges will continue to be legitimacy, transparency, understanding what they do.  
|            | - Government needs clarity in how it wants to regulate and provide service. Forces level of clarity as you delegate outside government.  
|            | - Trying to figure out balance with independent agencies with transparency and accountability;  
|            | - two trends at war: more performance management outcomes and devolving services; governments won’t be able to keep up without more nimble oversight and delivery structures.  
|            | - Agencies are the face of government, important that they are set up well with appropriate accountability structure. |
| Accountability | BC – 7 | Ont - 5 |
|               | - *Continuing improvement of accountability structure*. Key weaknesses: clarity – Who’s responsible for what; checks and balances.  
|               | - Accountabilities through general governance mechanisms – regular dialogue, appearances through public accounts – provide transparency.  
|               | - Challenges with public trust and multi-parties e.g. Translink – no shareholder but mayors and boards.  
|               | - Government can never divest itself of the role of government. While creating these agencies you have a responsibility and have to demonstrate it. |
| Political ideology & behaviour | BC – 1 | Ont - 4 |
|                             | - Continue to evolve in both directions depending on government interests: bring things in (left of centre) where cabinet wants more hands on; right side – more independence.  
|                             | - Question the value of some agencies as they are more political.  
|                             | - Going through cyclical approach depending on government. Project selection changes from government to government; kinds of choices are fundamental and impactful.  
|                             | - No more political decision than how you spend millions of dollars that shape a community for centuries.  
|                             | - Relationship needs to be respected politically and bureaucratically. |
| Pay, compensation | BC – 3 | Ont - 0 |
|                   | - *Issue of jealousy – difference in pay*.  
|                   | - *If the discrepancy was too big, there was a fairness issue*.  
|                   | - *Government has procurement and compensation standards... needs to make choices about how those things apply in an arm’s-length structure*.  
|                   | - *Have seen reactionary approach to compensation. Need to balance risk/reward*.  
|                   | - *Independent agencies pay their staff more than “we” get paid; do things we don’t e.g. conferences*. |
| People, personalities | BC – 3 | Ont - 0 |
|                   | - If someone is in the office that government doesn’t like, they stop listening.  
|                   | - People who are coming into agencies such as ICBC are primarily business people. They are the big mouths and they are leading. There is no balance in these organizations.  
|                   | - Too much focus on the person which can be detrimental. |
Governance

The theme of governance challenges goes beyond the need for mandate clarity noted above. Governance speaks to the tools needed and used to control, oversee and monitor agencies and their performance. BC respondents noted that agencies test the constitutional framework within the Westminster model of government, primarily by threatening to undermine Ministerial and political accountability and transparency. “Those that understand that and pay attention to the details” are better positioned to ensure that the principles of good governance envelope public sector agencies.

Respondents identified the need for more flexible tools to respond to more creative ways to regulate and manage agency performance, for example, better audit authority. One participant suggested that there is a need for “flexibility like some financial services have, like a regulatory sandbox”. In one regulatory environment, safety management plans are used by the agency. While not prescriptive, they set out what is to be achieved and what is needed from government to be successful.

Ontario respondents were more specific about the ongoing challenge of tension between autonomy and control. The trend will be to pull back – cut costs and increase control. Attention to fiscal implications and other risks associated with decisions about the structure of government will continue to be a priority for government. There are many different model options for the type of entity that will best meet government’s needs as opposed to putting something in a Ministry and funded by taxpayers. It is an important part of the overall design and decision making of government in carrying out its responsibilities.
One participant reflected on the lessons learned from the 2002-2004 SARS (severe acute respiratory syndrome) crisis and the role of science. They felt that there is more independence in some sectors with respect to agency roles. What is important generally is the need to “think about what agencies do in terms of impact on public.” Many agencies are the face of government for people so it’s important that they are set up well and resourced adequately. This includes having an appropriate accountability structure. With respect to government’s oversight role, it is important that governments have someone that understands the “delicacy” of the relationship; do proper research, analysis, and relationship-building with the agency sector.

Regardless of choice, there is a sense that government wants more “control over everything” but has little appreciation of governance. In one participant’s experience, trying to figure out the balance between transparency and accountability can result in agencies losing clarity of their role and its importance. Too much independence and agencies lose touch with their public service roots, government direction and priorities. One agency executive described the need to remind staff that “they still did report to the Minister” and that they were subject to the Auditor General’s oversight.

For Crown entities with a commercial or business mandate, running too much like a business could mean that finding the balance between viability and accountability is even more demanding. “Cutting corners” may have consequences not felt in the private sector and may not be helpful to government in long run. This dynamic was evident, for example, in the role of the Niagara Commission where transparency and accountability were pitted against “getting on with business”. In this context agency governance plays a significant role.
Notwithstanding the type of agency, the relationship to government is critical to the success of both parties. Thus, designing relationships that foster trust, collaboration, and performance, and are not quasi-adversarial will continue to be a focus for governments. Where there is less trust, government has the option of extending public service rules to agencies, for example for procurement. “Once something hit the fan then questions about consistency arose and rules started to apply to agencies”. This is the current trend in Ontario, as evidenced by the President of Treasury Board “wanting to ensure all agencies following similar rules to government”.

Taking a broader perspective, one participant was clear that the structure of government was not “where it should be” given the global influences on national and provincial problems. “We can’t solve problems with nations working alone” e.g. the current COVID-19 pandemic. The future demands that government “better match its agencies to the problems it has to solve”. Respondents felt that the role of government will increase because of COVID-19, including public agencies given their success in key roles managing the impacts of the pandemic. This crisis has sharpened the focus on governments as needing to respond to problems holistically, collaboratively and quickly. In this context, agencies will continue to be more “sophisticated”, with a need for better performance as well as greater accountability and transparency.

Board leadership will become more important in ensuring that performance meets expectations and goals set by government, and public sector principles are ingrained in organizational functioning. The appointment process is a key factor in Board leadership and government’s responsibility is to ensure proper selection processes are in place. As agencies
become more important in society, and bigger in scale and impact, the level of scrutiny will become more important. One respondent noted that the world that we’ll be facing in virtually every sector will be so different and governments “won’t be able to keep up without more nimble oversight and delivery structures”.

Relatedly, government must ensure that it is hiring the best people to lead, recognizing there will likely be more scrutiny on qualifications, remuneration, and mandates; a push from the public and stakeholders for an independent and de-politicized process, for agency leaders. One respondent articulated their own learning from the COVID-19 pandemic and that is not to politicize an agency or its leadership. The response has been successful because it is science based and agency-led; there is trust and a clarity of focus on the same goals and outcomes. The collaborative approach reflects more of a partnership between government and its agencies in decision making and operations. It highlights the continuing need for appointment processes to be more rigorous and transparent given the growing importance of the roles that agencies play in public policy and administration.

Within the context of governance, a smaller number of BC and Ontario participants felt that the future of the government agency network will require continued clarification of mandates as governments grapple with the fast pace of change and growing complexities of governance in a global context. The need for collaboration is critical and one participant felt that collaboration should be specified in mandate letters to agencies. Good governance will be more important, and one participant suggested that it will be critical for government to measure and assess how outcomes are achieved in the mandates delegated to agencies.
Ontario participants spoke specifically to the principles associated with mandate clarity noting that the challenges with respect to agencies will be legitimacy and transparency; the need to understand what they do, how they do it, and why. Governments need clarity in how they regulate and provide public services. Delegation outside government forces not only a level of clarity in roles and responsibilities but allows agencies to operate outside certain government rules that constrain their ability to respond efficiently, fairly and with certainty. Agencies can, to a greater extent, prescribe their own levels of transparency and clarity which may be more difficult to provide in government. However, trust becomes an important factor in determining the level of independence an agency is granted and with that, the flexibility to manage their own operations and make decisions that are solely in the organization’s best interests.

Accountability

Accountability was identified as a key challenge by BC and Ontario respondents. More specifically, they highlighted how governments were continuing to search for mechanisms to enhance accountability with evolving structures and processes. Several weaknesses were identified by participants, first, clarity of roles and responsibilities; “who’s responsible for what”. This is somewhat related to mandate, but more specifically it speaks to the nature of operational relationships and the ability of government to work collaboratively with its agencies. The second weakness is leadership’s (government executives and agency Boards and executive) lack of understanding of their role in oversight and governance. Third is the need for clear and written government policy. While government may be less inclined to get involved in agency issues, it has the “right to delve into operations”. However, the lack of
foresight and forewarning can be disruptive to agencies especially when governments interfere in agency operations because they perceive a problem.

Both BC and Ontario governments have an accountability framework in place that generally reflects a conceptual divide between policy and operations. Respondents recognized that this role articulation needs to be respected and that both government and its agencies should not be fearful of innovative approaches and independent decision making. An example of the challenge of operationalizing this concept was demonstrated in Ontario’s Hydro 1 decision on future sources of energy. If government believes that solar and wind should be the future, that should be the direction; clearly and transparently articulated in writing. “If government doesn’t want the agency to do something, they should tell them. They are part of a public organization and you are not independent the way a private organization would be”.

Finally, there is pressure on governments to reduce costs and effect savings; making way for increased use of agencies under the guise of moving functions out from under government and eliminating taxpayer funding. However, the approach with agency governance is inconsistent because of the way agencies are established. One of the reasons there are problems and strained relationships is because government, when it gets out of service delivery, is looking to save money. So, agencies will often be set up to be self-funding. Government may not have a lot of money to set up the entity, but it can make rules and policy and establish parameters for operation and services that are the responsibility of the entity; distancing themselves from financial outcomes and accountability.
Political Ideology & Behaviour

Only one BC participant suggested that agency development would continue to evolve in “both directions” depending on government interests. That is, left of centre parties would re-centralize - bringing agency functions back into government or devolving them in some other way, where cabinet wants more control. On the right side of the political spectrum, there would be greater independence.

Ontario participants also referenced the cyclical approach to agencification depending on the government and political party in power. As an example, with Ontario election in 2018, the new government was suspicious of decisions made by Delegated Administrative Authorities (DAA) and other agencies. It “took a lot of time for them to settle”. While they didn’t intervene in agency operations, they preferred to look at the DAA model instead. Similarly, another participant described project selection as changing from government to government. The kinds of choices they were making were so fundamental and impactful and regardless of whether they related to an agency mandate or authority, they policy choices belonged to and were exercised by government. Where they see the agency role going is being “sophisticated enough to build evidence and stakeholder consensus” to support government decisions in the longer-term.

Conclusion

Regardless of the belief in growth, contraction or rationalization in the use of agencies, participants from both jurisdictions believed that agencies are here to stay and that there will be more changes that reflect factors of increased control; political influence and
protection of political brand; accountability; and the need for more effective and cost-efficient performance. The structure of government and the governance relationship with arms-length entities will continue to evolve. The challenge is in understanding how and why. What outcomes are at stake? What should governments be doing to enhance public sector governance and entrench accountability, transparency and performance? The literature and this study have shown that there are so many factors at play in determining the trajectory of agency governance that developing a single model of public agency governance is elusive. The following chapters explore principal-agent and ecological theories as fertile ground for future research on agencification and distributed public governance.
CHAPTER SIX

Analysis and Discussion: Public Sector Governance in a Principal-Agency Framework

...the organizing of government is not driven solely by the logic of efficiency, but rather by a wide variety of forces related to policy, partisan politics and personalities.... organizations tend to accumulate, because for every organization created, there is a constituency dedicated to its survival. As a result, it is impossible to explain or justify the present structure on the grounds of pursuit of the government's primary allocative role, let alone on the basis of administrative efficiency (Osbaldeston, 1993:26 & 27).

Introduction

In this chapter, the interview results are considered in relation to the literature, exploring implications for the future of public sector governance and agencification. A brief reconnection with the machinery of government and new public management concepts cements the roots of agencification and distributed public governance in public sector reform. The themes of politics, people and public governance consistently arose in the responses of interviewees. In the context of the future of agencification, the relationship and governance issues that surfaced in this study are arguably reflective of principal-agent (PA) challenges exacerbated by New Public Management (NPM) reforms, alive and well in the jurisdictions studied. As such, this chapter tackles the analysis of the interview data in the context of NPM tenets reflected in more recent jurisdictional reforms, using principle-agent theory to explain the evolving relationship between arms-length agencies and government.

Connecting the Machinery of Government to New Public Management Reforms

Debate on the structure of government as captured in the machinery of government literature has struggled for consistency in its focus. Wettenhall describes decisions about the
machinery of government as a “dynamic of political purposes...resembling a pendulum constantly swinging from centrist to decentralized solutions, from consolidation to fragmentation” (1986, p. 240). This literature reveals a good deal about how a state’s organizational apparatus is arranged to give effect to its policy commitments. It is a process influenced not only by decisions about the allocation of resources and achievement of public policy goals, but by the “politics of change and... political leadership” (Naidoo, 2019:575).

Osbaldeston (1993) opined on the failure of governments to allocate scarce resources in a comprehensive and coherent way primarily due to the “fragmentation of key decision points that inevitably arises from having excessive ministerial posts” (p.26). When considering the addition of dozens of arms-length public entities in the structural decision-making mix, the complexity of governing is aggravated, creating challenges that are exacerbated by evolving globalization and technological change. Political mileage is gained by creating new departments and entities that “puts the government's capacity to govern coherently and competently at the mercy of a sequence of organizational decisions that does not have good governance as its primary focus” (p. 27).

Research for this study supports Osbaldeston’s observations on the organizing of government. Decisions about the structure of government are indeed shaped by a variety of forces, most notably: performance, politics, personality and public governance. These forces can be broadly characterized under two theoretical umbrellas: NPM (performance and public governance) and principal-agent (people and politics). The results of the interviews and document research clearly show that tenets of NPM persist in public administration in the
jurisdictions studied and in other Canadian jurisdictions such as Manitoba, Alberta, and Saskatchewan.

Many of NPM’s tenets are supported by the interview data, beginning with the focus on more entrepreneurial government, requiring greater organizational and managerial flexibility; the need for unique and specific talent and skills that contribute to innovation; and an emphasis on performance, its measurement and role in accountability. While the popularity of NPM has faded somewhat since its prominence during the 1980s and the 1990s, and its effectiveness called into question, its elements are still visible in public administration in the 21st century (Osborne et al., 2013; Peters & Savoie, 2012; Pollitt & Bouckaert, 2017) and have been well-represented in the interview data. Results of this part of the research suggest that NPM principles still drive decisions about the structure and functioning of government in both British Columbia and Ontario.

**Economic Rationale: Smaller, More Cost-Effective and Efficient Government**

As the NPM doctrine emerged, its proponents emphasized strategies to minimize and shrink the size and cost of government and better connect and serve citizens (Pollitt, 1990; Pollitt & Bouckaert, 2003). One of the most frequently mentioned rationale by interviewees, consistent with NPM principles, is the creation of independent or arms-length agencies for economic or financial reasons. This includes entities being more operationally nimble; having increased flexibility to respond to market conditions; more financial rigor and competitiveness where appropriate and permitted; reduced costs of the agency; and,
removal of the cost of the entity from government books (reduction in government size and cost).

In BC, privatization and agencification efforts have been tied to initiatives to reduce the size of government. This appears to be a penchant of right of centre political parties, primarily the Social Credit and the more recent iteration of Liberal governments. The Liberals were “trying to cut back budgets and bring in more fiscal rigor” particularly in their approach to the Core Services Review conducted following their election to power in 2001. The government wanted to cut the budget of ministries substantially, out of economic necessity. There were also “big imperatives to shed staff” with some parts of government “put out” to be “financially viable”.

Core services reviews of government were to determine ways of delivering services that were more cost effective and sustainable over time. Reduction in the size of government included not only the devolution of services and responsibilities to arms-length agencies but their consolidation. This was the case with consumer protection where merging areas under a new agency umbrella, Consumer Protection BC, was expected to generate economies of scale and enhance the new agency’s ability to absorb economic ebbs and flows. Discussions also revolved around whether expenses should be part of the government reporting entity for budgeting and reporting purposes. This equates to discussions of moving expenditures outside of government and shifting financial accountability. The creation of the authority for consumer protection was an opportunity to “reduce the size and cost of government; take these off the government books”.

Successive governments in both BC and Ontario have engaged in down-sizing to save money by eliminating staff and spinning off programs to arms-length agencies. Ontario respondents provided a nuanced economic perspective in highlighting government’s self-funding strategy for agencies. A preferred approach is to have an industry or profession pay for the operation of an agency, such as the Niagara Parks Commission Board, Municipal Property Assessment Corporation, Wastewater Ontario, and the Ontario Training and Adjustment Board. This contributes to the need for agencies to be nimble, cost-efficient and innovative in their approach to working within a financial framework supported solely by clients, stakeholders or other interests.

In Ontario, there have been similar initiatives by different names such as program review (a flavour of the 1990s), commission on reform, line-by-line review of government spending, independent financial commission, and regional core services review, with a sharper focus on restoring the “public’s confidence in Ontario’s books”.20 Program reviews had become closely associated with government strategies to cut expenditures and reduce deficits, in particular amidst times of economic crisis such as the recession experienced by Ontario in 1991 (Kaufman, 1996). While the focus of the Rae government (Ontario’s first New Democratic government 1990-1995) was to improve Ontario’s expenditure management system, program review was part of a much larger reform of the province’s committee and budget systems, resulting in the creation of Treasury Board with a mandate to oversee budgeting and planning. The more centrist Liberal party in Ontario continued the focus on


The Commission on the Reform of Ontario’s Public Services (Drummond Report, 2012) focused on addressing serious fiscal challenges to pursue the goal of having the best public services in the world at a cost that Ontarians could afford. The Commission’s review included the need to address the province’s large deficit by undertaking three tasks:

- understanding Ontario’s economic challenges and addressing them directly,
- firmly establish a balanced fiscal position that can be sustained over the long-term, and
- sharpen the efficiency of literally everything the government does so Ontarians get the greatest value for money from the taxes they pay. (Drummond, 2012, p.1)

Drummond (2012) concluded that the only way to get out of deficits and stay out, in a period of limited economic growth, is to reform government programs and the way they are delivered. Drummond’s recommendation to “relentlessly pursue quality and efficiency in public services” again surfaces a continued reflection of NPM principles. Reduction in spending and increasing efficiency is partnered with a focus on performance and its measurement. Drummond (2012) concluded that “programs need clear objectives. Metrics must be created to track whether programs meet those objectives. If not, the programs must be changed” (p. iv).

Customer service is also emphasized by Drummond (2012) as a means to increasing efficiency and cost-effectiveness in that there needed to be a shift from a reactive to a proactive approach to service delivery whether in health care, social services, education or
economic development in order to increase efficiency. The report, however, did not have a specific mandate to dive into government structural reform. Its mandate included ensuring that “government is getting value for money in all its activities” (p.11). To this end, the emphasis was on fiscal measures and program enhancements, and where appropriate and to the long-term benefit of government, privatization.

More recently, in October 2019, the current Ontario Conservative government announced its Smart Initiatives plan to “change the culture of government, focus on outcomes and improve customer experience”. The purpose of the review again reflected NPM principles to build smarter government and ensure its cost-effectiveness and responsiveness to people’s needs. Rather than a systematic review of its core services and structure, a “variety of large-scale transformative projects” was launched to review specific areas of government service. Earlier, in the fall of 2018, the Ford government announced plans to reform regional and local government. In February 2019, the Ontario government announced a plan to modernize employment services by creating a new service delivery model that integrates social assistance employment services into one agency – Employment Ontario.

Part of the Smart Initiatives strategy was the creation of an Agency Review Task Force in 2018. The Task Force was mandated to review all provincial agencies for efficiency, effectiveness, governance, sustainability, relevance and value for money. Its review of 191

21 The Ford government was elected on June 7, 2018.
agencies was completed in less than a year with a public report issued in October 2019. While the results highlighted the need to better use technology and find more revenue opportunities, the report also emphasized the need to enhance performance reporting. In addition, the authors recommended improvement in how agencies operate with respect to information sharing; noting that greater collaboration was needed to reduce overlap and duplication. The Task Force made several recommendations including to dissolve ten agencies, and merge, improve or maintain others. In addition, it recognized the need for board members to have the skills required for their role and recommended improvements to agency governance by ensuring members appointed to agency boards have the expertise and knowledge needed for their positions.

Perhaps the most recent, ambitious and high-profile structural reform in Ontario is its health care system announced in early 2019. Structural reform included the merging of twenty agencies into one called Ontario Health. The government created Ontario Health Teams to directly link hospitals with home care providers and long-term care facilities. To some extent these changes were already underway under the previous Liberal government (2003-2018) which launched pilot projects in something called "bundled care"; mini-teams of a range of health care providers that pool their funding to care for a specific segment of patients in a particular geographic area. Reform, then, was piecemeal and focused on

improving the performance and cost-effectiveness of targeted sectors as opposed to a more general approach to reviewing the core services and structure of government.

*Expertise and Skill*

Consistent with the NPM principle of a more nimble, creative and innovative organization, is the need to attract the right talent to bring these characteristics to life. The need to attract specific expertise requires the ability to compensate for that expertise in a way that is not supported by public service hiring and pay guidelines. The public service is often constrained by hiring and compensation guidelines which do not support the acquisition of talent and expertise for certain specialized functions such as financial analysts for regulatory oversight of financial institutions. Shifting human resource functions to agencies outside those controls creates a human resource environment that allows an organization more leeway in recruiting and retaining the kind of talent needed.

The need for specialized expertise is well recognized by study participants as reflected in one respondent’s summary that you “put stuff out because you need to hire outside experts”. Consumer Protection BC, Technical Safety BC, Infrastructure Ontario and the Ontario Financing Authority are relevant examples that represent the breadth of technical and analytical operations and require expertise in areas like engineering, statistical analysis, oil and gas operations, electricity and boilers, pressure vessels, and refrigeration systems. This expertise often comes from the private sector and competing for that talent is generally more costly. The Ontario Financing Authority, which oversees the largest borrowing programs in
the world, needed to bring in traders, PhDs in math recognizing that you “want the best because you’re up against big challenges”.

Part of the organizational flexibility given to agencies in both BC and Ontario, was to create compensation packages and other benefits to attract talent. Respondents noted that agencies have been increasingly recognized for their ability to create their own competencies and skills that have not been readily available in government. This contributes to the perceived credibility and impact of an agency in its relationship with government and its ability to influence policy that benefits its own operations and viability. Securing and nurturing the right talent is critical for increasing effectiveness and performance, providing organizations with the right capacity and skill to be more responsive, flexible, nimble and creative.

**Performance**

Governments continue to focus on performance as a rationale for agency creation. Early and more recent studies on NPM found that there was greater emphasis on performance and output measurement (Osborne & Gaebler, 1992; Pollitt & Bouckaert, 2017). Performance in the NPM framework focuses on defining outcomes; setting explicit standards and measures; and defining goals, targets and indicators of success, to let organizations manage while government takes on a “steering”, policy and oversight role. Results-oriented government changes incentives to focus on measuring outcomes and rewarding success. This approach to agency oversight has become increasingly common and, in BC and Ontario, has
been formalized in written agreements which more clearly focus on specifying goals and targets that link performance and accountability.

Respondents emphasized performance as a key justification for agency creation. More specifically, they spoke to performance in terms of effectiveness, efficiency and responsiveness, as well as the need for additional organizational, administrative and operational flexibility. Effectiveness suggests not just an ability to meet goals and successfully deliver on a mandate, but respond to clients, customers, service users and stakeholders, when needed. The current emphasis on performance is supported by respondents’ views that agencies have played a role in changing the culture of customer service and their ability to be “nimble” in responding to evolving service delivery needs and pressures. This requires agencies to be responsive and flexible.

Flexibility has been described in terms of financial, policy, administration and operations and is a tool of responsiveness. Agencies need to be more nimble or flexible in their ability to respond creatively to policy and operational issues – “reasons government set up an agency is to give more flexibility...to provide a vehicle to execute on initiatives”. This rationale for agency creation is still linked to the view that the private sector is nimbler and more creative, resulting in greater organizational flexibility. In the context described by respondents, public sector responsiveness begs a level of creativity and innovation not generally found or fostered in core government; agencies are “more innovative” and “allowed...to make better decisions to support different parts of the system”. 
Performance is also seen in the context of implementation, further reflecting the influence of NPM in continuing to shape government. Performance is “important to implementing government policy as government no longer has the skills, initiative and abilities to do it”. There is a level of consistency in respondents’ views that the separation of policy and administration, as an NPM tenet, continues to shape governments, recognizing that the “great contribution of agencies is in implementation”. Provincial governments are delivering less themselves and honing their oversight role by entrenching clearer and more detailed accountability mechanisms as is the case for the Crown agency governance frameworks in both BC and Ontario. However, while written agreements between governments and their agencies have become the norm, other elements of accountability frameworks suggest that understanding agency governance is more complex. As an example, BC’s experience is explored in more detail.

*Threads of NPM in the BC Landscape: Performance and Accountability*

Evidence of a continued focus on performance and its measurement can be found in the governance frameworks implemented in many Canadian jurisdictions [e.g. BC, reports of the Standing Committee on Crown Corporations (SCCC or Committee) in BC]. Until 1991, Crown corporations in British Columbia operated quite autonomously. Limited oversight was prescribed by the *Financial Administration Act* (1984) which set out roles and responsibilities for those parties involved in Crown corporation governance\(^27\). There was no requirement for

\(^{27}\) Auditor General of BC, 1997.
planning, and no one central agency responsible for Crown corporation governance other than the legislature itself.

Since then, changes have been made to bolster Crown agency oversight. The *Financial Information Act* was amended to require Crown corporations to provide government with strategic plans, business plans, capital and operating budgets, and any other information requested by the responsible Minister. To oversee the new planning and reporting requirements, oversee and coordinate activities, the Crown Corporations Secretariat (CCS) was established in 1992. CCS guidelines “created a mechanism for commercial Crown corporations to receive clearer and more explicit directions from the government” (Auditor General, 1997, p.28). The strategic planning process provided the opportunity for government and Crown corporations to come to an agreement on the corporation’s mandate and its public policy objectives.

As a further reflection of the need to improve governance and oversight of Crown agencies, the British Columbia government set up an Appointment Office for Agencies, Boards, and Commissions in 1992, to ensure that Ministers had an opportunity to choose the most qualified people; appointees represented the communities they served; and there was a balance of interests on each board. These changes, however, were insufficient to guarantee proper oversight of Crown agencies. Numerous issues garnered the attention of BC’s Auditor General who authored a key report in 1997, that drove initiatives to further improve Crown agency oversight in BC.  

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29 Ibid.
Following the Auditor General’s report and consistent with government’s attempts to introduce more systematic planning and reporting, the *Budget Transparency and Accountability Act* (the Act) (SBC 2000, Chapter 23) was enacted in 2000. The Act required service plans (S. 13) and service plan reports (S. 16) for Ministries and government organizations. In addition, government initiated more formal written agreements through a Shareholder Letter of Expectations (SLE) which laid out “respective roles and responsibilities of each”. This included setting out the accountabilities for the agency, responsibilities of government and identifying areas of shared accountability. These documents outlined a clear distinction between the policy role of government and the operational role of the agency, continuing an NPM focus on managerialism and organizational performance.

Enhanced oversight of Crown agencies was also evidenced in the reactivation of the Select Standing Committee on Crown Corporations (SSCCC) following the Liberal government’s core review initiative in 2001. In 2004, the SSCCC was given authority to review the annual reports and service plans of all Crown agencies that fell within government’s ambit (by inclusion in the *Budget Transparency and Accountability Act*). Its greater authority and control were apparent in its ability to determine which entities it wanted to review, the scope of that review, and power to demand attendance and evidence as it saw fit. This is evident in

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30 S. 1, *Budget Transparency and Accountability Act* defines "government organization" as a corporation or other organization that is within the government reporting entity, other than the government itself. "Government reporting entity" includes government corporations other than those that are government corporations solely by reason of being under an Act, agents of the government, and education and health sector organizations.

its decision to wrap the Liquor Distribution Branch (LDB) under the cloak of agency accountability and thus subject to its purview (SSCCC, *First Report*, 2004).

The SSCCC referred to the LDB as a “hybrid organization” in that it took (and still takes) direct policy advice from the Minister of Public Safety under the *Liquor Distribution Act*, while strategic plans and budgets are prepared under the Crown Agency Secretariat (as it then was) guidelines. As the Liquor Distribution Branch's mandate was (and is) to manage and regulate the importation, distribution, and retailing of beverage alcohol in British Columbia, and reports financial and strategic information to the public under the auspices of the Crown Agencies Secretariat, the Committee believed that its review of the LDB's annual reports and service plans fell under its Terms of Reference. In their review, the Committee commented extensively on the LDB's service plan focus on performance:

...committee members were satisfied that the plan focuses on aspects of performance that are critical to the organization achieving its goals, objectives and intended results...The Committee was only partially satisfied that the Liquor Distribution Branch’s intended results were clear, measurable, and provided an integrated and balanced picture of intended performance in relation to the LDB's stated goals and objectives. (SSCCC, 2004, p.2)

The SSCCC recommended that the LDB “expedite the development of performance measures and benchmarks particularly with respect to measures of customer experience, business effectiveness, and employee excellence” (p.7); a further reflection of NPM influence and emphasis on increasing accountability for performance.

In reporting on their assessment of Forestry Innovation Investment Ltd (FII), the SSCCC was satisfied that the service plan adequately explained the organization's mandate, core
products and services, operating environment and major challenges, but were only partially satisfied that the plan focused on “aspects of performance that are critical to the organization achieving its goals, objectives, and intended results.” Committee members found that performance measures pertaining to FII’s research agenda(s) were “vague and lacked quantitative performance variables” (p.8). Performance was clearly specified in terms of value for money and the SSCCC was detailed in its direction to the FII to indicate the number of research projects conducted on a yearly basis and establish a baseline to anticipate future research expenditures. The SSCCC identified performance measure development and evaluation of research expenditures as issues for future review. A high-level review of additional committee reports found further evidence of the NPM influence.

Recommendations were made in 2004 and 2005 reports with respect to business and financial analysis (e.g. per capita sales growth; sales growth by sector; US market share); customer satisfaction performance measures; new business development; sales of Crown land; and ensuring a plan to meet the need for qualified engineers and skilled tradespersons.

SLE’s were replaced by Mandate Letters (ML) in 2015/16, reflecting a shift toward greater agency control with a continued focus on organizational performance, government priorities and accountability. The ML for BC Hydro, for example, demonstrates the

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34 [https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/crown-corporations](https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/crown-corporations)
continued NPM principles, clearly articulating the relationship and direction provided by government to a Crown agency:

As the Minister Responsible for BC Hydro, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures included in your Service Plan.  

Both the SLE and ML are public statements of government’s mandate and policy direction to each Crown agency. The BC government states that mandate letters communicate the Crown’s annual strategic direction and priorities as set by government. These documents have laid out performance expectations of Crown agencies and government and have been key accountability and governance instruments that reflect a shift towards greater government control of agencies since the early 1990s in BC.

While these changes arguably reflect a more recent shift to enhance accountability and control by clarifying the nature of the relationship between Crown agencies and government, other changes may be somewhat counter indicative. For example, the Crown Agency Secretariat (CAS) was dissolved in the mid-2000s and the accountability oversight for Crown agency devolved to individual Ministers. Some of the CAS’ responsibilities were absorbed by the Crown Agencies and Board Resourcing Office (CABRO) which continues to exist to oversee the “recruitment and recommendation of candidates for appoints to all Crown corporations, agencies, boards and commissions”. 

35 ??
36 https://www2.gov.bc.ca/gov/content/governments/services-for-government/public-sector-management/plan-report/crown-corporations/mandate-letter
37 https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies/crown-agencies-and-board-resourcing-office
diminished role in providing oversight of Crown agency governance and corporate accountability including “overseeing the delivery of mandate letters, service plans and annual service plans for ABCs”.  

Despite this shift to a less centralized oversight model of agency governance, government has honed and strengthened its use of written agreements.

Another indicator of the ebb and flow of agency governance in BC is the role of the Select Standing Committee on Crown Corporations. As noted above, beginning in 2001, the government of day used the committee as a key tool in its core services review of agencies; giving it significant power and authority in its ability to review all Crown agencies and make recommendations to Cabinet on changes. Unlike other standing committees, the SSCCC does not control its own agenda or have an ongoing role with respect to Crown agency oversight.

A review of the committee’s activity from 2001 to the present, shows that following its role in the core services review, most sessions of the Legislature saw no activity until late in 2017. Its last task was authorized by the Legislative Assembly on November 27, 2018 and February 21, 2019 to examine and make recommendations on regulations regarding transportation network services in British Columbia. Having completed its review and reported out in March 2019, the committee became, once again, inactive. As such, the current governance framework for Crown agencies in BC suggests a shift from a more centralized to a decentralized approach to agency oversight. This aspect of decentralized governance, and the related risks of fragmentation, lack of coordination, loss of control, and

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38 Ibid.
39 https://www.leg.bc.ca/parliamentary-business/committees/40thParliament-5thSession-cc
40 https://www.leg.bc.ca/parliamentary-business/committees/40thParliament-5thSession-cc/
the principal-agency problem, is mitigated using more detailed and focused written agreements, as well as clarity in policy direction, roles and responsibilities of relevant players. The situation in BC and Ontario is consistent with other jurisdictions and the literature in that agencification exposes the ongoing challenge of balancing autonomy and control, with relevant impacts on accountability (Dan et al., 2012; Egeberg & Trondal, 2009; James & van Thiel, 2010; Overman et al., 2015).

Public Governance and Accountability: The tension between autonomy and control

Theoretical and conceptual tensions between centralizing and decentralizing tendencies as well as managerial flexibility, control and accountability are well-trodden in the literature (Aucoin, 1990; Christensen & Laegreid, 2002; Hood & Peters, 2004; Pollitt & Bouckaert, 2017; Rhodes, 1999). The underlying premise of these tensions is that it is more efficient to separate political and administrative functions than have them integrated in the traditional, hierarchical, bureaucratic model. A key tension is that between the principal-agent way of thinking and increased managerialism or letting the managers manage. These tensions have ebbed and flowed over time, as has the centralization-decentralization pendulum, and continue to do so.

In efforts to address principal-agent challenges with accountability and performance, governments have tried different mechanisms of agency control and coordination with various degrees of success. This includes establishing written agreements, shareholders letters of expectation, mandate letters, and oversight by independent offices such as Auditor Generals, Treasury Board, Integrity and Fairness Commissioners and Information and Privacy
Commissioners. Some Canadian jurisdictions have established central agencies to oversee arms-length entities such as the Crown Agency Secretariat in BC (now dissolved), the Crown Services Secretariat in Manitoba, Treasury Board Secretariat in Ontario, and the Crown Investments Corporation in Saskatchewan.

Respondents identified an “enormous range of considerations” as to the political influence on the establishment and control of agencies. However, respondents were consistent in their views that despite written agreements and legislation in place, day-to-day interactions and personalities play a key role in ensuring accountability. There must be good communication between the agency and government, transparency and a “no-surprises” rule with respect to issues and decisions that may impact government. While these expectations may have been implicit in the past, they are explicit in the written agreements that exist between arms-length agencies and ministry masters. Given that, at the end of the day, government is ultimately accountable for agency behaviour, it has become increasingly part of effective practice by agencies that they develop a good relationship with their responsible Minister and ministry. Agencies need to consider government interests and expectations when developing their own plans. As one respondent noted, they “always operate in the spirit and intent of how government holds itself accountable”.

Ontario has moved beyond historical accountability mechanisms and shifted its oversight approach to a risk management framework. All agencies must report to government on a regular basis, according to a risk profile. Treasury Board reviews reports on a quarterly basis, based on a ranking of agencies as low, medium and high risk, anticipated changes and mitigation strategies. One of the risks that government identified was weak boards.
Appointments were not being made based on skill, experience and contribution to the organization. Following several high-profile negative incidents involving agency boards, the Ontario government made mandatory, as a condition of appointment, the attending of a one-day training/orientation session. The result has been positive for government in its attempt to strengthen performance and accountability, and ultimately the governance relationship with its arms-length agencies.

**Governance Shift**

The topic of government control, coordination and public governance was raised by most interview participants. Respondents’ views are aligned with the literature, recognizing that the increasing number and distribution or scope of public agencies continues to challenge government in its coordination, management and oversight roles (Bouckaert et al., 2010; Dan et al., 2012; Overman & van Thiel, 2015). Respondents from both jurisdictions were consistent in their assessment that there is a difference between the theoretical autonomy that is granted or perceived to be part of the relationship between government and arms-length agencies, and what exists. In fact, the literature, document review and interview data clearly point to the move by governments, including BC and Ontario, to increase government control whether through informal and formal political or government influence or the implementation of new governance mechanisms such as increased reporting, rules for government direction, communication and policy direction.

Different agency governance models have evolved over the last twenty or more years, with more sophisticated accountability structures resulting in greater control over agencies.
more generally. In both BC and Ontario, more formal accountability frameworks such as Crown agency governance policies, delegated administrative agreements, mandate letters, and shareholder letters of expectations, have been created to address the need to appoint professional board members; mandate planning and reporting requirements; prescribe how policy will be developed, and decisions taken, and outline communications and issues management processes. Changes in government structure and the increasing use of more transparent, controlling governance mechanisms by different governments in both BC and Ontario have brought about a degree of stability in agency governance, but inconsistencies, confusion and ambiguity have not been eliminated with increased controls. This can be partially attributed to shifts in political systems and the influence of individual personalities. While the data show that a greater number of agencies have been created under left as opposed to right-wing political ideologies and leadership (perhaps somewhat counter-intuitively), the impacts on agency governance are less clear except to note that the number of agencies has continued to increase in both BC and Ontario. With this increase, however, are the continued challenges of fragmentation, coordination and agency oversight. Hence the trend in both BC and Ontario to reshape agencies and forms of oversight and control. This has resulted in increasing layers of bureaucracy as evidenced by the use of more detailed agreements, subjecting agencies to oversight of independent offices of the legislature, as well as continuing structural reform.\(^41\) The latter is an emerging strategy which includes introducing a new layer of bureaucracy in

\(^41\) https://professionalgovernancebc.ca/about/professional-governance/
the creation of “super” agencies: agencies to oversee groups of agencies. In Ontario, for example, the switch from a Liberal to Conservative party leadership in 2017, has seen major structural changes in health care, transportation and self-regulatory and adjudicative systems. While eliminating a few agencies, Ontario has also created a new level of agency bureaucracy in its forming of umbrella or “super” agencies to oversee groups of agencies, for example, Ontario Health, Ontario Land Tribunals, Social Justice Tribunals Ontario and Safety, Licensing, Appeals and Standards Division. Larger umbrella organizations to oversee groups of agencies appears to be a new phenomenon in Canadian public sector governance including in BC.

Three recent initiatives under the current BC NDP government (2017-2020) have paralleled Ontario’s approach; illustrating the trend to “super” agencies as new levels of bureaucracy in the control and oversight of arms-length public entities. In 2018, the BC government introduced its Professional Governance Act (PGA) to “provide a consistent governance framework for self-regulating professions” and strengthen government oversight by establishing a statutory Office of the Superintendent of Professional Governance (OPG). The OPG is intended to ensure accountability, transparency and a consistent level of professionalism across the regulated professions which agrologists, applied biologists, applied science technologists and technicians, engineers and geoscientists, and forest professionals.

The second example of this new level of oversight of groups of agencies is the BC Financial Services Authority (BCFSA) created in the spring of 2019. This new Crown agency replaced the Financial Institutions Commission and was established to boost oversight and

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42 https://professionalgovernancebc.ca/about/professional-governance-act/
accountability of the financial services sector and regulate credit unions, insurance and trust companies, pensions and mortgage brokers while supporting a “strong sustainable economy”.  

Under the BCFSA are the Registrar of Mortgage Brokers, Superintendent of Pensions and the Credit Union Deposit Insurance Corporation – each with independent regulatory authority relevant to their statutory mandates. The offices of the Superintendent of Real Estate and the Real Estate Council of BC will be brought in under the BCFSA by spring 2021. The stated purpose of this change, consistent with NPM principles, is to simplify and integrate regulation of the B.C. financial services sector; to enhance consumer confidence and streamline service delivery making it more effective and efficient. Similar changes are proposed for the regulatory oversight of self-regulated health professions – the third example of the reshaping of public governance to reflect a “super” agency model.

The primary impetus for the changes being implemented with respect to health professions is the 2018 Cayton report prepared on behalf of the provincial government of the day. The author found that the provincial regulatory framework for health professionals failed to support regulatory colleges in fulfilling their mandate and that the Health Professions Act “is no longer adequate for modern regulation” (p.3). Consistent again with the NPM emphasis on performance and customer service, maintaining a focus on regulating single professions in isolation did not position regulatory colleges to respond to the increasing complexities of modern team-based care. The Cayton report recommended a reduction in the

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43 https://news.gov.bc.ca/releases/2019FIN0038-000573
number of regulatory colleges from twenty to six to “improve performance, efficiency and effectiveness of the regulatory framework” (p.9). Since then, several colleges have amalgamated within the new framework to better align with the six proposed colleges.

The recommendation to reduce the number of colleges, however, came with another to create an oversight body, like the Ontario model. As Cayton stated “it is becoming common for governments to establish independent bodies to regulate the regulators as part of a transparent regulatory system” (p.14) – although no evidence was provided to support this statement. The Cayton report suggested a new independent body be created to oversee the six newly structured health regulatory colleges. An oversight body would increase accountability and transparency by defining performance standards for regulatory colleges, measuring performance against those standards, and publicly reporting on regulatory performance and opportunities for improvement. The above changes in reshaping agency governance arguably reflects the need to address new dynamics in the principal-agency problem.

Agency Governance and The Principal-Agent Problem

The most fundamental aspect of the NPM reform agenda involves reconfiguring the boundaries of government agencies by reducing the scope of traditional government bureaucracies and delivering services through alternative organizational mechanisms (Bilodeau, Laurin, and Vining (2006). There is a vast literature that considers the patterns of state organization, however, the emphasis has been on classification as opposed to explanation where categories of public organizations are defined and described (Chester,
1951; Fyfe & Fitzpatrick, 2002; Gulick, 1937; Peters & Hogwood, 1991; Yesilkagit & Christensen, 2009). This literature says little about assessing the costs, benefits and effectiveness of agencification. Similarly, there is an economic literature concerning the appropriate role of government (Vining & Weimer 1990; Williamson 1996) but it does not address the choice of governance structures for various forms of agencies. Principal-agent (PA) theory provides such a framework (Bilodeau et al., 2006; van Thiel, 2017).

The principle-agent concept emerged from private sector economic analyses of human interaction (Lane, 2005; Waterman & Meier, 1998) and describes the situation in which the production of goods or services as mandated by an owner or principal, is assigned, delegated or contracted to a third part or agent. Principals hire agents because the latter are experts that have specific knowledge, skills and capacity to do a job and therefore are better able to perform the work at a cost-efficient price (van Thiel, 2017). This generally implies, then, that agents have more information about the task and how to do it and the cost and resourcing necessary. This creates information asymmetry between the principal and agent, resulting in uncertainty for the principal in terms of knowing whether the agent will do a good job according to the wishes of the principal. This uncertainty rests on an important assumption about the theory in that it is a model of rationality and utility maximization (van Thiel, 2017).

Participants in the relationship are assumed to pursue divergent objectives which results in two problems, exacerbated by information asymmetry. The first is adverse selection stemming from the fact that agents can conceal information about their competence. With imperfect information principals suffer from bounded rationality and may not make the best
choice. The second problem, moral hazard, follows the selection of an agent. It is the risk that the agent’s performance is sub-optimal either because the agent has charged too high a price for their services or produces less output than possible (shirking). Again, information asymmetry is used to conceal information from the principal regarding their ability to perform (van Thiel, 2017). This leads to reduced efficiency known as residual loss. To remedy the information asymmetry and residual loss, principals generally use two strategies: monitoring and incentives. Monitoring imposes accountability requirements on the agent and monitoring costs on the principal. Incentives are intended to motivate agent performance and reward behaviour that achieves the principal’s goals.

There are a few differences in the PA application to the public sector which are reflected in questions such as who is the principal (politicians or public), what is maximized (welfare of society or private utility of the actors) and who is the agent (an organization or individual)? In fact, it can be applied to public sector organizational arrangements across multiple levels:

In the public sector, [principal-agent relationships] can arise within a government agency, with upper tiers as of management as the principals and lower tiers as agents, or between an agency and its supervisors at one end and its suppliers or clients at the other end (Dixit, 2002:697)

In the general context of public administration, the relationship between political authorities and bureaucrats is perhaps the most understood in the context of principle and agent (Moe, 2006). In a bureaucratic environment, it is assumed that politicians (principals) and bureaucrats (agents) do not necessarily share similar goals or have potentially differing preferences. If it is assumed that they are “rational utility maximizers” (politicians maximizing
re-election chances and bureaucrats maximizing budgets), politicians have an interest in policies that benefit their constituents and ultimately their succession (Waterman & Meier, 1998, p. 174).

Because politicians and political coalitions change over time and bureaucracies develop separate interests through institutionalization and changing external relationships, a potential conflict occurs when the goals and objectives of principals and agents differ or are at odds (Waterman & Meier, 1998). Over time politicians may seek to alter established policy toward their preferred objectives, which may or may not be the same as those of the original legislation or policy. Bureaucratic interests also diverge from the original policy over time as politicians develop expertise about how the policy should be implemented or gain support from constituencies that favour different approaches (Gailmard, 2010). Changes in governance strategies, then, strengthen accountability and address some of the concerns raised by principal-agent (PA) theory (Lane, 2005).

Van Thiel (2017) specifically addresses the application of PA theory on public sector reform with respect to the “disaggregation of units of governments” (p.49). I will refer to these as arms-length agencies or entities for consistency with the approach taken through the research and dissertation. The growth in arms-length agencies, perceived loss of political and/or bureaucratic control and increasing fragmentation of the public sector are indicative of the uncertainty of a principal as described above (van Thiel, 2017; Yesilkagit & van Thiel, 2012). Attempts to remedy these issues include enhancing contractual and accountability relationships; requiring business and service plans and reports; increasing control over the
board (and sometimes CEO) appointment and orientation processes; and implementing structural reforms (Tonkiss et al., 2015; van Thiel, 2017; van Thiel & Pollitt, 2007).

**Addressing Principle-Agency Issues in Public Sector Governance: Evidence from BC and Ontario**

Governments establish arms-length organizations to be independent and make their own decisions, until the organization drifts from government’s desired direction or does something that reflects poorly on them. Participants’ responses in both jurisdictions consistently and almost universally noted the challenges with agency governance reflective of the principal-agency problem, exacerbated by political and personality influences. They also described changes that increase governance control and oversight to address PA problems, as well as addressing fragmentation and performance issues symptomatic of both PA and NPM impacts.

Respondents’ views are supported by the document analysis which demonstrates that governments have moved in the direction of clearer and more detailed articulation of the relationship and the expectations of agencies; mitigating the risks inherent in the principal-agent relationship. Both Ontario and BC have developed Crown agency governance frameworks which provide support for “strong corporate governance and accountability”


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Agency staff. It establishes an oversight infrastructure in the responsible Ministry and the Crown Agency to fulfill accountability requirements (p.4).

BC’s Crown agency governance framework also speaks to accountability in terms of mandate and policy alignment. Generally, it is the role of government, the Minister and ministry responsible to set broad policy direction within which the Crown Agency operates. Crown Agency input into policy direction ensures those policies are designed to best accommodate the organization’s needs. While the concept of arms-length or independent operation of Crown agencies is a generally understood principle of their creation, the reality is quite different. They are subject to myriad forms of government control and direction including, for example, a Treasury Board Directive that specifies that Crown Agencies must have Ministerial and Treasury Board approval to enter into agreement(s) with other provinces and/or the federal government (p.16). Other key accountability measures are the application of legislation to Crown agencies including the Auditor General Act; Budget Transparency and Accountability Act; Document Disposal Act; Financial Administration Act; Freedom of Information and Protection of Privacy Act; and Workers Compensation Act, among others.

Finally, the framework speaks to the Minister’s ability to issue directions, pursuant to legislation, regarding how a Crown Agency will fulfill its mandate (p.11).

Ontario’s Agencies and Appointments Directive is a Management Board of Cabinet policy issued under the Management Board of Cabinet Act. The directive sets out rules for provincial agencies as well as government appointments and remuneration. More specifically, it details requirements for establishing, changing (e.g. mandate change), merging and dissolving provincial agencies and provides an accountability framework that includes the
roles of provincial agencies, responsible ministries and Treasury Board/Management Board of Cabinet; and a risk-based approach to managing provincial agency oversight.

Key to understanding the scope of the governance framework is the definition of provincial agency. Similar to BC, an agency is established by government through a constituting instrument (under or by statute, Order in Council or regulation) with the majority of its appointments made by government.\(^{47}\) The directive specifies that a provincial agency is not organizationally part of a ministry but is part of the Government of Ontario.\(^{48}\) Functions of provincial agencies are adjudicative or regulatory decision-making; operational or advisory and may be board-governed, non-board governed, or advisory.

The Ontario directive also outlines mandatory requirements for establishing, merging and dissolving agencies; changing the mandate, board composition; changing powers and authority; and changing the governance and accountability framework – all of which minimally require Treasury Board or Management Board of Cabinet approval. The chair and minister of an agency must enter an administrative Memorandum of Understanding (MOU) that reflects the accountability framework and sets out the roles and responsibilities of each party. Contents for the MOU are comprehensive and include provisions from purpose to insurance liability. And while details of the relationship are spelled out, there is a provision which allows government to direct the organization in any way it sees fit:

The Minister is accountable to Cabinet and to the Legislative Assembly for:

f) When appropriate or necessary, taking action or directing that corrective action be taken with respect to the agency’s administration

\(^{47}\) [https://www.ontario.ca/page/agencies-and-appointments-directive#section-3](https://www.ontario.ca/page/agencies-and-appointments-directive#section-3)

\(^{48}\) [https://www.ontario.ca/page/agencies-and-appointments-directive#section-3](https://www.ontario.ca/page/agencies-and-appointments-directive#section-3)
This provision essentially gives the Minister broad-ranging powers to direct a provincial agency within their legislative authority. In addition to the MOU for each type of provincial agency, Ontario Ministers must provide each board-government agency in their portfolio with a mandate letter. This is an annual correspondence from the responsible minister to the agency’s chair outlining the broad expectations with respect to service and performance priorities for the coming fiscal year.

Despite the existence of these governance frameworks and tools, agencies exist within a legislative and political context that, like the ebbing and flowing of agencies themselves, receive lesser or more attention depending on a government’s penchant and political need at various points in time, or the interest of political leadership. What participants noted about this aspect of the principal-agent relationship is that governments are increasingly relying on written, detailed documentation to capture the nature, scope and deliverables of that relationship to enhance transparency and accountability to the public. This, however, has not eliminated the risk of bad behaviour, poor performance and government embarrassment.

Also, important are the relationships that exist between individuals in the PA context and the changing nature of control exercised by government. Participants in my study highlighted key relationships being that of a board, its leadership, the Minister and DMs, and their interest in a portfolio or issue. Individuals, personalities and relationships were themes reflected in three questions about why agencies are established; the changing nature of the

49 https://www.eqao.com/en/about_eqao/about_the_agency/open_agency/communication-docs/memorandum-of-understanding.pdf#search=MOU
relationship between agencies and government; and the impacts of that changing relationship over time. Relationships can have long term implications for the functioning of an agency depending on the length of tenure of key personalities, primarily in government. The risk, then, may not be in the written, formal controls of a contractual arrangement or governance framework, but in the relationships that exist at various organizational levels in the oversight of agencies; further complicating and exacerbating the principal-agency problem. The unwritten having an influence that is easier to describe than measure.

**Performance and Public Governance: New Public Management Revisited**

Evidence from this research confirms that NPM tenets live on in public administration in Canada with associated principal-agent issues subject to almost constant change by governments to find the balance between autonomy and control to satisfy the need for accountability and performance. More specifically, with the continued use of alternative organizations to deliver public services outside core government ministries or departments, new challenges are faced in governing an expanding and increasingly complex public sector.

Challenges that have evolved through the earlier NPM wave include coordination, fragmentation, accountability, performance, politicization and power. These challenges have been exacerbated to some extent by advances in information, technology and communications strategies, and globalization’s impact on trade, culture, immigration and social integration. With the growing use of organizations outside the core of government ministries and departments, comes the need to coordinate and oversee an increasingly fragmented system of public service delivery. It also comes with financial implications as
government-supported entities take a larger part of the expenditure pie.\textsuperscript{50} The risks land squarely in government’s accountability arena regardless of the real or perceived level of independence enjoyed by organizations that deliver services on behalf of government.

On the broader theme of public governance, BC and Ontario participants commonly spoke of a government’s need for autonomy and control, key concepts addressed in the literature (Gilardi, 2002, 2005; Hanretty & Koop, 2012, 2013). With the implementation of Crown agency governance frameworks there has been more consistency injected into agency governance, although agencies are still granted different levels and types of autonomy [e.g., managerial, personnel, financial, policy implementation (Verhoest et al., 2004). As already noted, once they have built up a level of trust with an agency, governments are more willing to loosen controls. Alternately, some agencies will operate more autonomously than their official statute and agreements provide, and often this depends on the relationship with political leaders and government more generally.

Groenleer and others (Busuioc et al., 2011; Groenleer, 2009; Yesilkagit, 2004) have shown how agencies gain autonomy through identity-building and institutionalization. Building a strong reputation in the eyes of its principals, stakeholders, clients and the public, increases trust and autonomy, resulting in agencies being able to protect their autonomy in times of crisis (Carpenter, 2001; Carpenter & Krause, 2012; Verhoest et al., 2015; van Thiel & Yesilkagit, 2011). This contradicts a belief that agencies, for the most part, reject close

contacts with their principals (political and bureaucratic) in order to safeguard their autonomy (Dan et al., 2012; Egeberg & Trondal, 2009; Savoie, 2004). Demonstrating expertise and value to government suggests that government is more likely to listen to the advice provided by an agency it trusts and values its expertise. This leads to an ability by the agency to influence policy and decision-making in an environment where it does not have ultimate independence and control.

*Fragmentation and Coordination*

Reduction in the size of government, agencification and fragmentation are related concepts with roots in NPM and tentacles in subsequent and current reforms. As governments continue to create arms-length entities, structural devolution changes and weakens the instruments of control and increases the distance between the political leadership and subordinate levels of management coordination (Christensen & Laegreid, 2005). The specialization involved in creating single-purpose agencies will continue to increase the difficulty of coordination and the capacity problems of central government as has been demonstrated in numerous jurisdictions including New Zealand, the UK, and the Netherlands (Pollitt & Bouckaert, 2004). It will also contribute to increasing inefficiency associated with additional transaction and coordination costs. This reasoning suggests that when the organizational span of control becomes too large and coordination problems arise, transaction costs increase (Andrews, 2010). Inadequate systems to coordinate the oversight, performance, reporting and communication between government and its arms-length entities creates not only additional cost but greater risk to government.
One comprehensive comparative study of agencies concludes that the ideal model of agency/government relationship is rare (Pollitt et al., 2004). The division of tasks and responsibilities between ministries and agencies is much more complicated in practice than in theory (Christensen & Laegreid, 2006; Overman & van Thiel, 2016). Formal relationships that were supposed to become clearer in the context of NPM reforms turn out to be complex and disputable, with uncertain zones of authority (Pollitt et al., 2004). This view is supported by evidence from my study in that governments persist in making changes to their agency governance structures in order to deal with issues that continue to arise even as they struggle to find better ways of governing. What the literature fails to address but is evident in this study, is the role of agencies in the changing relationship with government.

In the past, the decision-making premises used by actors in autonomous agencies have been less attentive to political signals than in an integrated model (Pollitt & Bouckaert, 2004). In my study, respondents noted a shift in government and agency approaches to this issue. In some situations, staff and board members are more attuned to the needs and priorities of government. This is especially the case where senior leaders from government have migrated to an agency to take on a leadership role. Their level of understanding of government and its needs and sensitivities is significant and a level of trust is inherent in that relationship.

In addition, board members go through selection processes so that individuals can be assessed on their knowledge of the public context in which their agency exists, including understanding its relationship to government. Communication requirements are written into agency mandate letters; forming part of operational and administrative agreement with
government. Most letters contain some language that clarifies a government or Minister’s ability to give direction to the agency.

In Ontario, there is a mandatory orientation session for board members while a day-long training session is also provided for BC board members. An outline of the BC session is provided on the government’s website and focuses on four key areas:\footnote{51}{https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies/crown-agencies-and-board-resourcing-office}

- Governing in the Public Interest
- Financial Governance
- Risk Management
- Human Resources

New directors learn what the public interest means; the principles of citizen-centre governance; and how their organization works with the provincial government. The risk management component further articulates the need for board members to identify and communicate risks that are “shared across government” determine overarching priorities and discuss the types and levels of risk government is prepared to accept.\footnote{52}{Crown Agencies and Board Resourcing Office. (2019). \textit{Governing in the Public Interest}. Victoria, BC: Government of BC. p.2.} The training and orientation are also, arguably, another governance mechanism that addresses the principle-agent problem by making clear the roles and responsibilities of the players including understanding what it means to govern in the public interest. Training and orientation are intended to align the organization’s strategy and operations with government priorities and goals to guiding individual as well as collective behaviour.
Recent changes in Ontario aim to address the lack of coordination and fragmentation identified in a report by Ernst & Young (2018). The report focused on four major dimensions to modernize the Ontario government. Key among them is the need for strong leadership by the centre of government working with ministries and various delivery partners, to strengthen horizontal coordination. The report also recommended that government renew its focus on improving the efficiency, productivity, and outcomes of the broader public service (entities outside government ministries including health care and education) (p.3).

In some areas the growth of agencies is proving difficult to oversee in part due to the sheer number of bodies. One example is in the area of quasi-judicial and regulatory agencies. Responses to the Ernst and Young and other reports\(^53\) have resulted in several significant governance changes in Ontario. The government has created an umbrella agency, Tribunals Ontario, to oversee three groups of tribunals. This new agency is responsible for overseeing three groups of tribunals: Environment and Land Tribunals Ontario, Social Justice Tribunals Ontario and Safety, Licensing and Appeals and Standards Tribunals. As of January 1, 2019\(^54\) the Ontario government placed the last of its three clusters of tribunals under Tribunals Ontario. In effect, there are three levels of organization with respect to these types of agencies in Ontario; creating another layer of bureaucracy for agencies to manage the organization and oversight of agencies.

54 https://olt.gov.on.ca/tribunals-ontario/
The health care systems in BC and Ontario have been subject to governance changes to address the issues of fragmentation and coordination which negatively impact service delivery. In Ontario the first announcement of major change was in 2015 when the government declared its intention to “overhaul health care”\(^5^5\). This was a major structural governance change focusing on an expansion of the role of the provincial Local Health Integration Networks (LINH) and the elimination of Ontario’s fourteen Community Care Access Centres (CCACs) to reduce bureaucracy and administration in home and community care. Enhancing service delivery was the government’s primary driver for governance change:

Our goal is to make it easier for patients to find a primary healthcare provider when they need one, see that person quickly when they are sick, and find the care they need, closer to home.\(^5^6\)

A new government elected in June 2018, soon announced its own intention to reform and restructure health care governance. An October 18, 2018, internal memo by the provincial government revealed that the proposed “structural changes” would allow the ministry to become “more nimble.”\(^5^7\) On February 26, 2019, the Ontario government introduced the *Connecting Care Act, 2019*. In its passage, the legislation created a central agency, Ontario Health (a corporation without share capital), to oversee the health care system across the province, as well as the creation of integrated care delivery systems (ICDS). The government announced its intention to dissolve and amalgamate the Local Health Integration Networks,

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along with several other organizations such as Cancer Care Ontario and eHealth Ontario, into Ontario Health.

While governments continue to change their governance structures to address fragmentation and coordination issues, improve service delivery, and tighten up agency control using written agreement and governance frameworks, other factors influence the operationalization and implementation of government plans. What is less captured in the literature and document analysis is the influence of individuals and personalities in various governance roles. Where an agency represents a real risk to government, given its lack of attention to government priorities and other sensitivities, the result has often been the movement of key agency leadership from their roles. This is an example of the interstice of agency oversight where people and performance must be managed by government as an integrated whole, in a way that respects the mandate given to the agency yet aligns with government direction. Related to the provision of direction is the role of policy – who owns it and how it is wielded in the current relationship between government and agency.

Policy

A basic principle of NPM reform was the delineation of policy and operations or government and administration (“steering” and “rowing”) (Osborne & Gaebler, 2002). Consistent with the concept of managerialism as reflected in NPM, written agreements in both BC and Ontario have introduced a level of clarity in the policy roles of governments and their agencies – at least on paper. In hiving off public functions, governments maintained the key policy role while the entities they created or devolved services to, have focused on delivery – regardless of the function. However, the distinction between policy and
operational roles, or levels of policy responsibility, is not always clear. Most agencies need to maintain some operational policy capacity, making the line between strategic (government) and operational or administrative policy somewhat fuzzy and arbitrary, yet inextricably linked. Research has shown that this fragmentation of public administration has resulted in some challenges with government policy capacity (Christensen & Lægreid; 2005) and increased coordination problems (Flinders, 2004b; Gregory, 2003).

There is some debate in the literature about whether agencies are policy shapers or takers. My data, consistent with the literature, suggests they are both ("shakers") and as such, reflects a risk to the principal-agent relationship (Bach, Niklasson & Painter, 2012; Maggetti, 2009; Moynihan, 2006; Verschuere, 2009). As policy takers, agencies implement government’s policy agenda and are also the implementation of government’s policy goals. Policy is spelled out in legislation and other authoritative documents that provide the mandate and context in which they operate; the terms of their existence; requirements for reporting; and the oversight mechanisms to which they’re obligated. Agencies have written agreements that confirm the mandate and strategic direction, in alignment with governments’ goals. Written agreements generally have clauses that allow governments to provide varying levels of direction and intervention in the pursuit of a government’s goals regardless of the degree of independence that an agency has from government. And while this is the dominant perspective as reflect in the NPM literature, the rhetoric of the policy-operations divide differs from reality (Verschuere, 2009).

Research by Verschuere and Vancoppenolle (2012) found that public agencies take up a larger role in policy development or steering than would be anticipated under NPM. This
discrepancy between rhetoric and reality is in line with what is known from the public sector reform literature (Christensen & Laegreid, 2007; Pollitt & Bouckaert, 2011) - reforms often unfold differently than was intended on paper. Evidence from my study supports the conclusions of previous research in that while governments have attempted to clarify the policy roles between themselves and their agencies, there is a level of consultation, input and expertise required in the relationship that suggests a more significant policy role for agencies in reality. A benefit of independent agencies is the expertise that they can accumulate either directly (as staff) or indirectly (as consultants and contractors – talent external to the staffing complement). Agencies generally understand that key policy decisions are “more clearly tracked back into government” but are increasingly seen as having expertise that is necessary and valuable for policy decision making. Governments ask for input from agencies on the impacts of changes to key policy areas. Where changes are being considered, government will consult with an agency about impacts in terms of its own organizational capacity and the sector it governs. Thus, agencies can and do shape policy.

Agencies may have closer relationships with stakeholders and governments will use that connection and source of information to feed into their policy development. Outside entities have a greater ability to interact with third parties, stakeholders, and other experts, whereas government is more restricted in who they can interact with and what they can say as they are closer to the “political world”. In the external world of agencies, an entity develops its own culture as opposed to “monoculture of government”. It then has a greater ability to take risk and engage with others to build and strengthen its organization. One respondent stated that their agency had done surveys of its industries on issues they were
facing due to COVID-19 and that this information was valuable to government. In policy consultations, agencies help identify issues; give government options; and help to connect with stakeholders and the public. While agencies do not decide on policy, they participate in its development. Finally, agencies provide not only input to policy development but are critical in its implementation. Provincial governments are delivering less themselves recognizing that a key contribution of agencies is in implementation.

This suggests that despite the clarity of policy roles in written agreements, and agencies being the policy takers in this context, many agencies seen themselves as policy shapers. As policy shapers, agencies have contributed to clarifying roles as they “raise issues up the political ladder”. The possibility of fixing or influencing policy issues helps to shape government. As one respondent summarized “in the big picture they’ve contributed enormously”. The work that they do informs government decision making “for better or worse”. They supply distance from government but educate them on what the issues and concerns are in a way that government can think about it but not be directly responsible.

Several examples were provided to support agencies as policy shapers. Offices of independent officers of the legislature have expertise in administration, of the law and its implementation, through their education and support resources work. “They have a great deal of expertise to contribute to government’s development of new laws and proposals”. Under BC’s Freedom of Information and Protection of Privacy Act, there is a clause that allows the commissioner to comment on policy and proposed legislation. The BC Lottery Corporation had a significant role in shaping government policy on casinos and video gaming. One participant reflected on a CEO of the Financial Institution Commission, who, in their five-year
tenure had a “huge influence in terms of economy and industry in Asia”. Despite this increasingly influential role, the public and stakeholders will look to government and its political leadership as holding the ultimate accountability for decisions and actions by its arms-length entities.

**Accountability**

A main concern arising from agencification is the problem of accountability; how to make agencies independent and at the same time answerable for their choices and outcomes. The need is to find a workable balance between organizational flexibility and control. Many authors have noted that *de facto* autonomy of agencies does not necessarily fully correspond with its formal autonomy (Hanretty & Koop, 2012; Maggetti, 2007; Verhoest et al., 2004; Yesilkagit & van Thiel, 2008). Substantial research efforts have been invested in mapping the autonomy and control of agencies across Europe and beyond through comparative exercises or surveys of agency managers (Bianculli, Fernandez-Marin, & Jordana, 2013; Gilardi, 2008; Jordana, Levi-Faur, & Fernandez-Marin, 2011; Verhoest et al., 2012) showing high variation across and within countries.

My research results are consistent with the literature in that underlying discussions on governance mechanisms is the concept of accountability. Respondents in both BC and Ontario spoke extensively about the types of governance mechanisms and changes governments having been implementing to better manage its accountability relationships. Within this context was a focus on government discussions and approaches with respect to how an agency should be governed and the mechanisms to ensure accountability for results, financial
outcomes, responsiveness to clients and stakeholders, as well as public policy. The focus on enhancing agency governance frameworks in both BC and Ontario point to efforts to improve accountability and oversight.

Clarity in board structure, appointments, roles and responsibilities, and the controls in place to oversee agency performance (planning, reporting, independent oversight by legislative officials) are key measures to increase accountability and control in the governance relationship. More is being done in the board selection process to ensure directors are educated about their role in a public agency and how government operates. This is important in terms of maintaining alignment between an agency’s mandate and operations, and government strategic direction and goals. The use of board manuals, training and orientation includes education on how an agency interacts with government, as well as the need to keep government informed according to a “no surprises” approach to communication (Lofgren, Macauley, Berman, & Plimmer, 2018).

A study in the New Zealand looked at the perceptions of autonomy in Crown entities using surveys of retired Chief Executives (Lofgren et al., 2018). The authors found that while many respondents acknowledged the legal and constitutional aspects of autonomy, they recognized that the Crown was a part of the overall machinery of government – indivisible. This was a common perspective with the respondents in my study. Even though the system of accountability is increasingly based on written agreements, it rests on “prescriptive principles around trust, ‘no surprises’ and negotiated expectations” (p.683). The building of this trust is an ongoing dynamic in agency governance and bears further scrutiny given that
agencification, as one continuing thread of NPM, is alive and well, and continues to shape the future of the public sector in Canada.

**Conclusion**

The results of this study clearly show that NPM roots have taken hold in Canadian public administration as evidenced by the interview and documentary data gathered. While there may be ebbs and flows in the creation of arms-length agencies as defined in this study, governments continue to look for creative ways to deliver services amid the continued demands by the public and stakeholders. The challenges of agencification also remain but have been mitigated by changes to governance and control mechanisms. At the same time, governments are increasing their risk of fragmentation, lack of policy coordination, and risk to strategic goal attainment given the growing span of control resulting from the continued distribution of public governance and the creation of new levels of agency bureaucracy. These demands must be addressed in an increasingly complex environment where global trade; the intertwining of finances and economies; international politics; social pressures and inequities; and the driving pace of technological, information and communication change, make government choices increasingly difficult to make and manage. The concluding chapter offers some thoughts on the learnings from this research and a suggestion for theoretical development to support our understanding of how governments will continue to reshape themselves in light of the continuing trend in distributed public governance.
CHAPTER SEVEN

Conclusion: Thoughts on Shaping the Future of the Public Sector

Introduction

Wells and Salgo (2019) are emphatic in their contention that “distributed governance is the predominant overall form of public administration in Canada” (p.16) and results of this study do little to contradict this assertion. The data clearly show that governments of all political stripes continue to create more independent entities than they eliminate, while trying to find the balance between independence and oversight in an effort to facilitate performance, accountability and manage the impacts on political brand. This reality carries certain risks that must be effectively managed. Insufficient controls risk significant financial, operational, reputational, and policy exposure while too much control may undermine the purpose of arms-length entities, their performance and effectiveness and, ultimately, government’s reputation.

This chapter pulls together the learnings from my research and presents some thoughts on the state and future of agencification and on the trend towards rationalization of agencies. It also speaks to governments’ efforts at finding the balance between autonomy and control and addressing the coordination and fragmentation that continue to emerge with the ongoing use of arms-length entities to deliver public services in increasingly complex, global, dynamic and technologically driven environments. It offers some thoughts on a theoretical approach that might better explain the choices that governments make around the creation, evolution and death of agencies in shaping the public sector. Following a short summary of key findings from this study, implications for the future of agencification are
highlighted with a view to advancing the research and theoretical agenda on public sector governance.

**Agencification**

Distributed public governance - the dispersion of government agencies and independent public bodies - reflects the different types of arms-length entities created and the variation in governance mechanisms that determine the length of the arm. The provinces studied, and indeed most Canadian jurisdictions, have not wrestled the classification issue to the ground in attempting to craft governance frameworks that address the inconsistencies that have arisen historically. This problem is exacerbated by the increase in arms-length entities. While there has been some rationalization of the types, names, form and functions of agencies in both jurisdictions, governments are looking for new ways to create agencies while balancing performance and accountability. In fact, this is what has been reported by Dommett and MacCarthaigh (2016) in their research on the UK’s non-departmental public bodies (NDPBs).

While NDPBs are subject to greater regulation, there are a “raft of new bodies such as mutuals and charities that deliver functions previously performed by public bodies but are not subject to the same regulatory processes” (Dommett & MacCarthaigh, 2016:254). MacCarthaigh (2012), found that Whitehall systems allowed for a wide variety of organizational forms given the “comparative ease with which organizations can be created to meet particular political or administrative needs” (p.854). Indeed, based on my knowledge and experience, this is the case in BC where government defines when a public entity is within
its control and then prescribes what control means, for example, the requirement to produce annual service plans and reports; being under the auspice of the Auditor General; and being subject to *Financial Administration Act* requirements. Subsequently, government has the flexibility to create an organization that is outside its control, despite its Crown agency governance framework.

Another aspect of agency dispersion supported by this study’s data, is the use of the corporate form for other than commercial or operational purposes. Like the UK situation, this indicates room for potential inconsistency in regulating the arms-length state as new models of service delivery are introduced outside the “control” of government. Evidence from this study and others suggests that agency creation can be politically motivated, further aggravating the risks associated with fragmentation, coordination, performance and accountability (Dommett & Flinders, 2015; Gyorgi, 2011).

The specialization involved in creating arms-length agencies has tended to increase the difficulty of coordination and the capacity problems of central government, problems likely to grow as governments continue to decentralize their functions (Pollitt & Bouckaert, 2004) including agencification. The fragmentation of public administration by growth, disaggregation, structural devolution, and the establishment of arms-length entities has shown to reduce central policy capacity (Christensen & Læg Reid; 2005) and increase coordination problems (Flinders, 2004b; Gregory, 2003). Management and oversight of the agency landscape becomes more complex with the need for both vertical and horizontal lines of accountability and control (Flinders, 2009; Verhoest et al., 2010). The expansion of accountability “chains” arising from extensive delegation, and the increased range of services
for which governments are ultimately accountable, can alter the character of the state (Dommett & MacCarthaigh, 2016), raising questions over a government’s capacity to exercise political oversight and control.

However, good governance is not just about better controls. It is also about better coherence and coordination with respect to multi-level and multi-partner governance; where issues reflect vertical and horizontal complexity. The limitations of a fragmented public sector to handle such cross-cutting complex and multi-actor/jurisdictional problems has been well documented. These impacts have not led to large re-patriotization of government functions but rather to changes to strengthen accountability mechanisms and reshape agencies through mergers, structural change and increased collaboration with government (Christensen & Laegreid, 2007; MacCarthaigh, 2012). In some jurisdictions, including BC and Ontario, levels of control have increased over time. These latest trends fit with the post-NPM movement or whole-of-government approach that tries to re-establish and strengthen coordination across the public sector (Dommett & MacCarthaigh, 2016).

**Politics, Principals and Agents**

The concepts of formal and informal independence have emerged in the literature to account for political influence and interference in agency relationships, policy making and operations (Bourdeaux, 2007a, 2007b; Hanretty & Koop, 2012, 2013; Maggetti, 2007; Yesilkagit & Van Thiel, 2011). Little attention had originally been paid to the differences between political oversight and partisan politics in the analysis of the relations between arms-length public organizations and their political environment, including the role of senior
bureaucrats (Egeberg & Trondal, 2009). However, this difference is evident in the results of my study which show that arms-length entities have not been exempt from political interference and influence. As one respondent noted “if something you did caused problems with constituents it often resulted in greater interest, involvement and intervention by government.” The development of governance frameworks has contributed to shifting the relational landscape in making political, policy and governance roles clearer, and the principal-agent relationship more transparent – at least on paper.

From the principal’s perspective, jurisdictions are putting in place measures to ensure boards of directors understand government, how it works, its priorities and how public governance works in the context of agency autonomy, control and accountability (Egeberg & Trondal, 2009). BC and Ontario, for example, have tried to address the political sensitivity gap through their board selection processes and by bringing in mandatory orientation and training for board members. Communications and issues management protocols are established pursuant to mandate letters and backed up with policies and procedures. The changing nature of the relationship between principal and agent, then, needs to be viewed as a dialectic and not a dictatorship.

From the agent’s perspective, there is a growing realization that their independence and success require them to be more attentive and responsive to government and political needs. Agency executives are coming to understand that survival increasingly depends on political savvy, building trust and “earning autonomy” (Behn, 2001). For example, the cementing of government relations skills into the fabric of their organizations is evidence of this new reality. Respondents were clear in their evidence that agencies that have better
relationships with their political masters are generally more successful in getting what they needed from government. In turn, they benefit government by contributing expertise to policy development, and being a positive part of a government’s brand by providing good service and being responsive to stakeholders while maintaining a fiscal balance. An emerging perspective around the changing nature of this relationship, is stewardship theory, which posits that stewards (agents) are motivated to act less on self-interest and more so on the collective goals and interests of their principals (Schillemans, 2013).

While beyond the scope of this research, it is worth future exploration and research to determine if this represents a more permanent shift in public agency governance and whether the results enhance performance and accountability more efficiently and cost-effectively, thereby ensuring their organizational and political longevity. What is also lacking is a better understanding of the role of individuals and personalities on principal-agent relationships regardless of the formal mechanisms of control in place. Similarly, there is a need for additional study of the political influence on agency governance decisions as it relates to the current rationalization trend.

The Rationalization Trend

One trend in BC and Ontario, like many OECD nations such as France, the UK, and like the Central Eastern European countries (Verhoest et al., 2012), has been the rationalization of agencies. Agencies are reshuffled, renamed, merged, re-categorized in legal or policy types, or in some cases reintegrated into other entities or back into government departments (Dommett & MacCarthaigh, 2016; Elston, 2014). Part of this trend includes the need for
clearer criteria for establishing, managing and dissolving agencies. In response, both BC and Ontario have established governance frameworks which specify requirements before a government function can be hived off into an arms-length body (“agencified”) and attempt to address accountability and performance requirements. Despite the intermittent focus on agency rationalization, the number and types of agencies continues to increase in both Canadian jurisdictions. As a result, research has shown that structural devolution will likely change and weaken the instruments of control, increase the distance between the political leadership, government bureaucracy and its arms-length entities, and increase political risk (Christensen & Laegreid, 2005; Hanretty & Koop, 2013). This last issue was a substantial theme in the interview responses and while spottily raised in the literature, it is worth exploring here in relation to the concepts of formal and informal independence.

Inherent in the concept of formal and informal independence is the notion of political influence and interference with an agency’s independence and, ultimately, its performance. This issue also raises the question of an agency’s political sensitivity, that is, its understanding of a government’s needs and priorities and its ability to respond in a way that meets those needs. Politically savvy public entities, their boards and executive, know that they need government support to succeed and survive. The complexity of factors that affect the success of the relationship between principal and agent, and the rationalization of agencies, also contribute to the shaping of the public sector as it relates to the creation, evolution and death

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of agencies. Ecological theory offers some insight and potential research ideas for better understanding how the public sector may be shaped by the choices that governments make with respect to agencies.

**Ecological Theory and the Agencification Landscape**

*Key Concepts*

As this study has shown, multiple factors influence the choice of public sector organization, structure and governance. It also confirms the rationale for establishing arms-length agencies that have long been touted in the literature and the challenges that have accompanied agencification and distributed public governance. What remains is the need to better understand the dynamics of governance that impact the successful implementation of the system of agencies that deliver public services on behalf of government. One little explored approach that may shed light on the evolving structure of government and processes of governing, is ecological theory which purports a fundamental view that organizational change is about interorganizational relations (Osbaldeston, 1993; Trist, 1977).

Until the mid-1970s, the prominent approach in organization and management theory was organizational ecology which emphasizes the influence of institutional environments, especially their organizational density and resource availability, on organizational behaviour and viability (Abbott, Green, & Keohane, 2016; Baum & Shipilov, 2006). In this view, as environments change, organizations alter appropriate features and strategies to realign their fit to environmental demands (e.g. Chandler, 1962; Child, 1972; Lawrence & Lorsch, 1967).
Organizational creation, transition and “death” figure prominently in organizational ecology because they affect the relative abundance and diversity of organizations.

An alternate approach to studying organizational change, population ecology or natural selection, places more emphasis on environmental selection processes (Aldrich 1979; Aldrich & Pfeffer, 1976; Hannan & Freeman, 1977; McKelvey, 1982). In the population ecology model, various organizations in the organization-set have relations with other organizations, which overlap in their relations with still others, *ad infinitum*. Trist (1977) identified the evolving nature and pace of change driven by technological innovation as key factors in an increasingly “turbulent” and uncertain environment. Bureaucratic organizations struggle to adapt to more complex, inter-dependent and rapidly changing environments in the face of complexity and uncertainty. Environmental uncertainty and complexity are no less relevant in today’s environment as governments continue to grapple with emerging socio-techno-cultural confluences.

There is a subtle relationship between selection and adaptation and Astley and Van de Ven (1983) offer a reconciliation of these divergent perspectives, suggesting that they are in fact complementary. Adaptive learning for individual organizations consists of selection among behavioral responses. Adaptation for a population involves selection among types of members. More generally, processes involving selection can usually be recast at a higher level of analysis as adaptation processes. Organizations often adapt to environmental conditions in concert and this suggests a systems effect. Selection in favour of organizations with one set of properties to the disfavour of those with others is often an adaptive process (Aldrich & Pfeffer, 1976).
Organizational change, then, should be examined at both levels: selection at the population level between competing organizations and selection at the organizational level between the variations internal to the organization. While individuals and organizations need to be contextually defined, they can arguably reflect micro, meso and macro analytical levels consistent with Edwards et al., (2012) governance model.

Applying Population Ecology to Public Organizations

This study, like much of the public administration research, has reflected a rationalistic conception of what determines organizational survival (Peters & Hogwood, 1991). More attention needs to be paid to the dynamics of the population of organizations that comprise a whole government or public sector population in order to better understand the choices that government makes and the impact of those choices. Ecological models offer some potential in their application to the public sector.

Peters and Hogwood (1991) took a unique approach in examining population ecology models for public sector organizations. They believed that understanding the public sector environment is key to predicting “survival functions” (Peters & Hogwood, 1991:91) and ultimately how governments reshape themselves and choose the structures that best meet their needs or fit their environments. Additional complexity in public sector environments may be a result of the greater ability of public sector organizations to influence or even in some cases, manipulate their environments (Hogwood & Peters, 1991). This perspective begs a better understanding of public sector environments and their influence on organizational choice.
Peters and Hogwood (1991) raised another key issue in public sector restructuring, reflective of the findings in this study about the political influence on the agency relationship: do environmental pressures dominate over more political reasons for organizational choice? (p.100) An example of the power of environmental pressures can be seen in the NPM responses to public and institutional pressures of the 1980s to reduce government waste, size and cost. While an ecological approach may not yet be able to predict which public organizations may change through succession or termination, it does speak to the general influence of environmental pressures on organizational choice.

The complexities of modern government systems in a global economic and social environment may well require the integration of adaptation and selection models to understand how governments respond to environmental pressures in reshaping their structures to achieve their goals. Organizations within a population may have different but overlapping environments so that different organizational forms and climates become appropriate for these parts (Lawrence & Lorsch, 1967). Given the current context for public administration, the ecological approach can reconceptualize public sector reorganization and structural change as a “response to environmental pressures” (Peters & Hogwood, 1991:103). An organization may engage in adaptative strategies while at the same time being pressured by selective forces in its environment.

Differing relations and forms of authority operate within the public sector population with governments perhaps exercising the most control and influence in their ability to decide the life and death of other public sector organizations; creating a different environmental dynamic than that of private sector organizations. Governments will be influenced by their
broader environment in the choices they make about organizational structure. This confluence of organizational and population environments lends itself to a conceptually integrated ecological model; a model with both adaptive and selective behaviours operating at both an organizational and population level based on the organization’s position in the population and its relative environment. Within this context that principal-agent relationships should be explored in relation to their contribution to shaping the birth, survival and death of organizations within public systems. Thus, it is key to define the environment from the organizational unit’s perspective in trying to understand the influences that shape decisions on public sector structure.

**Challenges in Understanding the Evolution of Public Sector Governance**

In reflecting on my research questions a few summary points will help focus the results. Evidence suggests that the use of arms-length entities, as a vestige of NPM, has been and will continue to be a part of the Canadian public sector landscape (Wells & Salgo, 2019). The research and results of this study show that governments still struggle in defining the public sector and classify its organizational components given the lack of definitional and classification consistency across organizational and jurisdictional boundaries. The confounding of form and function given the increasing use of arms-length entities, adds little to resolve the definitional and classification issues. Consistency is necessary for theory building and developing an analytical framework to explain the trends and shifts in public sector governance.
The provincial governments examined in this study, while using the two general forms of agency and corporation, continue to create entities with different names and functions regardless of the form. Corporate entities are not just commercial or “companies” in the private sector sense. They are also created as non-profit organizations often established under a Societies Act or similar statute. Like agencies more generally, public corporations fulfill myriad functions including advisory\(^{59}\), administrative\(^{60}\), operational\(^{61}\) and regulatory\(^{62}\). There is little discernible rationale, given the data and governance frameworks of both BC and Ontario, for the establishment of corporate entities versus non-corporate entities, regardless of function. This lack of consistency hampers research and the ability to track, compare and analyze trends in agencification and better understand the implications of the evolving shape of the public sector.

Regardless of form or function, the rationalization and tightening of controls in the governance of these entities reflects a learning process by governments as they struggle to address the challenges of fragmentation, principal-agency, lack of system coordination, reputational risk and alignment of the policy arena. Similar to other private sector adaptions in the public sector, governments have also become more concerned with, and adept at, managing their political reputations or brand (Marland, 2016; Marland, Lewis & Flanagan, 2017). The conceptual development of political brand includes the notion of government control of image and information. The proliferation of smartphones, digital media and

\(^{59}\) BC Heritage Trust
\(^{60}\) BC Law Institute, BC Renaissance Capital Fund Ltd, Northern Ontario Heritage Fund Corporation
\(^{61}\) Partnerships BC, Ontario Royal Botanical Gardens
internet connectivity continues to significantly influence governments’ response to issues in terms of their political brand (Marland et al., 2017). Study participants identified the importance of political brand recognizing that successful agencies, those that survive and thrive, have improved their sensitivities to the personalities and politics at play in the governance relationship. The distribution of public governance, then, weakens government control and increases the risk to political brand, necessitating a shift in governance structures and mechanisms in order to better manage the impacts to a government’s brand.

Political behaviour, political ideology and the role of personalities, and organizational culture have all been identified as potential impediments to good governance. In addition, global economic, social, political and environmental challenges continue to press governments in their ability to adapt to turbulent and uncertain conditions. This raises Trist’s (1977) warning that governments will grapple with adapting to more complex, interdependent and rapidly changing environments in the face of uncertainty. The literature has struggled with this complexity; experiencing a stunted growth in theoretical and conceptual development in public sector governance and the ability to explain how and why it changes. State size and scope is important. If it cannot be defined, then it cannot be held to account. Nascent writings on ecological theory’s application to the public sector have received little traction yet hold some potential for understanding how governments evolve in the context of distributed public governance.

Integrating ecological theory’s two perspectives, adaptation and selection, provides a promising framework for understanding and explaining the factors and relationships that shape the public sector. It allows for an integrated analysis of the dynamics of organizational
populations while considering the factors that influence the choices made by governments in the creation, survival and death of arms-length entities. Those factors would include political ideology and behaviour, personalities and performance; all of which are key in principal-agent theory and attempts by government to address the challenges that flow from the principal-agent relationship. Implications are further discussed in the concluding section below.

Findings Highlights

The results of this study offer many insights for further research to understand the impacts of changes in the nature and structure of government, and the implications that flow from distributing public governance. The key findings of this study suggest that:

1. The governance structures in Canada continue, increasingly, to illustrate a broad range of arms-length entities to deliver a breadth of services and functions, with little consistency in the rationale and structure for their creation.

2. New governance controls and mechanisms are being implemented to address issues of performance, accountability and political brand as the shape of the public sector continues to evolve.

3. The independence of arms-length agencies is more myth than reality. Ultimately governments are accountable for their delegation of authority and this reality has and will continue to influence the relationship between government and its arms-length entities.

4. Politics and individual personalities matter. Despite governance frameworks and mechanisms intended to prescribe the accountability relationship between government and arms-length entities, individuals on both sides of the relationship can have a significant impact on agency performance and viability.

What remains to be explored are the implications of these changes on public administration and policy.
Implications for Public Sector Governance

The composition of public sectors has shifted over the last 40 years from the nascent focus on agencification flowing from new public management, to an increasing focus on the distribution and control of public sector organizations (Flinders & Tonkiss, 2016; MacCarthaigh et al., 2012; OECD, 2017; Zaato, 2019). New public organizational forms have emerged and continue to do so in the Canadian context. Governments, despite their attempts to rationalize the number and types of agencies, have relied on their growth and efforts to address the challenges of fragmentation, coordination, performance and accountability. In some respects, the process of agency rationalization and increased government control has led to a more complex environment, with increased numbers of actors, evolving government capacity and resourcing needs, and new skill requirements in government relations, collaboration and policy engagement (Dommett & Flinders, 2015; Dommett & MacCarthaigh, 2016; James & van Thielen, 2010).

However, research and theoretical development have lagged with respect to understanding how and why governments make decisions about the use of various organizational forms and evolving governance mechanisms. The factors leading to change in the organizational structure of government are important to analyze because government agencies influence whether and how policies are implemented within a political context (Lewis, 2002). Regarding theoretical perspectives, future research should focus on multiple forces at play in determining the changing structure of the public sector (Verhoest & Lægreid,
Several factors or determinants of change may be examined to find out which have the greatest weight in influencing the longevity of public sector organizations. Such factors as political ideology, political behaviour, performance goals, policy or decision-making independence, and financial and economic pressures (Adams et al., 2007). Additional research, then, could focus on the specific factors of organizational change within a defined political or administrative system, providing a conceptually integrated approach based on ecological and principal-agent theories.

The continuing shift to the use of various organizational forms in public governance requires new theoretical models to help understand the evolution and changing shape of the public sector and the implications for performance and accountability. Ecological models of organizational change offer further scope for understanding the evolution of public sector organization based on an integrated approach to adaption and selection concepts. Ecological theory also helps by focusing on populations and addressing the abundance and diversity of organizational populations, their evolution and cycles of growth and decline (Abbott et al., 2016), the environments in which they exist, and their influence on organizational choice. More specifically, organizational ecology emphasizes the process of selection through which some new forms succeed while others fail, evolve or die. Selection is driven by the institutional environment, which, in a public as opposed to private sector context, consists of more than the focus on resource scarcity as is the case for private sector organizations. This is key in developing a model of public sector evolution and governance the considers multiple organizational contexts, as well as the relationships between players, as key factors in determining organizational and system longevity.
In considering the future of distributed public governance in Canada, a range of ongoing challenges arise from the continued diversity of the public bodies created by governments. MacCarthaigh and Roness (2012) believe that the “single greatest obstacle to further research concerning...change in public sector organizations is the absence of a uniform definition of what constitutes (different types of) public sector organizations” (p.849). Terminological and methodological problems persist when determining what constitutes organizational change and how it can be usefully mapped. Mapping of the public sector landscape means understanding the scope of all entities in which government has a stake – whether they fall within defined parameters of control, or not. Robust mapping would facilitate greater exploration of the link between changes in organizational structure and other types of resources and what the public sector organizations do. Without this constancy, public sector governance will remain a moving target, and with it the elusive outcomes of accountability and performance.


http://www.elgaronline.com/view/edcoll/9781782548492/9781782548492.00052.xm


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DOI:10.1177/0275074005282583.


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Jordana & David Levi-Faur (Eds.), *The Politics of Regulation* (). Northampton, MA, USA: Edward Elgar. DOI:10.4337/9781845420673.00021


https://doi.org/10.1057/9780230625365_4


Appendix A: Tables and Figures

Table 10: BC - Net Number of Entities Over Time, by Institutional Form

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<td>F Significance F</td>
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<tr>
<td>1989</td>
<td>41</td>
<td>113 Regression</td>
<td>1 1996125</td>
<td>1996125 178 485 1.44937E-08</td>
</tr>
<tr>
<td>1995</td>
<td>46</td>
<td>161 Residual</td>
<td>12 7385468</td>
<td>611 0233</td>
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<tr>
<td>2001</td>
<td>51</td>
<td>177 Total</td>
<td>12 1452056</td>
<td></td>
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<tr>
<td>2004</td>
<td>56</td>
<td>352</td>
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<tr>
<td>2011</td>
<td>61</td>
<td>248 Interact</td>
<td>Coefficients</td>
<td>Standard Error</td>
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<td></td>
<td></td>
<td></td>
<td>-42.267813</td>
<td>12.82075</td>
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<td></td>
<td></td>
<td></td>
<td>Year indexed to 1950</td>
<td>4.3810989</td>
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</tbody>
</table>
Figure 3: BC - Cumulative Total of Public Entities Over Time in BC

Figure 6: Ontario - Cumulative Total of Public Entities Over Time
Appendix B: Interview Guide

Interview Guide

Introductory script in explaining the purpose of the study

The general purpose of the study is to examine the nature, scope, powers and effects or implications of agencification and distributed public governance in Canada, as an aspect of the broader debate surrounding the future of public governance. In this project, I am interviewing current and past senior government officials from B.C., Manitoba and Ontario, as well as independent agency heads, to gather data about the creation, oversight, management and implications of independent agencies.

I have 7 general questions which ask for examples of experiences or observations you have had that illustrate the nature of the public-private intersection and the visibility of those relationships to the public.

Please be assured that all information provided will be kept STRICTLY CONFIDENTIAL. Your name will never be associated with any of the comments you make and examples will be written so as to anonymize the contributor. Also, your participation is voluntary and you can choose not to participate or withdraw at any time.

We are simply interested in the collective responses of a number of people who offer knowledge and experience on this issue.

The questions I will ask are open-ended. In responding, I encourage you to reflect on your experiences and where appropriate provide examples to illustrate these experiences.

I intend to take your responses, and those of other interviewees and collate them together with an intention to develop a better understand of your experiences.

Any Questions?
Okay, let’s begin.
First, can you briefly describe your senior government roles and responsibilities, and in particular in relation to the creation, management and oversight of independent agencies in your past government roles.

Second, describe your experience with various organizational forms based on your past government experience.

- What types of interactions with independent agencies did you participate in or were aware of during your time in the public service?
- How did the government of the day prefer to interact with independent agencies?

Third, think of how government decisions were made about independent agencies or the structure of government more generally.

- What criteria were considered?
- What were the most important factors considered and why?

We want to understand the nature of government decisions with respect to agency creation, oversight and governance.

- What were the pros and cons of agency creation?
- Can you describe the discussions around the governance mechanisms considered?

Fourth, in your experience, how has the relationship between government and independent agencies changed over time?

- Give examples to support your view
- Do you think the values of government have changed and if so, in what ways?
- How do you see the shape and scope of government currently in terms of central and formal government (Ministries, central agencies and internally created agencies, etc.) versus those that have been created and structured to have some level of independence from government, regardless of function?

Fifth, what have been the impacts of the changing relationship between government and independent agencies, if any? How would you characterize the impacts?

Sixth, what role do you believe that independent agencies have played in implementing government policy? How have they contributed to the reshaping of government?

- Shaping public values in today’s more complex policy and management environment
- Performance
- Accountability
• Capacity
• Efficiency and cost

Seventh, where do you see the relationship going and what are the challenges governments much meet in the future?
Appendix C: Interview Responses

Each table presents the responses from BC and Ontario interviewees based on notes taken on a laptop computer at the time of the interview. Responses are verbatim to the extent possible. The total number of BC participants was 17 while Ontario was 15. Each table specifies the number of responses for each jurisdiction under the sub-theme.

TABLE 1: Experiences illustrating types of interactions with independent agencies (Q2)

<table>
<thead>
<tr>
<th>Question Element (No. of respondents commenting per province)</th>
<th>BC</th>
<th>Ontario</th>
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</thead>
<tbody>
<tr>
<td>Political influence BC – 6 Ont - 11</td>
<td>- With colleges, the Minister can fire the President whereas this isn’t possible under the Universities Act. Government’s power is limited with agencies out of government impacts the outcomes. - With respect to ICBC, there was joint effort by both ICBC and the Ministry to move things forward….With respect to the BC Ambulance, which reported to a Board, there was a lot of interest from the political side, more in-depth than most Crowns. -With the BC Innovation Council in the early 2000s. the Liberal government created internal agencies, the Crown Agency Secretariat and Board Resourcing and Development Office, and guidelines to better manage and oversee these entities. These functions were centralized in the Premier’s office at that time. The respondent noted that “government took the position that they valued private sector expertise” and became more controlling through the 2010-2012 period…. - The creation of the Motor Vehicle Sales Authority and Consumer Protection BC, was a direct result of core review outcomes…. There was evidenced of gutting of the BC Human Rights Commission as Government had zero respect for the work of that body. -The Liberal government created a lot of nervousness with respect to the</td>
<td>- At the political level, want Minister to avoid interfering outside their authority. Occasionally get a Minister’s office that pushes back, not satisfied. Gets tricky if political level persists in influencing or directing entity where they don’t want to and operating within its own autonomy and discretion. - When Conservatives elected, provided notes to Ministers; some wanted to meet with me until Premier’s staff didn’t allow it. - Policies still done by Minister. Agency did the assessment based on their methodology; administrative arm. Even then the Minister would get involved; Despite separate governance and MOU, the government of the day intervened when they felt that decisions were not decision they could support. Liberal government Chair was part time and the government wanted to increase student achievement. When Ford government came in, Chair became full time and the government put in someone who lost in the election. Always a look at the stripes of an appointee. As a member of a pension board you would never ask political questions. - Education Quality and Accountability Office – McGinty infused money into universities then froze tuition.</td>
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</table>
Indigenous relations file and were very active and engaged in the mandate of the BC Treaty Commission.

- The lack of philosophical alignment can cause tensions and requires an adeptness at managing different personalities. All politics is personal – culture eats policy for breakfast. As it gets closer to an election, politicians get more sensitive to stakeholder interests and how agency decisions impact them.

- Janey’s a friend and we’re going to put her on a board. Some CEOs/Chairs disagree, and they get offed.
- Stuff coming from political arm always coming in.
- Political side of appointments; government would do their best to ensure they (appointee) wouldn’t have been problematic.
- Different interactions between political representatives and agencies. Minister’s office depended on the agency and how important it was from a political policy perspective e.g. Labour Relations Board. Ongoing political issues, political interest and Minister’s office would keep in touch at Chair level and I would keep in touch with CEO. Relationship depended on how large agency, related to political agenda and stakeholders.
- Often government of the day would look to people who had same values, philosophy, network. LCBO – put in Ed Clark (TD bank chair), George Cook – had good skills but also known by government. New government got into controversy with new appointments but put well qualified people into key positions; less critical positions they put in people they knew well. But in balance they put in people that knew the job;
- Some governments, young, inexperienced ministerial staff sometimes cross the line and do it more often if predecessors haven’t clued them in.
- Political direction to those agencies funneled through senior public servants. Patronage, short term appointments…when they came up for renewal, government changed etc., they paid attention to what was in the newspapers; degree of
### Individual or personality influence
- so many things...depend on individual Ministers and even political staff”. But it is not just political individuals and personalities reflected in the feedback by participants, Deputy Ministers may be more or less consultative.
- Relationships depend on personalities whether positive or negative: the Minister was clear that they [sic] were to be kept up to speed from early stages of policy development...and wanted to consult with stakeholders on the substantive stuff.
- There were occasions where an agency executive got on someone’s nerves and senior members of government would say don’t send that person back to me. Some agency executives were more astute and knew how to work the ministry and better understood how to engage with government. Those members of agencies who understood government were better able to manage their relationship and performance.

### Ideology/ Priorities of government
- Some of the initiatives related to in part are not the same for the other. The NDP is more in favor of housing affordability and the Liberals are in favor of economic development
- Agencies have been set up as arm’s length from government so decisions are made without undue political influence. When relationships are strong it is possible to work through the vagueness of accountability.  When

| **Individual or personality influence** | independence questioned by agency. Political seasoning, Auditor General criticism etc., government would sometimes need to appear to take decisive action e.g. changing Board with political supporters. |
| **Ideology/ Priorities of government** | - Occasionally get a Minister’s office that pushes back, not satisfied. Personal relationships involved. - Point is the relationship between organizations and government – personal; if they don’t understand their roles and objectives then MOU won’t matter much; between senior civil servant and agency head – different accountabilities. - Often the leaders are attracted not from the public but the private sector; lots of stuff swirling around so important that they line up on the same page; leadership, policy, Board/CEO need to be aligned with government and Minister or problems downstream. - All won’t work well as you’re dealing with personalities; good relationship develops and that’s when things happen. - The other issue is a stylistic preference; some Ministers regular relationship; all political office holders had clear understanding of relationship; doing things above board to avoid perceptions of impropriety. - Depends on personalities and history of organizations. |

| **Ideology/ Priorities of government** | - We were forcing ministries to see if they needed some agencies; bunch of silly ones; tough to convince Ministers and ministries to get rid of agencies. Numbers change on a minute by minute basis. - Achieve the purpose without expanding government. - mid-80s, Ministry of Financial Institutions in Ont – arose as gross mismanagement of some financial |
they are not working well, “it was a huge source of conflict”
- The Liberal government was much more interested in moving things out; getting them away into arm’s length relationships. The NDP was not as concerned about that. Sometimes the political motivation was to distance government from tough decisions, but the reality is that government is still accountable e.g., issues with BC Hydro and ICBC.
- Around a change of government, everybody associated with previous government got tainted. An example is the Labour Relations Board (LRB), which was seen by both the NDP and Liberal governments as a “very divided world”. Numerous examples exist from around BC’s Cabinet table where the advice of independent agencies was viewed with deep mistrust and a misunderstanding of that world.
- When sectors became aware of government changes it was interesting to watch how they organized, and factions would often arise. For example, motor dealers very adeptly capitalized on connections they had during the reshaping of consumer protection from a government department to an independent agency outside the ministry structure.

<table>
<thead>
<tr>
<th>Changes occurring (relationships, personality, leadership)</th>
<th>BC – 3</th>
<th>Ont - 2</th>
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<td>- In the 1950s the way of doing municipal government was an airtight compartment for municipal services; a clear boundary on when to check with the province. Over the course of the 1970s-1990s municipalities pushed for more independence and the ministry lost the logic of the system. Over time, those rules came to apply to local governments and the provincial government got rid of airtight compartmentalization and it changed the relationship</td>
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<td>- The previous government (Liberal) wanted more value for less</td>
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<td>- in new organization, may need to repair bad relationships, more awkward</td>
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<td>- agencies reformatted with government unhappiness – often perceptions of performance problems with agency; agency with Board newly appointed – they could expect to be fairly independent and when criticized about an action their independence supported.</td>
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government. The current (NDP) government is the friend to agencies. In later time, the government decided it was going to fix the non-profits; people in the agencies had to show how they could work with other agencies. The longer I was there the more complex it became because government wasn’t open to what and why they were doing it.

- Governments are starting to move more in BC’s direction e.g. delegated administrative authorities, like the Bereavement Authority in Ontario. Saskatchewan has added more functions to its finance DAA; integrating financial agencies under one entity and giving it more independence.

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<th>Modes of Management and Administration: Governance, control and coordination</th>
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<td>BC – 3</td>
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<td>Ont - 11</td>
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Some consistency given the guidelines; Crown to be responsible for the day-to-day operations, critical decisions on budgets, annual cycle of service plans. Government has tried different mechanisms of control and coordination of the Crown agency sector with various degrees of success. Cabinet Committee on Crown Corporations existed but didn’t do anything to harmonize or address the achievement of common goals. No one bought into the model. When the Crown Corporation Secretariat was created, it resulted in some hostile relations with Crown corporations. One respondent noted that there can’t be too many power centres in government, like Campbell who tried to run everything. There has been a tendency to create new organizations and if we don’t like them, we don’t dismantle them, we just create new ones. However, this isn’t the experience of everyone. Key agency such as the Human Rights Commission and the Public Service Commission were eliminated for various reasons including being seen as highly

- In roles outside oversight – try to deliver some policy initiative or reform through the agency. E.g. Ont Lottery and Gaming Corp putting together gaming strategy. We tried to collaborate to meet government objectives. Key thing that all ministries looking for is good communication, strong, proactive, transparent, no-surprises, loyalty to Minister and govt of the day; Ministerial accountable so entity needs to think about government interests and expectations. Always operate in the spirit and intent of how government holds itself accountable. Collaborative relationship; open and transparent.

- Citizenship and culture – lots of conversations about degree of accountability that government should acquire. Michael Gallery was a very public fight in Ontario. Had a publicly appointed board; public battle as to how much control the board had and could exert over the founders. Enormous range of considerations as to how much it should be politically controlled,
inefficient, ineffective and costly. One respondent noted the significant interaction with Cabinet and government on legislation and what it wanted to create. Still a desire for accountability, evaluation, management but much stronger focus on partnership and funding; see efforts to understand the problem.

<table>
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<th>outside control of Minister and Ministry of the day.</th>
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<tr>
<td>- EQAO – part they were fighting about was annual report and how that was presented to government. Planning is a massive study in government’s push and pull; in government’s giving authority and tying hands; done through legislation and processes.</td>
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<tr>
<td>- Helped create a risk management process; now have all agencies reporting in on a regular basis following a risk profile. Go before treasury board on a quarterly basis – report on agencies, ranked low, medium, high; talked about risks, changes in place and mitigation strategies. Government made mandatory, as a condition of appointment, the attending of a 1-day training/orientation session if you were appointed to an agency, board or commission. Every now and then some appointee felt they were smarter than anyone else and didn’t need orientation; either I or someone in the Premier’s Office had some challenging conversations with these people. They had to do the orientation, or we’d find the next appointee. Very effective tool for dialing down the risk for government.</td>
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<tr>
<td>- As a provincial public service – few agencies independent. Overall, province sets framework and has tools to influence arm’s length agencies. How long is the arm? Metrolinx very closely held as objectives closely connected to policy and direction of government. Success of Metrolinx drives success of government. Closely held and arm quite short. Even in one ministry, different ways that government holds close or keeps distant from agencies. Some exceptions – if</td>
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agency performed regulatory or judicial role – more distinction between government and agency e.g. Ontario Energy Board (quasi-judicial regulatory function) – more strength in stabilizing distance but ML was closely held. DM discussed CEO appointments and it was discussed but never changed; in place since 2006; binds CEO to government in a way that’s different; somewhat unusual process; most important relationship between CEO and Board/Chair, With CEO’s appointment by government it can potentially muddy up those relationships.

- For me what matters is the legislation that has been written when it comes to agency governance and understanding your role. Must understand what’s been put down on paper. Sometimes if it’s written too quickly you pay the price. Scandal (OLGC) - showed a Minister that wasn’t on top of it; one ADM knew but didn’t let DM know. CEO of agency removed. So much went wrong. Resulted in leadership changes; creation of oversight team. Impact in agency oversight and everything in the Ministry changed; people lost jobs; confidence lost. All the points of articulation must be captured in the MOU. We all know that when something goes wrong it’s the Minister that will be held accountable.

- When in political office can be significant attention to appointments, quite regular. One big change is a move towards digitization of appointments process for transparency; changed scrutiny by journalists, more accountability.

- Arm’s length means don’t control; they would set the mandate in legislation, government set policy
but didn’t tell them how to raise premiums; independent but closely working with government.

- As DM, I wanted professional, skill-based boards. Often government of the day would look to people who had same values, philosophy, network. Wasn’t blatant political appointment; LCBO – put in Ed Clark (TD bank chair), George Cook – had good skills but also known by government; comfortable working with them; focus on skills.

- For most organizations there’s been a statutorily defined distributed power. Spend a lot of time educating ministers, ministries.

- Accountability agreements: CEO/head of agency (Chair) and Minister’s office, sometimes Premier’s office. Sometimes aware of it and sometimes not depending on nature of relationship between agency and ministry. Agency got into difficulties and I took on Chair while they mopped things up. Had to put things right, including supervision of staff – changing staff and new performance standards. Took directions more closely from Minister’s office; independence starts to erode with lack of confidence by public and Minister takes charge. Lots of time with Minister’s staff and Ministry; some resistance as work had been done by Ministries in the past.

**Modes of Management and Administration:**

**Interactions/relationships between agencies and government**

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<th>BC – 4</th>
<th>Ont - 12</th>
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<td>Various structured meetings were used to get the message out that government was serious about managing performance. It often felt like the layer of sand between two pieces of granite as Boards had little experience with government.</td>
<td>We have a rule of no surprises. If there’s an issue we’d communicate even it at midnight. Formally I meet with the Deputy Minister three times a year. We meet quarterly with Ministry senior management team and go through everything; progress, issues.... On top of that I meet with the ADM as needed or have a phone conversation. We try to have Chairs keep Ministers up to date. We have</td>
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are influenced by government and the Board.  
- Relationships between government, including Ministers, and agencies were dependent on issues relevant to the priorities of the day. Government might want to leave you alone as an independent agency but if something you did caused problems with constituents it often resulted in greater interest, involvement and intervention by government.  
- Evolution of the Crown Corporation Secretariat to the Crown Agency Secretariat (CAS) under the Liberal government (2001-2017) attempted to lay out a series of policies and processes for consistent treatment of Crown agencies across government. As performance measures were introduced, consequences began to be associated with agency achievement. Performance measures were geared to efficient operation rather than delegation of authority; removing them from the constraint of government budgets. 

three appointed members from government, and they share information with government on how the organization is governed.  
- Involved in technical oversight relationship and working with policy reform. Oversight relationship is always part of government and ministry accountability for overseeing the entity. Always a document, agreement that captures all responsibilities and expectations of the relationship. Minister can give direction e.g. policy, sign off or approval, review, comment. Common scenario, someone calls Minister’s office and says the agency making life difficult...instinct is to call the Ministry about the entity. That’s fair, reasonable. We would get the facts then get out staff’s side of the story and the ministry plays a mediation role and reports back to the Minister’s office. Hopefully it ends there. 
- Different governments are different but my primary contacts were with Deputy Minister. Met every month with DM; episodically with group of DMs closely related to mandate. Met with other legislative officers; reached out on common issues to compare notes. Rest of the civil service: because of hierarchical relationship, they got the willies when I talked with other than the DMs. Given permission to talk to ADM whose expertise I needed. Lots of events where I would be at with Minister, DMs and other senior people and would have opportunities to chat there. Had elaborate research process to get information from Ministries e.g. notify and comment process with drafts. Asked for briefings on topics e.g. contamination then team of relevant staff would come and give
me briefings. My staff were in constant contact with Ministry providing information.  
- Agencies must understand department/Ministerial perspective to deliver on their mandate. Sometimes not an alignment between the two.  
- Many zero risk agencies such as the rabies committee that just made recommendations. Ontario Lottery and Gaming, Liquor Control Board – thousands of employees and millions of dollars at stake – more substantive things to say to Treasury Board. Minister is accountable and this is a public entity – Ministry and agency must work hand in hand to manage the risk. This caused enormous amount of stress, anxiety about Minister and Chairs appearing before TB. Turned out to be effective tool to drive home to Chairs and CEOs that you weren’t in this alone and not a private actor in the public space; you’re a public actor and you owe a degree of deference to the Minister of the day. Some CEOs/Chairs disagree, and they get offed. So, bringing them together, significant implications; you need to work together; enormously powerful to help clear up challenges that agencies perennially had. Most ministries had agency-relations people; one or more including branches that would ride herd on their ABCs – we would be in regular contact with them.  
- Pervasive interactions; monthly meeting between Minister, CEO, Board Chair and DM; talk about issues and general direction. Issue specific briefings with Minister.  
- You’re as good as your relationship with agencies e.g. Minister to Chair, Chair to Board, Chair to CEO, and CEO to DM etc. Chief of Staff to
Minister hound agencies all the time; level of knowledge of COS of agency governance and respect to Chair often not good, huge power, DM always trotting across hallways.

- we would get involved in a reactive way; always a range of reasons; statutory functions, annual reports that Minister had to sign off on, table in legislature; predictable windows, decision points. My personal interaction, supporting political office holders meeting with Boards; meetings with organizations, sorting through issues coming down the pipe; positioning policy with arm’s length agencies; firefighting e.g. energy pricing, bumpy up and down.

- Worked closely with agency heads, Ministers and their political staff. Try to facilitate good working relationships; some Ministers more hands on, staff in Minister’s office want to get more involved and DM plays a role. How do we sort out “need to know”? Role of senior public service is to trouble shoot – frequently. In my operational role took as much time as needed to cultivate relationships, call on the Ministry if they needed clarification. Important for agency heads to know that they had someone in public service at senior level they could talk to, give heads up, advise Minister.

- Fairly consistent in relationship between Minister’s office/Board Chair, and DM/CEO. There was documentation for the relationship, also reporting requirements to legislature which may or may not have been met e.g. out of date annual report. Delegated Administrative Authorities have administrative agreement. For Tarion, we relied on agency to provide consumer protection and if it’s not working well, government
wears it. Government has an interest in agency comporting itself properly; transparent; AA has components related to that: what the roles are, expectations of good governance.

- Arm’s length is where you don’t control the corporation, could be different ways; most we controlled e.g. OLG. We appointed the Board, consolidated financial statement. Hydro 1 was a Crown corporation but became an independent corporation, LCBO – Board appointed by government, WSIB was arm’s length, not consolidated under government books, government appointed Chair and CEO and other boards hybrid, province legislated control of Board. Ongoing relationship with these bodies on policy. Ways to interaction – legislation, business plan and Minister must approve the plan, mandate, here’s what we’re going to do, spend, to TB for approval. Mandate letters, almost directive to agencies e.g. LCBO – here’s what we want you to do for mark-ups; here’s how much money we want to make. A lot of it verbal between Minister/Chair and DM – ongoing briefings, correspondence, emails, phone calls. Better agencies have more frequent contacts, no-surprises policy, head’s up that something will require government approval.

- Principle agency was Ontario Securities Commission – it was shocked when I asked questions but developed good relationship with Chair. When there’s an agency that convinces a Minister about how to drive the train and design it, conflict with officials; way to address it is to recognize that each group, bigger picture thinkers, can complement. Newcomer seen as interloper and
competitor; must educate as to how to be helpful rather than hinder. - statutory relationship – an Act governs operations but sometimes an OIC; bloodless and antiseptic. Resources related – degree to which you control human resource policy, budget, revenue source – range of people think they can tell you what to do – some who could.

<table>
<thead>
<tr>
<th>Modes of Management and Administration</th>
<th>- Government had gotten more hands on and involved and directive in lots of ways, especially Health. Health Authority mandates were initially short and high level but have gotten longer and more prescriptive with respect to such things as expenditures and numbers of surgeries to be performed. - In setting up a new agency, government would look to make them self-funding with revenue coming from sources such as licencing fees in introducing greater degree of accountability - Government control ebbs and flows. The Liberal government was initially more interventionist, but the mode of governance was reconstituted as government moved to a more arms-length relationship and removed itself from day-to-day operations. A new NDP government made changes to put more stakeholders on boards and provide stronger direction for agencies.</th>
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<tr>
<td>Shifts in government control</td>
<td>- All stakeholders loathed Wastewater Ontario – Minister wouldn’t give direction and adopt regulations; no clarity of definitions and direction. Things went from bad to worse; after 15 yrs. of intense unhappiness, one triumph of Glen Murray, took the policy making back to Ministry and tried to make independent agency only responsible for implementation – not policy. Many, many programs that Liberals set up, Conservatives gave themselves immunity and took money back. - Role of Metrolinx changed; sense of government e.g. Liberal, wanted to create a framework for Board that separated it a little bit from political machinations of province/municipalities. Legislation amended to clarify that ML provides advice to government and government keeps final decision on investment and direction (advisor and executor of govt decision); evolution of the relationship over the last 4 years. The agency received letter of direction from province 2 times in 7 years; in last 3 years ML has received 10 letters from government; these are different than other annual mandate letters; must be in writing from Minister to Board. Other influences e.g. extension of HR practices and procurement, financial measures, from an administrative perspective.</td>
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<td>BC – 3</td>
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<tr>
<td>Enhance agency effectiveness, flexibility to respond to stakeholders - outside constraints of larger government and extending the accountability measures you become much the same as larger government, lose nimbleness.</td>
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TABLE 2: Criteria, important factors, pros and cons of agency creation (Q3)

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<tr>
<th>Question Element</th>
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<th>Ontario</th>
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<tr>
<td>Stakeholders, interest groups, public</td>
<td>- Acceptance by the public, stakeholders or an interest group will sometimes drive the interest in creating an independent agency. - Involvement of unions became a pivotal consideration given the labour relations impacts of moving government employees into an independent agency. - A key to managing the relationship with government was being able to translate industry needs back to them</td>
<td>- Stakeholder considerations – do they expect it to be delivered in or outside government. - Find ways to share authority; public trusts decisions if made by arm’s-length experts. - Lot of authority to unions/labour; trying to balance labour and business interests. - Government sets up arm’s-length agency to bring stakeholders and parties together. - Tarion – builder community saw themselves as owning that responsibility. Builders wanted to set up an oversight agency.</td>
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<tr>
<td>Economic, Financial</td>
<td>- Independent authorities like ferries, consumer protection and land titles were launched out of the Campbell government; economically driven. Liberals trying to cut back budgets and bring in more fiscal rigor. - There were big imperatives to shed staff - can it be put out and be financially viable. - Government created a tribunal as costs were getting out of hand. The discussion was about money and leveraging expertise. - Privatization efforts of Bill Bennett (Social Credit) were as a result of wanting to reduce the size of government by 25%. I had to determine ways that are more cost effective...and sustainable over time. - Fiscal management considerations trump everything at the end of the day. Under Campbell (Liberal) when debt to GDP declared to stay at 17%, that drove everything. We can talk about independence and decision making but if public money is going into them then the fiscal impact is everything.</td>
<td>- Niagara parks commission board established in 1800s to be entirely self-sufficient from governments; always self-funding. - Independent organizations could deliver services and be financially independent. - Government created these things for reasons, sometimes they wanted to make industry pay directly e.g. Grassy Narrows. - MPAC created-downsizing government – got rid of lots of staff (500-600) and saving money; they were going to be self-sufficient. Tempting for governments to approve them – see a small fiscal footprint. - Different motivations for setting up bodies, labour relations, human rights, financial. Operating agencies responsible for alcohol, gaming, cannabis...usually more of an economic rationale for establishing them. - Westminster model doesn’t lend itself to...commercial agencies. LCBO-lot of commercial transactions. Hydro 1 – impossible to be a government Ministry. - Most agencies self-funded; common interest with sector they interact with. - When they’re set up – they’re given fewer resources than would ensure they’re successful because they are carved out of ministries.</td>
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- They were created for different reasons e.g. financial and being outside the consolidated revenue fund.
- The dominant factor was government expenditures; the accounting framework – should government expenditures be in or out of government?
- Opportunity to reduce the size and cost of government; “take these off the government books”. Consolidating areas of consumer protection generates economies of scale.

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<tr>
<th>Philosophical</th>
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<td>BC – 7</td>
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<td>Ont - 7</td>
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<tr>
<td>- Creation of agencies partly philosophical; make government smaller; partly economical.</td>
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<td>- Liberals focused on privatizing; if this isn’t the business of government, get rid of it e.g. BC Rail.</td>
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<td>- Efforts of Bennett (Social Credit) focused on reducing size of government by 25%; a hard political number with no relevance to ministries.</td>
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<tr>
<td>- Fiscal management trump everything at the end of the day. Under the Campbell government (Liberal), when the debt to GDP ratio was declared to stay at 17% that drove everything.</td>
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<td>- Create fewer (agencies) was a goal of the Liberals. The Liberals wanted to save costs and money to do other things. The NDP had different ideas.</td>
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<td>- Affected things both ways – entities were outside and were brought back in.</td>
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<tr>
<td>- When we were created, factors included reducing red tape, the size of government, consolidation and the cost of government. From the late 1990s versus 2001-2016, Liberal government...very responsive to the marketplace. Expectations and level of depth different under Liberals. As an agency, the tendency was to inform policy and the NDP were more involved, deep, thorough, and less concerned about interference. More desire to get into relative degrees of protection.</td>
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- Sometime in the mid-1990s government looking at reducing size. Not because government wants independence but that it’s an appropriate service model for the industry. |
- Different parties value different things. Wynn devoted to good public policy, efficiency, principles that you read in terms of what is good public service; government that followed (Conservative) different; what they valued had nothing to do with principles of public consultation. |
- MPACT created – downsizing government; self-sufficient. A lot... due to spinning out agencies so that staff didn’t count. |
- Ontario Training and Adjustment Board, under NDP created board with regional representatives of labour and business to make decisions about training. Very much NDP thing then taken apart when Conservatives came in. Seen governments that are ideological – more interested in private sector delivery and less interest in government - lot of that. Only cynical things to say, somewhat impressionistic. |
- Desire to not grow size of government. Agencies that don’t count FTEs. |
- Sometimes decisions on agencies depend on political philosophy on the size of government. Government may want to get out of a service. Get out of bureaucratic rules – higher price tag.
| What it meant to business was not quite as important. | Financial Contributions to government (integrated with above criteria)  
BC – 1  
Ontario - 2 | - Lotteries and liquor...maximized contributions to government. The intent...was to see an increasing contribution by its Crowns.  
- Is this a function that should be done in government, or more ability to attract revenue.  
- LCBO – major economic development...huge revenue generator. NDP in 1992 created casinos to generate and exploit revenue. Governments will look at ways to generate revenue by creating these entities. |
| Personalities  
BC - 3  
Ontario - 2 | - Issues of personality; with respect to one agency, conflict resulted in disbandment.  
- Lobbyist registration was given to the Information and Privacy Commissioner because of personality issues  
- Debate around minimum wage. Some...Ministers adamant about not raising the minimum wage. When leadership changed (to Christie Clark) the first thing they did was increase the minimum wage. Often under the table were personality discussions; what’s going to play at the Cabinet table.  
- Expectations get set culturally and through personalities about where real power lies.  
- Chemistry important between Ministry and staff. Ministries work more/less cooperatively depending on Chairs. |
| Political  
BC – 6  
Ontario - 12 | - Under the Liberals, government would openly take money from us. Close to an election they’d use... healthy financial picture to help fund their election...told “this is what you’re going to do”.  
- Some evolution of great ideas to enhance an entity’s ability to deliver better...a lot of debate beyond the business case and more about the electorate’s desire.  
- Political optics were important as were the strengths and interests of ministers.  
- My agency could have been in government. It’s about lobbying elected officials, so we had to take it outside the executive branch.  
- Human rights area – Campbell blew it up, NDP brought it in again. Considerations for agencies included the level of influence government felt it needed to have.  
- Every new candidate (board) is a defeated Conservative candidate so not nearly as strong a skills-based on the board.  
- Is this something that the Minister wants to be directly accountable for (political) or arm’s-length for the Minister to say they’re accountable; they’re independent.  
- Programs Liberals set up, Conservatives “gave themselves immunity” and took money back. Enormous range of considerations as to how much it should be politically controlled; fashions change in government...created these things for reasons, sleight of hand. Different parties value different things.  
- Ontario Training and Adjustment Board, under NDP moved to create board with regional representative of labour and business to make decisions about training. Very much NDP thing then taken apart when Conservatives came in. Many of these things set up and evolve from original purpose for political reasons. |
- The people who were appointed to agencies were from the business sector, especially with the Liberal government. It was not effective because the people that came in had their own agendas.

- Where we would have disagreements, where Minister wanted to be on the Board – patently idiotic. clear that this isn’t recommended but there is no agency jail so if Cabinet agrees that Minister/DM/ADM need to be on the Board then it would happen.

- Always a little bit of politic in Board – don’t surprise us, make us look bad, have big increase in wages, don’t set yourself up in the fanciest place in downtown Toronto.

- Governments are pretty sophisticated about what agencies, boards and commissions will do and how their hands are tied when they’re set up.

- When you’ve got agencies trying to do their thing in the view of public interest—that’s where the art of politics comes in. World of public policy, politics is very much a part of it; vary in terms of the government. Fact of life working in those systems, need to understand political process.

- Creation driven as much by politics; government needed to be seen to address outcomes of...tragedy.

- NDP in 1992 created casinos to generate and exploit revenue.

- In Ministers’ offices, with new organization, interested in getting up and running in a hurry because mandate is to address political crisis.

- Politics of the day, can’t run health care across a big province and functions out of a single Ministry in Queen’s Park.

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**Governance mechanisms & accountability**

BC – 11

Ontario - 11

- Should government appoint CEOs? Should government representatives sit on boards? Good for government to articulate performance expectations then government can audit them. Other governance mechanisms include community benefit agreements, labour agreements (with respect to the affiliation with unions).

- Why something created then disappeared. It could be rational in terms of sunset clauses. You have to affirm the value of the entity you are creating; do an evaluation. But it doesn’t happen.

- Setting up agencies a balance of what government wants to do itself and what it will push out. Put stuff out because you...want some distance from government. New governments always want control; sometimes politically driven.

- Government does policy work, creates the organization in legislation to take on the service delivery. Administrative agreement between Ministry and authority for operations, reporting, timelines for consultation. At the end of the day it doesn’t matter who’s delivering services. If government creates the legislation, the accountability goes back to them.
As an agency head I didn’t have direct responsibility there was always a team looking at the new agency; lawyers, labour relations, pensions...they have to be looked at in the same context.

- With the new Liberal government created an expert board for Translink that was accompanied by less responsibility to local mayors. The model did not move the debt back into the province.

- The creation of Consumer Protection BC brought together threads of delegated administrative authorities, agencies, boards, commissions, Crowns and factors such as legal, finance, governance and risk. A good idea to create a neutral body and create linkages to other regulatory bodies.

- Desire for clear roles and responsibilities, accountabilities. More focus on board training; who was doing what and why. Always on a continuum and there has to be a model nimble enough.

- You must have a governance framework that’s appropriate for the organization, so not a one size fits all. If you’re not clear with the organization about its purpose you run into trouble. If board doesn’t understand their role, there can be mandate growth. The shareholder needs to be clear.

- Agencies seen as operational, transactional. The “what” is the prerogative of government for example, BC Safety Authority and BC Assessment.

- Review done of college of dentists. The Cayton report (2018) made recommendations to reduce the number of regulatory colleges. Expertise would be increased along with the number of public members on the board. The change was based on one college not operating in the public interest

- One consideration – line of accountability straight through public service or to a Board of Directors, then Board accountable to Minister.

- Primary focus (of setting up Wastewater Ontario) was to ensure that there’d be some sort of shared control with First Nations and public voice and put it beyond control of current government (Conservative); put in trust.

- Accountability mechanisms included annual reports sometimes to legislature or Ministry; financial results for budget, public accounts and periodic reporting. Directive on agencies, boards and commissions which lays out accountability but sometimes there are exceptions made for different agencies because it “doesn’t fit the box”.

- There are guidelines for establishing agencies, e.g. people on Board should be qualified. Our job was to help Ministries to be more comfortable with creating agencies; disagreements over degree of control. Legislative oversight mechanisms generally applied, e.g. public service, FOI, Auditor General – not really an issue; some pushed the margins in lots of different ways.

- Great deal of discussion of governance parameters for Metrolinx – does government appoint all board members, can public servants be on Board; CEO appointment, how long terms; committee structure; does organization have ability to use its revenue to raise revenue and how does that impact province – critical factors. Great appreciation that an agency is necessary to steer and execute. It is a balance – even within one ministry there are different perspectives in how long the arm should be.

- Always start out with best of intentions when creating agency; balance oversight of discretion. Attention to enabling legislation; set up Minister well for oversight role. That’s why independent Board important.

- Regulatory/adjudicative agencies closer to government than operating agencies. As a senior public servant, try to make sure agencies set up, consolidated/abolished
- One of the reasons for independent boards, is that government may not have the skills.
- Always front of mind and overt was accountability – how do we ensure it. The independence thing was understood conceptually but the bigger concern in establishing or changing an agency was accountability.
- The appropriate level of board governance, size and pragmatics was considered in negotiations.
- Sometimes we had conversations about could this (an agency or entity) be managed better if it was outside.

**Skills, expertise, pay**

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<tr>
<th>BC – 6</th>
<th>Ontario – 9</th>
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<td>- Challenging to get skills for engineers and statisticians. Being outside compensation guidelines, PSEC enable us to get some of those skills.</td>
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<td>- Upgrade skills for paramedics; financial impact.</td>
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<td>- Independence of government with respect to tribunals; expertise needed.</td>
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<td>- In the governance framework, getting the right people who have the right qualifications can be challenging.</td>
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<td>- The Independent Investigation Office recognized there were a lot of people that they wanted to recruit in roles; placed in a zone equivalent in the market to talent.</td>
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<td>- People moving back and forth between the office and needed to keep an eye on compensation.</td>
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- Put stuff out because you need to hire outside experts
- Consumer protection – question is whether government staff the best for delivering the service and do they suit the need for technical expertise.
- Flexibility in hiring staff.
- Emergency Medivac System in Ontario run by ORNG part of the reason for creation was greater rate of pay for senior people.
- Agency (Metrolinx) creates its own competencies and skills that government doesn’t have.
- Most independent agencies like IO, when set up, want to put the best talent into these agencies; hiring expertise (not acquiescers); want to make sure you’re remunerating them well.
- In creating agency, consider whether better for credibility with dedicated expertise.
- Sometime better to move something out of government and give to agency to create expertise.
- Compensating people with appropriate expertise, experience, need to pay them. Needing particular expertise not available in public service; people no interested or incentives not sufficient.

**Performance, effectiveness, efficiency, responsiveness**

- More private than public sector focused – driven by performance; important to incent performance.
- Most important issue and biggest risk in an agency are the ability to respond

- Sometimes about trying to figure out a more inclusive governance model; agencies often know how to run things but not develop the framework; enabling agency to have more flexible financial model than government.
when needed; effective use of resources.
- Premised on being better focused, better in control of revenues, costs and intention of delivery.
- Two organizations I was part of creating - to a certain extent agencies transactional. They are more innovative and can make capital investment.
- Occasionally, government decides they want to look at reducing Crown agencies. Half would have outlived their purpose; wouldn’t make a difference if they collapsed. Others would benefit from clearer goals and communication.
- Government no good at service delivery so an agency makes sense.
- Individual subsidiaries should be set up with an operating model that achieves operational efficiencies.
- Main rationale for health authorities (1) having them closer to home and more responsive at a community and regional level, (2) a single integrated budget allowed them to make better decisions to support different parts of the system.
- When it comes to oversight, needed a mechanism to be able to move quicker in a fast-paced market (Pacific Climate Trust).
- Government creates tribunals with the expectation of a level of independence/separation - government decides on legislation but service delivery not subject to government control. Question is whether government staff the best for delivering the service and do they suit the need for technical expertise.
- Efficiency is a common argument for DAAs – delivered more efficiently outside government and not subject to bureaucratic red tape, nimbler.
- Whether agencies could respond more nimbly.
- TECO – needed to be able to have independent view. The exact reason to set up is independence then it starts to be modified because that’s what government is concerned about.
- Interest in government’s positioning some of the work they do as informed by best practice, private sector nimbleness, creativity and flexibility that is difficult for Ministries to replicate; reason was greater organizational flexibility.
- Reasons governments set up an agency is to give more flexibility. Government sets up arm’s length agency to provide vehicle to execute on initiatives.
- Important to look at how they impacted government’s bottom line. Work through discretion; performance expectations and holding agencies to account.
- Interest in trying to get more done for public sector; often run through agencies for flexibility.
- Try to make sure agencies set up, consolidated/abolished based on solid public policy– how is the agency operating, effective, efficient; seen as legitimate, trusted decisions, trusted by public.
- When you need several factors, you’ll create an agency; it becomes very complex; it requires a rapid or more real time decision making, more commercially integrated; better integrate with other bodies and community. Health care – government took 12 agencies (organ donation, cancer) merged
int into Ontario Health – massive organization designed to get efficiency. Lots of provinces restructured health to deliver better outcomes and more cost-effective rates.
- Another reason is to bridge jurisdictional boundaries that get in the way of effectiveness and efficiency.
- Formal criteria in agreements – performance metrics/expectations. Issue with performance-needed more flexible approach. Quality of service delivery better, closer to people they service; can adjust and not bound by central rules that may/not apply; functionally they can get things done, innovation, not stuck in the old way of doing things.

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<th>Labour relations, human rights</th>
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<td>BC – 0</td>
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<tr>
<td>Ontario - 3</td>
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- Ontario training and adjustment board – give labour and business more flexibility with labour market.
- Another consideration, always, is labour relations. If moving out, then you have LR considerations.
- My research/experience there could be different motivations for setting up bodies, labour relations, human rights, financial.
**TABLE 3: The changing relationship between government and agencies over time. (Q4)**

Total BC respondents: 17  
Total Ontario respondents: 15

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<tr>
<th>Question Element</th>
<th>BC</th>
<th>Ontario</th>
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| Political, Philosophical  | - Bit of a pendulum. Governments get more nervous about decisions that they have to defend. In any government, the closer to the election, the greater the control.  
- Don’t know if it’s changed. When NDP came in I thought they’d start eliminating Crown corporations left, right and centre, but they didn’t. I don’t think the relationship’s changed much; seen as necessary.  
- When the NDP closed Riverview they deinstitutionalized based on philosophy and not money; very philosophically presented. Insiders felt that the government was doing that to save money and other people believed that it was the right thing to do. Quite a bit of difference between government and people on the street.  
- Given my experience since the 1980s, I the use of independent agencies has waxed and waned. The greatest blossoming were in periods of strong political philosophical predisposition; not necessarily smaller government, more business-like and bureaucratic approaches were the higher priority. With respect to government values, they were political and practical.  
- The NDP were keen on outsourcing and privatization – not a philosophical thing, principle was more efficiency. Consultants showed that wasn’t the case. Strong argument from the private sector that wanted it. That was the great call that came starting in the 1980s – government has no business being in business.  
- Philosophically, the delegated administrative agreement model is not one that the NDP is comfortable with. The idea that bigger government and using government to achieve social policy aims is something that they’d like to be more in control of. WorksafeBC – government gets | - When government new more afraid of independent agencies; when in opposition they like Ombudsman and Auditor General; but when new, quite suspicious especially when leadership appointed by previous government.  
- When in government relationships not the same; set of factors depending on the Chair, kinds of political relationships. Some Chairs had access to the Premier and can pick up the phone about the Ministry or a particular person.  
- Not sure there’s any real ideological party. I’ve worked for all parties; more about language than reality.  
- Great deal of policy change and experimentation. Harris government involved massive changes in tax authority, education funding, downloaded a lot of things; done in different way than other agencies but a lot of authority, accountability model – linking money with authority. Big evolution about municipal authorities, independence, Big change in government over last 20-30 years – everything more public, government driven by media, next headline, shorter term. Makes those relationships more fraught and harder for them to offload accountability. Workers Compensation more willing to interfere and change something based on headlines. Governments want to regulate more and standardize.  
- Greater willingness/interest to use agencies now than in the past. Partly because Ministers want to distance themselves from operational type decisions. Liberal government would tolerate. Government appointments under Ford...huge amount of criticism with |
their fingers in there; tells them what to do; impacts unions; workers complain. Government has tighter oversight on WS because of its higher profile, unions and labour. 
- Different stripes of government come and go and I see relationships change, grounded in alignment of values.
- People don’t distinguish well between these types of bodies; complaints to MLAs raise the issue. Understanding of accountability is still an issue with politicians. The Crown was going to change the way it was going to deal with a private sector partner, who went to the Minister, who then said that wasn’t going to happen. The Crown saw where the political power was; the Crown had Ministers who were hands off and powerful. That dynamic is always there and is up to a combination of the CEO and Board to navigate that world.
- I’m not sure centralization of appointments in the Premier’s office is a good thing. Devil’s in the details; it exposes all kinds of bad decision making. 
- Certain perceptions that certain types of tribunals pandering to social justice issue that were fundamentally at odds with government’s agenda or some key people.
- Government has changed – decentralized bureaucracy if Ministers had a framework.
- When I was at Treasury Board, I think we had three Crowns; government has way more stuff now. There has been a proliferation of these bodies. Government dumps accountability onto a Board but not government itself; a blame game that works for government. 
- Shedding of government size if it was FT’able then we should get rid of it. I worry about the clarity that attaches to the process for creating these agencies; avoidance of responsibility, off-loading. 
- Big operating arms shouldn’t be independent. In the 1980s government still had big operational institutions e.g. Riverview, highways and health care. Over time, government has evolved to say that

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<th>Impacts of Agencies – decrease size of government, decentralization</th>
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<td>BC – 10</td>
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<td>Ont – 5</td>
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appointments by Premier’s chief of staff for appointing friends. Staff “slapped around” for being too slow, bureaucratic until all hell broke loose, and the government wanted better process.
- With Conservatives almost every Board member as Liberal appointee was tossed regardless of profile. Hearing that there are political appointees. Conservatives Minister put his own family on the board of an agency.
- Experience - some governments want to use agencies and others want to keep them out. Stylistic question by governments as to when to use agencies. Governments see agencies as instruments. 
- Driven in differences in political philosophy between Liberal and Conservative governments.
- Government see you spending its money-political input into budget more profoundly; driven by individual ministers.

- In terms of agencies, boards and commissions and other independent agencies – “like rabbits they tend to multiply over time”. Find a lot more of them now than in my younger days in government; more of them and far more variably independent. 
- Cheaper, half the wages government has; variety of reasons but at same time trying to standardize services. Move work out through transfer payments – outside agencies to third parties. 
- I lack insight on trend analysis, but my sense is that there is a greater willingness/interest to use agencies now than in the past. Partly because Ministers want to distance themselves from operational type decisions that’s why
more of those things should be done by agencies at arm’s-length from government. - I think that in BC, there has been no sea change in terms of agencies. They have been viewed positively, consistently, e.g. BC Hydro and its accrual account and dividend expectations for ICBC Ministry of Finance used to be the financial agent for Crowns; that’s changed. Agencies have greater control. It’s a shell game without a pea. - It’s a big machine when you have centralized agencies that are drivers of culture and values, human resources, management and leadership. But we are a small and mighty agency that has this ability to define our own destiny internally; culture, values, define success. - Haven’t lost total control; devolved so not seen to be self-serving. Some accountability mechanisms built into legislation; gradually people seeing better quality; objectives met so not an issue now. - It changes all the time. Independent agencies have a lot more independence than they ever did, more mature, stronger voices; more independence than in the past e.g. Turpel-Lafond.

**Impacts of changing people, relationships, Board appointments**

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<th>BC – 7</th>
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<td>- Relationship between Minister and major budget Crown confrontational. Board recruitment improved a lot; people that are aligned, meet political smell test, but have core competencies on board; government can relax.</td>
<td>- Sometimes government would decide to take a more controlling hand as funding provided by government, for example, with the appointment of some board members. Some Chairs had access to the Premier and can pick up the phone about the Ministry or a person.</td>
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<td>- When boards populated by government appointments, that changes when governments change. That’s the way governments manage to influence boards in their direction. It also depends on the relationship between Board Chair and Ministers. Power-persuasion on Boards will always be there.</td>
<td>- Subject matter expertise DM/ADM less. When I was young, you’d get the DM who’d worked whole life in one area-subject matter expert. Ministers have short tenure, get flipped around; there isn’t much you can get done in a year or two. “Yes Minister” is a good reflection of government. Shortening of Minister tenures made them less powerful, more impatient – get stuff done.</td>
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<td>- In my experience depends on who’s in charge, Liberals, NDP or others – what their promises are and where they want to go. DMs and others with power affect government, have own agendas.</td>
<td>- DMs became more professionalized and interchangeable. The complexity of understanding and managing relationships is considerably more than</td>
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<td>- Relationship changes depending on who’s in the role e.g., Turpel-Lafond - probably</td>
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more aligned with NDP than Liberal government; extremely strong personality beating on the government of the day and government gets its back up, leading to dysfunction. The DM was unhappy and that made it worse.
- Only entity that I’m aware of in MCFD is the Office of Children and Youth (established in the 1990s) – the relationship with government and its mandate has evolved. Changes with the representative in that position. Close relationship with us (Ministry) now but mindful of separate mandate – oversight of government’s work.

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<th>Government control, governance generally</th>
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<td>BC – 12</td>
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<td>Ont – 14</td>
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<tr>
<td>- More things owned by Crowns than other provinces; never independent though. Change, after core review, from early 2000. Pivot point; hiring professional board members, letting go, letter of expectations, using annual reports more professionally and strategically. Better recruiting of CEOs, improved board appointments. More consistency in financial reporting.</td>
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<td>- Agencies were needed to step up but were shackled by government. Other types of constraints such as capital controls would slow things down inordinately.</td>
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<td>- Ebb and flow cycle; agencies big and small go a long way to meet that goal but very difficult to implement.</td>
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<td>- Government best at focusing on creation of rules, truly governmental things like making laws, regulations. Government controls so much of the organization’s structure and governance. Direct government is smaller than it’s ever been with the operational world outside government.</td>
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<td>- Initially done with the view that they would be more innovative. Over the last 15-16 years, government has treated more of those entities like their ministries; ensuring that they are more tightly aligned.</td>
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<td>- Government tries to create more formal accountability frameworks as opposed to day to day services; some Board accountability.</td>
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<td>- Agency governance for Niagara Parks interesting as they still must follow government rules, have to go to Cabinet for things; incredible amount of red tape.</td>
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<td>- 13 years of Liberal rule more agencies matured, longer term government appointments – people that understand their roles. social system a mess in Ontario some of it because of shifts in polit system; may not make agencies most efficient way of running govt.</td>
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<td>- Sometimes government would decide to take a more controlling hand through funding, appointment of some board members.</td>
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<td>- Government consistent at applying governance mechanism to delegated administrative authorities. DAAs becoming more consistent because of same structure and service delivery model; similar approach to governance.</td>
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<td>- Relationship changed over time. Initially government more hands off. Government now has put more uniform processes in place e.g. DAA – gives more authority to Minister on policy front; levels of control more than before e.g. Tarion.</td>
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| - Accountabilities have tightened up; more restrictions, expectations, reporting requirements from outside entities. Every time something goes wrong, government...very personality driven.
Regardless of direction, personalities can undermine relationships and the mandate letters. There was a CEO and 3 VPs with no government experience and not politically astute – they ended up fired.

- Decisions were made based on control. DMs recognize independence but have no problem stepping on mandates. In the public service, over time, central agencies provided more oversight; greater interest in agencies. In the 1990s the relationship was more centrally managed, then independent, now DMs more involved in oversight.

- When you start introducing things like increased competition, unlevel playing fields, you get into more hands on; things do evolve over time. Some of the current activities of ICBC and Hydro...they struggle to keep up with evolving markets. Relationships with the Board evolve—more directive on occasion. It creates uncertainty with respect to governance and operations and in creating Crowns.

- Steady and marked erosion of Crown contributions to government’s bottom line. Every time it happens it gets worse; government decides to be more interventionist. As soon as you have more policy interference – less contribution.

- Try and communicate that safety isn’t political; it’s neutral and don’t want to push agenda. They’ve been more directive than the previous government; more a matter of tone. With the old government (Liberals) if something caught the Minister’s eye, we’d get a call to ask us what we’re doing and if it wasn’t a great time, they’d tell us. This government (NDP) has been more direct about stating expectations.

- I saw as government matured...less apprehension from Campbell (Liberal). With respect to appetite for independence, in setting up an independent tribunal the government was gung ho. When we set out to implement it and they discovered how much was going to be devolved it was like pushing a rock up a hill. The meaning of the reality of independence caused some shock must respond with a solution that leads to reforms that create more accountability, control; never seems to go in the opposite direction.

- Different models have evolved over the last 20 years. Different, more sophisticated accountability structures.

- Parliament more fractious because it used to be old boys club and occupied by more diverse groups sitting at tables with different demands and expectations; more difficult in some ways; some old ways don’t work anymore. Difficult to manage; less understanding.

- A lot of time the large corporations out of scope of government but over time drawn back into government fold. But the large corporate entities are running businesses and more arm’s length than other smaller agencies. Since I joined, more things being centralized in the Premier’s office; in the past Ministers have had some power. As Premier’s Office staffed up, they have more control and Ministers must have more approvals and this applies to agencies; move to more government control for agencies. There is a pendulum, but its swing is skewed.

- Enhanced role of Auditor General and reporting not positive in terms of policy impact and government’s response.

- Weird space, constantly shifting; agency space trying to find balance between freedom/flexibility and bureaucracy. Classic public sector pendulum; constantly swinging back and forth, degree of control, governance and oversight.

- Less room for independence in decision making because consequences of real or perceived failure comes so quickly back to the feet of government; driven government more generally to hold these agencies more closely.

- Large number of these organizations - governments have more experience dealing with agencies.
waves. The Board wasn’t going to be able to do what they wanted to do. A lot of opposition; not in control.
- Government has become more hands on; more reporting although very little initially. Part of a broader trend to accountability and performance management started with G. Campbell (Liberal).
- Former Human Rights Commission got too big and wasn’t well managed; most inefficient place.
- Within MCFD, we have an arm of delegated aboriginal agencies-governance through delegated administrative arrangements. New world of transferring jurisdiction for child welfare to first nations. Transferring jurisdiction of child welfare through DAA to first nations reflects a change in values – speaking to reconciliation and incorporating UNDRIP. Government commitment to Ministers’ letters; stronger linkages in this government (NDP).
- Amalgamation of agencies, tribunals from AG 2009; looking for efficiencies, role clarity taking advantage of expertise. Need clarity around core responsibilities. No general movement to spin off responsibilities beyond Ministry or government; more case by case rather than government position.
- Over time, as government realizes these are complex, they have increased their own competencies; expect more from public service and agencies; greater accountability. Need a variety of different agencies in a complex society but when do you trigger these entities and when do you end them. Government is primary funder, can take control.
- Back and forth between public/private and agency/civil service over my career; interplay of bureaucracies and government important. Changed over my 35 years; Ministers’ offices much larger; role of central agencies changed; some agencies playing “fast and loose” with budgets and mandates created scandals-added more bureaucracy. In setting up one new agency over 300 directives. Bureaucratic intervention increased. World moving too quickly for old Westminster model; “over years those benevolent dictatorships work well if they are benevolent, but they don’t if they aren’t”.
- When things go badly, public criticism can be withering, and government has to intervene. Authorities attract much more attention than they ever did. Growth of accountability officers has resulted in the expansion of their scope, conflict of interest...brings a level of scrutiny and second guessing has made government cautious. Ebb and flow of agency control – not attributable to one party/culture.

<table>
<thead>
<tr>
<th>Values</th>
<th>- I think the values of government have changed. Always need to adapt. BC took the approach in the 1970s and 80s to set these up. Need to anticipate and adapt, challenges</th>
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<tr>
<td>BC - 2</td>
<td>- Agencies created where we felt public service would benefit. Bringing in private sector expertise. - Changed in the way government has changed in the same time frame.</td>
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<td>Ont – 2</td>
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with scope and shift of mandates, which loses sight of good governance.
- I don’t think things are that different than 15-20 years ago with respect to consumer protection. Always a core value to protect the public.
### TABLE 4: Impacts of the changing relationship between government and agencies over time. (Q5)

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<tr>
<th>Question Element</th>
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<th>Ontario</th>
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<td><strong>Personalities - relationships between agency &amp; government</strong></td>
<td>- Relationships change with players. Over time you build trust and the reigns will be relaxed. &lt;br&gt; - Post-secondary system, relationship dependent on DM and Ministry personality. It’s as simple as personality. You can have all the structure in place, but if people feel like they’re being ignored or dismissed it doesn’t matter.&lt;br&gt; - Some advocacy on behalf of Crowns with dissolution of Crown Agency Secretariat. That’s not happening anymore. It comes down to relationships; a governance framework is one thing, but relationships are key. &lt;br&gt; - Issues of personalities have had a calculated effect of government serving itself e.g. BC Hydro – the choice of CEO was a means of government asserting a force.</td>
<td>- As DM I had to have a team that had my back – deliver good work even if going nowhere. Secretary to Cabinet and Minister of Finance must be on your side especially if big project that has large financial impact. Need to work hard to have good relationship with Minister but sometimes you must deliver on different mandate; trust an issue.&lt;br&gt; - We’ve always had agencies, boards and commission as tools of government Relationship between government and agencies dynamic; agencies with social, justice, economic/financial mandates always need to be reviewed to make sure they’re relevant and the way it’s being discharged is relevant.&lt;br&gt; - Shift away from traditional relationship with employees.</td>
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<tr>
<td><strong>Political</strong></td>
<td>- Not the same stark shift with the NDP government as with the Liberals in 2001. Shift in tone and philosophy with NDP; different relationship with organization’s labour; work together on delivery of services; refreshing. Liberals more of a corporate lens; more control-based approach for service delivery.&lt;br&gt; - Depends what government is doing if looking for fewer agencies and had a plan, agencies would fight; they wanted government to choose them. Because government could not stay away from the ideas they had, it was never successful even though there were some that were very good; they were blinded by their purpose and work.&lt;br&gt; - Interesting phenomena over time. Mandate drifts, government changes then look at whether we should get rid of them. Cyclical though; some governments don’t like creating</td>
<td>- Ontario training board set up-business never sent their real leaders to table once, NDP (elected at that time) sent top ideologues. Almost 2 years in making to get to governance structure.&lt;br&gt; - Distributed governance unique – lot of ideological debate about labour business and equity at same time, Ontario government was establishing employment equity agency that got kyboshed when Conservatives elected.&lt;br&gt; - Business got outsmarted in governance structure with combination of education, labour, business and equity seeking group; business leaders got outsmarted at every turn; interesting example of distributed governance.&lt;br&gt; - First time province monitored drinking water – politically driven, hard on smaller municipalities; allowed civil service to create stronger, safer standards with full</td>
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independent agencies, some do it for a lot of things.
- Don’t want politics of the day to get in the way of issues; protect from Ministries mucking in issues.

- Initial incumbent too gentle, not enough progress early on; that’s what happens when government appoints their own people
- While there is a separation of decision making, government can upsize or downsize and influence tribunal operations because they totally fund the agency. Whole issue of scope is government’s purview.
- Seems to be a succession of political crises; catastrophes or purported catastrophes every year. Opposition working hard to make government look bad. If you can make an external entity look bad, then Minister/government will look bad. Fosters ongoing level of mistrust between government, Minister and entity. Starting point is not to trust organizations; they’re a liability. Constant need to nurture and develop relationship of trust.
- Government gives degree of independence because they believe they purchase something they value, legitimacy; much easier to create these things than shut them down. Government will take something and say they are working with partners to establish something, pay for it for three years then abandon it.
- College of Trade - shut down by new Conservative government (McGinty and Wynn initiative); more modernization needed...shut this agency down, perpetuating an old system. Government being unable to let politics and ownership go.
- Non-partisan values—you expect the same of the agency but perhaps not with the Board – always political appointees – you lose ground when governments and Ministers change.
- Not sure I see a common theme across the board (Tarion report). Some political urgency.
- Big impacts – Hydro 1 was a crown then converted to publicly traded company. NDP government divested it; what’s in the public interest to own these operational assets? Wasn’t a lot of policy around distribution and transmission lines. Even current government (Conservative) not committing to buy it back. Governments looking at why we continue to own these things.
- If the agency isn’t addressing the issue - politicians want to re-organize.

| Agency responsiveness and performance | - BC housing – more flexibility; innovative but knows rules of game. 
- Crowns operating in much more predictable, accountable fashion; less surprises for government. 
- Become more responsive to government priorities and direction because they’re funded by government and have no choice. 
- As Deputy, oversaw and provided advice on Crown reporting to Minister. Over time a lot of pushing, shoving and elbowing to get to a place of suffering between the two; mistaken impressions, communication and false expectations and issue. 
- Our profile increased. Influence in the province is increasing as is the attention by the Ministry. 
- Government got engaged in the last couple of years; good collaborative relationship; getting things done; ask for our input. Winds of change may be blowing; if this government remains in power there could be tighter oversight. 
- Financial, policy, program, reputational expectations – more pressure for agencies to define a voice and not too much behind the scenes. Need to be strategic about delivery processes. This has played out in other groups we’ve watched. They suffer from more foundational flaws; too narrow in groups they oversee and too influenced by those groups e.g. Vehicle Sales Authority. |
| BC – 7 | - Interesting to see how government will deal with long term care homes; came in on budget austerity now they’re going to do everything they can about long-term care; my guess is that they’ll create an agency to look a P3s for care home development. 
- Reduction of creativity and flexibility. More of an awareness at the agency level of the needs of government; tightening; need to satisfy political masters of the day. 
- Cheaper, half the wages government has, variety of reasons but at the same time trying to standardize services. Most of the large agencies, LCBO, OLG, they often have cost constraints that are very similar to public and private sectors, e.g. unionized employees. Some additional flexibilities on personnel side. 
- Many of my senior and working staff had never worked in government - felt that they were working in an independent agency, but they were not; significant accountability measures. Sometimes you want agency to run more like a business as opposed to government. Have to remember agency is not a business; may want some nimbleness but not about making money but about effective operation of service. 
- Cumbersome administrative apparatus, if they got together things would be better. |
| Ontario – 6 |
- Impact on public confidence in these agencies. Happened in real estate with money laundering, moved into casinos...attention on real-estate council and oversight of industry. Board dismissed and new one appointed; if you can’t deliver then government will make change.

| System and organizational complexity | - System didn’t change with change in government; system robust enough to withstand changes. Did strategic reviews – gaming side needed rigorous shake up as did ICBC; vulnerability is that accountability could slide a little bit; political choices.  
- More horizontal and complex structure re: operations of government. More community involvement in how services work e.g. non-profit housing, women’s transition housing; network of actors. This limits your capacity. There’s a cost, not sure we’re saving any money – hard to tell. How are you regulating a sector so that it performs well? Bigger economic and financial implications.  
- Relationship is becoming more complicated because government is becoming more direct about supporting agencies on different policy initiatives; more engaged.  
- The more distance from the decision, relationship becomes increasingly complex, e.g. children in care. An agency that reports to a regulatory body, which reports to the Minister, with blurred transparency relationship and something goes wrong, relationships become increasingly complex. |
| BC – 4 Ontario – 5 | - More complicated in health professions. Quite controversial when set up; Law Society of Canada didn’t like anyone else having a role in overseeing their profession.  
- Delivery and operational reforms, anything that pushes the system to integrate, emergency care, shelter, mental health...goals are good including forcing standardization, right thing to do; can’t have important services delivered in too many ways.  
- Outside constraints of larger government and extending the accountability measures, you become much the same as larger government; lose nimbleness.  
- Government aware of inertia and lack of control; harder to get rid of something once you’ve brought it to fruition. They can be problematic, need attention; Ministers responsible for them but little direct control, more hand holding.  
- Lack of coordination of work passing along different agencies, Boards, commissions. Loss of coherence, no mechanism to coordinate across these bodies; no central agency that can coordinate. Lots of moving pieces doing substantive government activities without coherence; army but no general. Hugely important; complexity of government, that happen through variety of outlets; agencies major player; significance to how government works.  
- Can’t count the number of times we’ve restructured health. School boards – scale has become larger because of consolidation of municipal governments; reduced role of provincial governments in delivering education. Overall flow has |
**Government’s response, governance, oversight, control**

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<th>BC - 11</th>
<th>Ontario – 11</th>
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- Some weird things for fiscal reasons during last 10 years; some things arguably would have done better in government. Quite telling that we haven’t had gang buster reforms in how Ministries see Crowns, just carried on. Balance of Ministry/agency hasn’t changed much either; stable.
- The demarcation line, when province starts leaning on the entity has sharpened. More experience and generations of senior managers understand the subtleties of being independent but not.
- I’d be on the “if any” side – in BC it’s consistent. Things have not changed under the NDP in BC.
- Governments hide behind Crowns. DMs more responsible now. Board Resourcing and Development Office role evolved; decisions made by Ministers, ratified by Cabinet; little input of Board Chairs. Skills matrix use decreased. NDP appointments – more political focus as opposed to skills.
- From the governance side, because there has been a swinging back and forth, governance becomes murky. Saw many Board chairs and Ministers not aligned; are they able to manage them without being political.
- The further you move these organizations away from government they become too disparate-part of the problem. Government brings them closer. For example, Destination BC – pulled right back into government and reformulated.
- It makes DM’s life difficult. Funded agencies working on behalf of ministry but outside normal organization structure with some level of independence. Must create an

- Initial incumbent too gentle, not enough progress early on; that’s what happens when government appoints their own people.
- Despite separation of decision making, government can upsize or downsize and influence tribunal operations because they totally fund the agency. Where these relationships are broken it ends up as an issue later and government will feel they need to intervene.
- Positive in a sense that at the end of the day it doesn’t matter who’s delivering services. If government creates the legislation, the accountability goes back to them. We can discharge the service, but people can go to government to complain. DAA model, government doesn’t have the capacity to intervene but can go into legislation and remove functions.
- Often a source of criticism – an unaccountable organization – Minister not appropriately held accountable. If you don’t like an organization or its mandate, or try to lobby for change, then one tactic is to say it’s unaccountable.
- Change in extension of different government policies to agencies – closer to government, less arm’s-length than they want to be.
- Discussions about independence ongoing; part of big evolution bringing public service educational institutions into a somewhat different accountability framework. Governments want to regulate more and standardize; forcing through funding and performance measures; organizations aligning to serve the common set of outcome measures and organization themselves.
- Risk reporting for agencies; they didn’t like it, more work, but Minister loved it. 12 months in after some Ministries hauled
environment where risk is not an enemy; exercise best judgement, empower people.
- Does tend to be a little more respect for the idea of independence; less of a rush to set up agencies.
- Government’s willingness to create agencies that do things on their own has diminished; government being more thoughtful, more conscious, intentional thinking about what those agencies set to do and how to support them while maintaining accountability. More thought about transparency.
- If it’s hard for me to tell, very hard for Ministers to tell. Hard to derive the evaluative information. People care about accountability for what they care about. In health, close relationship, attention to what’s happening in these organizations. Very consultative process but in the end, government decides and HAs come to understand.
- My sense is that there weren’t as many agencies and government didn’t have as much experience in managing them. Improvement in other areas of government for example, financial accountability – Budget Transparency and Accountability Act, tabling service plans. Trend across country is use of mandate letters; deliverables for each Minister, open government. Got better at managing accountability.
- My sense is that government is getting better at using accountability mechanisms. Over time government learns what works and what doesn’t.
- Always in a position even from Crown Agency Secretariat, where Crowns worked closely with the secretariat and always saw Crowns as independent from government. I don’t think they see themselves as part of government.

before Treasury Board, asked to explain, some Ministries not so enamored; it continues. I think it was seen as protecting government, Ministers. Allows degree of oversight without absolute control. If not happening, then serious governance problems.
- Impact is that exercise of controls by government over agencies more significant; fewer agencies that are truly independent; even with agencies that were independent in the past, government looking to put in more controls.
- Where new government comes in sometimes CEO/Chair gone and chairs routinely offer their seat to new government. Accountability is accountability - shouldn’t change. Administration loses confidence in Chair/CEO over time and in ability to control own agency. One screw-up and it takes a long time to get that confidence back.
- Agencies a necessary evil; opportunity for government to advance agencification.
- More intrusive bureaucratic reporting requirements, overboard, filling in more forms; providing irrelevant reporting to management board. Positive-more attention paid to appointing competent Boards; critical expertise that can give the government confidence in oversight.
- Sometimes governments feel they’ve got too many agencies and need to prune them down e.g. health care impulse to get smaller agencies to collaborate. Issues result in shift in structure rather than policy. Achilles heel is the ability to get people to be on the boards; harder to recruit. Process that we go through, degree of transparency, level of criticism we subject them to, it’s a brave person that puts their name forward; cumbersome, slow and intrusive.

TABLE 5: What role has independent agencies played in implementing government policy. How have agencies contributed to the reshaping of government. (Q6)
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<th>Question Element</th>
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<th>Ontario</th>
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| **Agency effectiveness, benefits** | - Insulate government from ups and downs in business cycle e.g. ICBC taking big loss. Where government has recognized that it’s not the best provider, moving it outside of government is appropriate.  
- Governance frameworks should be nimble. The relationship needs to be continuous; people must understand it; give people tools; practice in changing habits.  
- Framework doesn’t need to change but the tools and approach needs to be flexible. BC Housing – can better deliver services than having to go through government; nimbler from a financial and service perspective.  
- A lot of cases where the operating paradigm of independence has helped push a profound cultural change within the organization to embrace customer service. Example is the Purchasing Commission partnership with IBM – the Crown corporation stepped up in a nearly seamless fashion to be a quality customer service.  
- When you have to live and die on your own resources it changes the world and the organization steps up. To the degree you have clarity of mandate and capacity you can see some success in achieving societal objectives. Moving things forward predicated on clear mandate, good governance. Stability leads to better service.  
- Governments have learned that they can get added value and don’t have to worry about a commissioner being critical after the fact; protects us, no surprises.  
- Enable a much greater sophisticated and professional focus areas of operation in economy. Can enable a closer relationship with business | - If relationship between Ministry and agency good, healthy then carrying out government policy relatively well done.  
- Feedback loop on when something not being well done and need to try something better important  
- As DM, modified regulations for agency to clarify intent; useful feedback look that helped I know Environmental Commissioner had real impacts on need for changes in program and legislation – but since been abolished.  
- When relationship between agency and ministry is good the feedback is useful and helpful; helpful way to get info e.g. WSIB and Ministry of Labour have strong relationship in terms of data and what needs to be addressed and how to address upcoming issues in workplace safety; relationship quite tight.  
- If you have an existing organization, government is looking. Where changes are being considered, government asks about impacts in terms of organizational capacity and the sector we’re governing. We participate in policy development but don’t have the decision-making role. Policy responsibilities stayed with government and they’ve been clear about which areas they’ve delegated through DAA. Lots of influence. Sometimes innovation better developed in an external organization. I’ve seen external organizations develop sophisticated models not seen in government and seen them be brought in and used to improve regulatory world in government. Outside entities have greater ability to interact with third parties, experts. In the external world, an entity develops its own culture as opposed to monoculture of government. Greater |
community, how they operate and their needs.
- Special purpose agency understands what's happening, like BCSC—a very specialized area and a lot of unique investment tools; complicated market. Enables greater understanding of issues, relationship with stakeholders.
- Enables government to provide better service than being part of ministry. Important role in enabling innovation and the evolution of our economy.
- Depending on interaction between agency/government, certain models better than others. We are a leader in the areas we play in. Creation of DAA for consumer protection shifted regulatory impact; operate a little bit like a business. Idea of independent agencies is if they can build more efficient and effective ways, they can be built out across government, creating economies of scale.
- Government has perfected anti-gravity model—everything flows up. Agencies move things off site; take problems with then and the funds. Government can pull them back to do certain things. Greater understanding of the role and challenges of agencies.
- Health authorities administration and management of health care—big impact on the province. Not in the way that government thought. See them as key and integral complement to architecture of how government delivers services and administers its dollars.

ability to take risk and engage with others to build and strengthen organization.
- LCBO in existence since 1930’ish and has been a bit of a model for a lot of agency development.
- Very important to implementing government policy; government no longer has the skills, initiatives and abilities to do in the operational world. Great contribution of agencies is in implementation. Provincial governments delivering less and less itself; huge contribution of an agency is quality and day to day operations that government no longer does.
- Important part of agency, even with more control, can provide significant advice and influence over government decisions; providing evidence, demonstrating how evidence leads to best possible outcomes. Can play a positive and important role in bringing parties together closer to consensus.
- LCB net revenue generator ($2B); when it comes to pricing—Finance ministry has never given up its role.
- Broader public benefits accrue but may not be seen firsthand e.g. building oversight. Setting up different models of agencies has been successful despite a few issues.
- Agencies change as governments see problems differently—strive to expand mandate to deal with those problems. Biggest example is Metrolinx; from small policy shop to be a massive planner today. Province has been getting rid of smaller agencies over last three years e.g. health. Part of their mandate will be integration; a lot of housekeeping over next while; money scarce; turf rivalry from ministry which keeps checks on them. Organizational politics at play not just political.
- Made government more flexible and adaptable when used properly e.g. rule-making that makes them nimbler
and more adaptable in meeting needs of subject areas.
- When you set up an agency with a primary focus, then you get results; give new focus to a new or languishing issue. Leadership (do things despite the system) and latitude, mandate and resources key to success.

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<tr>
<th>Political/philosophical</th>
<th>Forces government to be clear about what’s in the reporting entity. Government able to siphon money from Crowns.</th>
<th>Board members don’t like it when Minister steps in and directs agencies.</th>
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<td>BC - 4</td>
<td>A huge amount of reform by Liberal government to get out of licensed daycare; seen the implications of these decisions over time. Cost profile, investment in computer systems or the other shaping factor is political philosophy which short-circuits all due diligence. There were times when it was just done.</td>
<td>Political interference difficult to do in an independent agency; separation between policy and political and operationalization by experts allows for legitimate policy direction by government to be delivered by independent agencies.</td>
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<td>Ontario - 3</td>
<td>Fiscal priorities and philosophical positioning. If you believe private sector does things better, then you’ll move things into that quasi-sector more. If you don’t then less will be moved into that sector. The NDP were against private health care.</td>
<td>Created new agency when government changing so no trouble accepting new board. In Metrolinx, we’ve had almost a complete turnover in the Board because premier’s office was anxious about Liberal appointees not neutral advisors.</td>
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<td>The issue became so politicized. This is what happens when you have politics trying to change policy and leadership. Certain stripes of government are more inclined to do certain types of things e.g. Liberal governments more inclined to financial levers as opposed to NDP.</td>
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<tr>
<th>People, experience, expertise</th>
<th>Crown boards are heavy hitter people with quite a range of skills; ability to leverage skills. Have a range of people from stakeholder communities insulating government from political risk.</th>
<th>Agencies important when government is trying to develop policy as they have expertise in the field for the people trying to develop policy.</th>
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<td>BC – 6</td>
<td>Players influence the process and outcomes a lot. Agencies can be good but also ineffective with culture and people issues, for example WorkSafeBC being bureaucratic. Not just</td>
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structure but individuals and culture. Leadership makes a difference; can’t disassociate individuals from structure.  
- Have to empower people.
- Health authorities very competitive with each other- collegial but competitive. How have they shaped government – dramatic; we went from running the system to stewarding it.
- Having subject matter expertise was not seen as helpful. Nobody in the Ministry that worked in a health authority or clinical setting; changes deskillled us in understanding the system in which we manage. ADMs were all new and came from non-health backgrounds; didn’t understand the culture and system.  
Government took that to heart and now subject matter expertise is valued more.
- There has been less movement of DMs and ADMs. NDP kept senior management team in place; some learning on part of government that we have to know our business. Each health authority has their own culture e.g. North different than Vancouver; way they behave as a board is different.

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<th>Policy &amp; Positive Impacts</th>
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<td>- Crowns are policy takers, implement government’s policy agenda, given high level instruction.</td>
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<td>- Under legislation, clause that allows the commissioner to comment on policy, law etc. The reality of these offices is that they have a great deal of expertise to contribute to government’s development of new laws and proposes.</td>
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<td>- Have the Crowns been developers or receivers of public policy? Lottery corporation shaped government policy on casinos and video gaming. Financial Institution Commission, a</td>
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<td>- Had an enormous influence. Government shapes policy through legislation, budget it approves and directions it gives.</td>
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<td>- When it came to policy for one agency, because of how their legislation written, we had a dispute in our Ministry, and I decided that policy would not go to the agency.</td>
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<tr>
<td>- Political interference difficult to do in an independent agency; separation between policy and political and operationalization by experts allows for legitimate policy direction by government to be delivered by independent agencies.</td>
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CEO had a huge influence in terms of economy and industry in Asia.  
- In the big picture they’ve contributed enormously. Work that they do informs government decision making for better or worse. They supply distance from government, educate them on issues and concerns that government can think about it but not be directly responsible for. When an agency would raise issues, there was an enormous contribution to policy and thinking of the issue.  
- Crowns have contributed to clarifying the role. They can have an ability to raise issues up the political ladder which may not be possible as lower level bureaucrats. Possibility of fixing policy issues may help to shape government.  
- Strong trust and confidence in Crowns, something I gleaned early in my career. They are more business focused, drive to bottom line, nimbler; looking at alternative service delivery mechanisms. Crowns are viable alternatives and creative solutions to setting up an organization to deliver a function in a particular way, like the Pacific Carbon Trust; set up in emerging carbon market; work faster, explore international partnership with more flexibility and autonomy.  

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<th>Negative impacts</th>
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</table>

- Government should act in ways which are more horizontally connected. More ecological view of public sector. Need to build community-based systems to build capacity.  
- Negative impacts around the edges; things we may have blinders on e.g. capping rates erodes discretion and ability act and therefore contribute.  
- Problem for us to get regulatory changes through; still have to go through government. We could be more progressive and advance  

- Emergency Medivac System run by ORNGE – used to be run by Ministry of Health. Inadequate oversight and got into huge scandal with many millions of dollars at play; people fired, and entire Board taken out – horrific experience for government of Ontario. It was created differently – governance structure more akin to private sector even as non-profit. Ran itself as private sector organization. Lack of oversight and public sector ethos had direct impact. That experience really had significant
certain changes, different tools, more flexibility. Harder to enable industry to try new things, sometimes you get pushback from legislative counsel which may be more cautious than the Ministry. We can only be as progressive as most conservative and that can impede us from being as effective and impactful in assisting industry.

- Fiscal priorities—how do these entities contribute to public purpose. Where does public accountability rest? Confusing for a lot of people.
- Government policy is unclear; policy and agency must talk together. Some policies that agencies just detest, and they don’t get it. Nor does the government. Government needs to lead.
- Still conversations about what agencies do. No universal respect for independent decision making, policy tools that shape government. Takes a while for trust to build up especially with new governments. Not a wholesale movement to see value of agencies and how they will work together. Overall, the dial hasn’t moved.
- For the most part people think of agencies as part of government. Maybe the public finds it more frustrating to deal with complaints. No longer any government accountability and people don’t have a way to elevate their issues.
- Agencies played a role but sometimes not all that helpful.
- The whole mess at the Ministry of Health, firings, report of Ombudsman did not help; criticized both the Ministry and the agency. Government made all kinds of policy changes in a knee jerk reaction; sometimes action doesn’t logically fit the response. This issue just got
away on them because nobody was paying attention.
- Like to have cross-knowledge between Crowns and core ministry but there’s not enough cross-learning.

| Change in government roles/size | - Direct government is a small part of delivery of public services. MOUs/AAs, those are really just a shell. All the shape of delivery is developed by the entity itself. Watching how outside organizations implement regulatory programs has helped me learn how to implement inside government.
- When you spin off parts of departments into agencies you are reshaping government and have more of a focus on that issue than if it were in a government department e.g. arts funding body, whose focus is on funding the arts and nothing else; not a policy making body. Can create tension because officials see agency folks as captive and espousing a sector’s point of view.
- Right response is to create these things with enough linkages to government and the right oversight and accountability that you can have warnings, yellow flags of caution
- A lot of different reporting mechanisms which can change; don’t have to be bound by them. |
| BC – 0 |
| Ontario - 4 |
TABLES 6(a) and 6(b) : Where do you see the relationship going and what are the challenges governments must meet in the future? (Q7)

Table 6(a): Challenges

<table>
<thead>
<tr>
<th>Question Element</th>
<th>BC</th>
<th>Ontario</th>
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<tbody>
<tr>
<td><strong>Leadership</strong></td>
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</table>
| BC – 3           | Ontario – 0 | - With boomers retiring, ...gap between experienced folks and inexperienced.  
| - Leadership in terms of senior executives and Boards of bodies to understand their role as oversight and governance  
| - How do we build competency in these other agencies?  |
| **Mandate clarity** | BC- 2 | Ontario - 2 | - Mandate collaboration in mandate letters.  
| - Crowns will need good governance and clarity of mandate.  |
| **Governance**   | BC – 4 | Ontario – 11 | - Government needs more flexible tools.  
| - Agencies don’t work in our constitutional framework.  
| - History of going back and forth with decentralization and centralization because of cultural issues and mismanagement.  
| - Lot of accountability and rigor in appointment process...could influence ...Ministries.  |
| - Challenges will continue to be legitimacy, transparency, understand what they do.  
| - Government needs clarity in how it wants to regulate and provide service.  
| - Challenges will be the same – tension between autonomy and control.  
| - Designing relationships that foster trust and collaboration.  
| - Technology...wild card; massive changes in the last 10-20 years.  
| - Extension of rules by public service to agencies; once something hit the fan then questions about consistency arose, rules started to apply to agencies.  
| - Two trends at war: more performance management outcomes and devolving services  
| - Risk reporting and mandatory orientation.  
| - Formalized regular ongoing discussion at a cabinet table about agencies, their governance and risk are the single most important thing.  |
- Agencies are just tools; what’s the risk
- Agencies are the face of government...important that they are set up well...appropriate accountability structure.
- So many different models give government choice as opposed to putting something in a Ministry and funded by taxpayer. Important part of overall design of government and carrying out responsibility.
- Don’t think structure is where it should be...need to become universal citizens to solve global problems. Better match agencies to problems.
- Role of government will increase because of COVID-19; Agencies will continue to be more sophisticated; greater accountability and transparency...more public disclosure; better performance and metric accounting, qualifications – subject to greater scrutiny.
- Governments won’t be able to keep up without more nimble oversight and delivery structures.
- Potential of an agency is that it can create its own culture with its own focus.
- Different kinds of agencies with various characteristics and rules; some more arm’s-length...pick the right structure...the one most likely to get your result, with the controls you need to have.

| BC – 7         | - Government less inclined to get involved...don’t want to be in a position to fix their problems.
| Ontario – 5    | - Public expects high level of accountability. We don’t allow organizations to deal well with failures – government has a low tolerance. Organizations then become less nimble in
|               | - Challenges with multi-parties e.g. Translink – no shareholder but mayors and boards. Downside...doesn’t hold attention of individual shareholders. Other challenge (transportation and transit) – no more political decision than how you spend millions of dollars that shape a community for centuries.
<p>|               | - Challenge of public trust-not always the case. |</p>
<table>
<thead>
<tr>
<th>People, personalities</th>
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<tr>
<td>BC - 3 Ontario - 0</td>
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</tbody>
</table>

- Someone is in the office that government doesn't like. Previous Children and Youth Advocate - they (government) stopped listening after the first term; too much focus on the person which can be detrimental.
- People who are coming into agencies such as ICBC are primarily business people. They are the big mouths and they are leading. There is no balance in these organizations.
- Wisdom of the people who are close to money versus the people. Should we be bringing these bodies back in?
- During COVID recovery, government has to look to local leaders to be creative.

| - Scope will get bigger as issues converge; downside if policy and operations divorced don't have knowledge of the rules. |
| - Pressure on governments to reduce costs and effect savings should help reduce the government redundancy. |
| - Approach with agencies is inconsistent. One reason for problems and strained relationships is because government, when it gets out of service delivery can distance itself from the outcomes. |

- How you operationalize a simple concept such as government doing policy and agency, operations. Government policy should be clear and written...faire to have clarity and put something in writing. If government doesn't want the agency to do something, they should tell them.
- Accountabilities through general governance mechanisms – regular dialogue, appearances through public accounts – provide transparency.
- Checks and balances that need to be in place. There has to be a balance; we have to take some risk and acknowledge that we don't have unlimited resources.
- Have to find a way to find the mandate of the agency then how that can be met; continuously evaluated.
- As DM you must understand that government can never divest itself of the role of government. When creating these agencies, you have a responsibility and have to demonstrate it.
- Inside public service a greater attention to agencies. A little more thought about intention; how accountability and expertise going to be mixed in creation of an agency.
| **Pay, compensation** | - Issue of jealousy – difference in pay. If the discrepancy was too big, there was a fairness issue.  
- Government has procurement and compensation standards...needs to make choices about how those things apply in an arm’s-length structure. Have seen reactionary approach to compensation.  
Need to balance risk/reward.  
- Independent agencies pay their staff more than we get paid; do things we don’t e.g. conferences. |
| --------------- | | **Government has procurement and compensation standards...needs to make choices about how those things apply in an arm’s-length structure. Have seen reactionary approach to compensation.  
Need to balance risk/reward.  
- Independent agencies pay their staff more than we get paid; do things we don’t e.g. conferences.** |
| **Political** | - Continue to evolve in both directions depending on government interests: bring things in (left of centre) where cabinet wants more hands on; right side – more independence. Question the value of some agencies as they are more political. | - Going through cyclical approach depending on government. Some want less in terms of decision making and other governments want to be more engaged in decision making. That will vary depending on type of government.  
- no more political decision than how you spend millions of dollars that shape a community for centuries.  
- Project selection changes from government to government; kinds of choices are fundamental and impactful.  
- Relationship needs to be respected politically and bureaucratically. |
| **BC – 3** | | **Ontario - 0** |
| **Ontario - 4** | | **BC – 1** |
| **Ontario - 4** | | **BC – 1** |
Table 6(b): Future of Agencies

<table>
<thead>
<tr>
<th>Question Element</th>
<th>BC</th>
<th>Ontario</th>
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</table>
| Increase in agencies (agencification) | - Don’t see anything but growth in agencies, complexity and need for expertise.  
- Governments will continue to use and expand the role of agencies.  
- Government has to continue to use agencies if our economy must evolve, with the innovation and pace, internet, AI and machine learning;  
- Pace of change so great that some traditional approaches and government needs to change  
- Concern about how much government delegates down; if government wants to be nimble and deal with the pace of change, there will have to be more delegation and trust.  
- Government can’t be in all these areas; trend will continue. Government needs to experiment; try different models; try different things with different agencies.  
- Governments want to reduce their size and cost  
- Might see more moving things out; don’t want big government or too influential. A lot of things that you can’t get rid of and must be delivered.  
- Impacts of climate and economic challenges will have us look at core services, what government should look like; best means of delivering government services.  
- Stepping of certain business or putting it out to others. Support the needs for more demand for independent agencies that deliver work in creative ways and reduce the size and impact of government. | - Over time, more programs and services will go out to agencies, government will stay in business of policy and guidance; not in operational areas.  
- Government will continue to explore and implement delivery systems outside government. * Perennial conversation about making government smaller and deliver the same amount of service – option to move outside government.  
- Technology enabling more arm’s-length delivery of services. being able to pick up the phone and look at the person may drive more trust and collaboration.  
- Governments continue to create these things; will continue to come up with new variations;  
- Like a new toy focus, not on long term governance challenge.  
- Have a lot of service delivery with third parties; trend to devolve to front line.  
- Growth in moving towards agencies; more efficient, accountable; less risk to political office holders.  
- More agencies being funded outside taxpayer general contributions. Assumption as to beneficiaries may be too narrow and result in issues down the road (risk).  
- New agencies on climate change; managing adverse events, infrastructure management, new agencies to deal with new problems – greater complexity, integrated more broadly.  
- Governments using agencies more – education and health and their delivery structure to distribute |
decision making and rationalize local delivery systems. Decentralized structure.
- Long term trend on getting the business of government out of ministries and central agencies e.g. Transport Canada – getting rid of CNR, air traffic control, Air Canada. Keeps government in the policy business.

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<tr>
<th>Rationalization, contraction</th>
<th>BC – 9</th>
<th>Ontario - 10</th>
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</thead>
<tbody>
<tr>
<td>- Interesting to watch post-COVID; how it translates into how corporations will function. Maybe we'll see some contraction...we will see changes.</td>
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<td>- Agencies may exist but not the same.</td>
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<td>- Interesting to see where government has divested itself of services; some agencies could be devolved or have their mandates reviewed.</td>
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<td>- Reckoning and consolidating of government: agencies a great thing or will it become a political move.</td>
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<td>- We will see a continuing assessment and shaking out of the process; huge political accountability</td>
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<td>- Over time, a professional managerial focus, making careful decisions about do you push this outside the core of government (for efficiency, customer service, quality).</td>
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<td>- Trying to get trajectory of where government going but a lot of noise - political philosophy, individuals that have a hobby horse, but I think we may be getting back to a place where government recognizes legitimately core functions and what government needs to keep inside.</td>
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<td>- Stripped down government has an impact.</td>
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<td>- Predominance of issues driving policy discussion. If you’re key concern is managing issues/reputation, then you probably want your operations closer. I see more things centralized.</td>
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<td>- Growing distrust of public institutions. Creation of an organization with a mandate doesn’t meet the public interest...more control and clarity in mandate direction. Small agencies may</td>
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<td>- Next year/18 months interesting, bunch of agencies government will likely have to bail out; not sure what future will be like.</td>
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<td>- Current government amalgamated some agencies expanded role of ones they like.</td>
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<tr>
<td>- Government diluted responsibilities and closed agencies in name of saving money;</td>
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<tr>
<td>- See more benefits with COVID for DAAs. Model to be refined. Won’t be major shift going in a different direction at least for the foreseeable future; direct delivery model back in government not ideal...see refinements and adjustments.</td>
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<tr>
<td>- Government reviews its agencies, boards and commissions periodically and has gotten rid of smaller agencies. Focus will be on accountability mechanisms or getting rid of agencies.</td>
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<tr>
<td>- Agency sector a huge part of economy...paying enough attention but not sucking up so much political and bureaucratic energy; risk reporting and mandatory orientation.</td>
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<tr>
<td>- Rationalizing agencies is unlikely to happen at fast pace; middling successful in reducing the number of agencies over time; not perfect but better than extremes.</td>
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<tr>
<td>- Exercise of controls by government over agencies more significant; fewer agencies truly independent; government looking to put in more controls.</td>
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get absorbed but large bodies will remain. Pendulum won’t swing back but there will be more control given public scrutiny.
- Very worried about economy after COVID. Long term, economic damage and how government going to respond...see a reduction in number of agencies that government funds, could be brought back in based on economy driving government’s agenda. Cost cutting will drive change.
- Need to look at structure and all organizations... where they’re going with service delivery. Need more structure, not oversight.
- Core government may want to look at; keep organizations but have more rigor around Board Chair and governance.

- Simplify the reporting relationships with agencies; form of distributed accountability;
- Always looking for ways to minimize risk, improve government.
- Delivery of mandates increasingly important. Over time some effort to consolidate.
- Good governance in place for these organizations; general template of agency governance; serving us well but room for improvement; serving us well and transparent.
- Question around performance, transparency, being inclusive, representative of interests. See governments take more interest in Coherence and coordination with respect to orders of government: multi-level governance issue: vertical and horizontal.
- Future will be dynamic; relationship needs to be respected politically and bureaucratically. Continue to be challenged with effectiveness; bring strategic approach to this part of government; more shared responsibility.
- COVID-19 catalyst for change how we work; government will have to look at agencies, structure to best deal with bigger issues.
- Government will need to restructure its agencies to deal with global problems. Expertise, data analytics, AI will drive efficiencies
- Agencies themselves will come under more scrutiny – CEO salaries, more sensitive to political oversight.
- Province getting rid of smaller agencies; part of mandate will be integration.

<table>
<thead>
<tr>
<th>No Change</th>
<th>- Government pushed so much out to the Crowns in early 2000s, winnowed down Ministries...pretty much as far as it could. Not much more to push out. I think the balance is pretty good.</th>
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<tbody>
<tr>
<td>BC – 4</td>
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<tr>
<td>Ontario - 7</td>
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</table>
|                    | - I’m not sure the level of intrusion of policy and program area will change.  
- Continues to be an important role for agencies; must define it and review it. Continue to be tension between                                                                                                                                 |
|                    |                                                                                                                                                                                                  |
- Nothing will change. Can’t see room for some being collapsed back into government given need for business flexibility in Ministry structure.  
- Relationships likely to stay the course and as positive as it currently is.  
- With COVID, need to be nimble but need to centralize oversight of any major recovery efforts. Wouldn’t expect to see a lot of Crowns created at this time.  

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<thead>
<tr>
<th>government and agency: control v arm’s length.</th>
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<tr>
<td>- Don’t know if they’re doing more or less agencies; literature says government doing more especially with operations.</td>
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<td>- Corona virus demonstrates the need to be more nimble; agencies seem to have the capacity do that better than most ministries.</td>
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<tr>
<td>- Continue to be a strong role for agencies to play in these kinds of spaces within overall framework set by government.</td>
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<tr>
<td>- We will continue to use them, special purpose agencies, social and fiscal infrastructure.</td>
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<tr>
<td>- Agencies will continue to play important role.</td>
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Appendix D: Ministries, Central Agencies and Arms-length Agencies Represented by Interviewee Experience

<table>
<thead>
<tr>
<th>BC Ministry/Central Agency</th>
<th>Ontario Ministry/Central Agency</th>
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<tbody>
<tr>
<td>Health</td>
<td>Attorney General</td>
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<tr>
<td>Education</td>
<td>Solicitor General</td>
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<tr>
<td>Forests</td>
<td>Public Safety and Security</td>
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<tr>
<td>Social Development and Poverty Reduction</td>
<td>Immigration</td>
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<tr>
<td>Attorney General (Gaming, Consumer Services, Legal Services</td>
<td>Labour</td>
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<tr>
<td>Labour</td>
<td>Intergovernmental Relations</td>
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<tr>
<td>Cabinet Operations</td>
<td>Treasury Board</td>
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<tr>
<td>Finance</td>
<td>Energy</td>
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<tr>
<td>Premier’s Office</td>
<td>Premier’s Office</td>
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<tr>
<td>Cabinet Planning/Secretariat/Operations</td>
<td>Cabinet Office/Operations/Management Board</td>
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<tr>
<td>Community, Aboriginal and Womens Services</td>
<td>Education and Training</td>
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<tr>
<td>Aboriginal Affairs</td>
<td>Skills Development, Training, Colleges and Universities</td>
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<tr>
<td>Municipal Affairs and Housing</td>
<td>Treasury</td>
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<tr>
<td>Provincial Treasury</td>
<td>Economics and Economic Development</td>
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<tr>
<td>Solicitor General</td>
<td>Finance</td>
</tr>
<tr>
<td>Social Development</td>
<td>Health</td>
</tr>
<tr>
<td>Sustainable Development and Economy</td>
<td>Municipal Affairs/ Municipal Affairs and Housing</td>
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<tr>
<td>Advanced Education</td>
<td>Housing</td>
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<td>Employment and Investment</td>
<td>Transportation</td>
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<td>Industry and Trade</td>
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<td>Highways</td>
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<td>Head of Public Service</td>
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<td>Natural Resources</td>
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<td>Government Services</td>
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<thead>
<tr>
<th>Arms-length Agencies</th>
<th>Arms-length Agencies</th>
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<tbody>
<tr>
<td>Health Authority</td>
<td>Technical Standards and Safety Authority</td>
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<tr>
<td>Medical Services Commission</td>
<td>Social Justice Tribunals</td>
</tr>
<tr>
<td>College of Dental Surgeons</td>
<td>Environment and Land Tribunals</td>
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<tr>
<td>Crown Agency Secretariat</td>
<td>Office of the Independent Police Review</td>
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<tr>
<td>PSEC</td>
<td>Niagara Parks Commission</td>
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<tr>
<td>Labour Relations Board</td>
<td>Ontario Securities Commission</td>
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<tr>
<td>Workers Compensation Board</td>
<td>Financial Services Commission</td>
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<tr>
<td>Office of the Information and Privacy Commissioner</td>
<td>Ontario Realty Corporation</td>
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<tr>
<td>Children and Family Development</td>
<td>Civil Service Commission</td>
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<tr>
<td>BC Ambulance</td>
<td>Metrolinx</td>
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<tr>
<td>BC Securities</td>
<td>Regional Health Authority</td>
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<tr>
<td>Technical Safety BC</td>
<td>Ontario Development Corporation</td>
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<tr>
<td>ICBC</td>
<td>Environment Commission</td>
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<tr>
<td>Consumer Protection BC</td>
<td>Providence Healthcare</td>
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<td>BC Assessment Authority</td>
<td>Toronto Harbour Commission</td>
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<td>BC Ferries</td>
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<td>Public Service Agency</td>
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