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To cite this article: Sjors Overman (2020) How Creating Semiautonomous Agencies Affects Staff Satisfaction, *Public Performance & Management Review*, 43:2, 433-460, DOI: [10.1080/15309576.2019.1622579](https://doi.org/10.1080/15309576.2019.1622579)

To link to this article: <https://doi.org/10.1080/15309576.2019.1622579>



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Published online: 12 Jun 2019.



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How Creating Semiautonomous Agencies Affects Staff Satisfaction

Sjors Overman 

Utrecht University



ABSTRACT

Structural reforms such as the creation of autonomous agencies are a widely heralded solution for a multitude of problems in the public sector. These reforms have effects on public employees. This article shows how the structural disaggregation of ministries into autonomous agencies affects staff satisfaction with the organization. The article discusses three cases, where Dutch public organizations were either disaggregated from a ministry or reaggregated to the ministry. These structural reforms constitute a quasiexperimental setting where effects on agency staff and parent ministry staff are compared. In one case, creating the agency led to a decrease in staff satisfaction with the organization as compared to the staff that remained within the ministry. A second case showed that these negative effects linger and can last for more than eight years. An inverse organizational change—reaggregation—caused inverse effects: increasing satisfaction with the organization.

KEYWORDS

agency creation;
difference-in-differences;
public management reform;
staff satisfaction; synthetic
control method

What is the effect of organizational disaggregation in the public sector on staff satisfaction with their organization? Answering this question is important, as structural reforms are a widely heralded solution for a multitude of problems in the public sector. One of these structural reforms includes the disaggregation of ministries into smaller units or semiautonomous agencies (Pollitt, Talbot, Caulfield, & Smullen, 2004; Verhoest, Van Thiel, Bouckaert, & Lægheid, 2012). The number and importance of such semiautonomous agencies have risen sharply over the last decades. In Britain, for example, these organizations all together spend more than 13% of the total government expenditure (www.shrinkingthestate.org), and their budgets roughly quadrupled in real terms between 1980 and 2010 (Hood & Dixon, 2015, p. 28). In the Netherlands, semiautonomous agencies even

CONTACT Sjors Overman  s.p.overman@uu.nl  School of Governance, Utrecht University, Bijlhouwerstraat 6-8, 3511 ZC Utrecht, the Netherlands.

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employ more staff, and have a higher budget than all ministries combined (De Kruijf, 2011). Examples of these agencies range from independent market authorities to public transport operators.

Employee motivation and productivity can rise as a result of the structural disaggregation (Bilodeau, Laurin, & Vining, 2006). However, we do not know the effects of semiautonomous agency creation on the attitudes of their employees, despite the widespread proliferation of such organizations. The creation of semiautonomous agencies is part of wider New Public Management reforms. Such reforms in the organization target the daily environment of public sector staff: managerial instruments, such as performance contracts, are introduced and stable careers within the same ministry might no longer be self-evident (Demmke & Moilanen, 2010). Employees' attitudes toward their organization are, therefore, prone to change (Nelson, Cooper, & Jackson, 1995; Thomas & Davies, 2005). Given the abundance of structural changes, and their potential effects, it is important to gain systematic insight into their effects on employees' attitudes toward the organization. Therefore, this study aims to show the effects of organizational disaggregation on employees' satisfaction with the organization.

A rich literature is available on the effects of structural reforms on job satisfaction in the public sector (for example, Yang & Kassekert, 2010). However, for many government employees, their actual job does not change when their department is reformed into a semiautonomous agency. Their organization, however, changes. The current study contributes to understanding the effects that structural reforms have on satisfaction with the organizational environment. Satisfaction with the organization is an important indicator of the employee-organization relationship (Tremblay, Dahan, & Gianecchini, 2014). It is linked to many beneficial outcomes for the organization, such as prosocial behavior and a lower intention to leave the job (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; O'Reilly & Chatman, 1986; Verquer, Beehr, & Wagner, 2003). Our understanding of processes that influence satisfaction with the organization are, therefore, important, and serve the human resources (HR) tools that public organizations have at their disposal (Gould-Williams, 2003). Note that the focus on the relation between structural reforms and employee attitudes places questions about reform processes and change management beyond the scope of this article (Kuipers et al., 2014).

This study is situated in the Netherlands, where the number of semiautonomous agencies increased swiftly during the last two decades of the twentieth century, and despite growing unpopularity in the political domain, their number did not decrease over the last 15 years (Yesilkagit & Van Thiel, 2012). The structural disaggregation of two public organizations,

as well as the reaggregation of one other organization, provide an excellent opportunity to study the effects of the reform on the employees in these organizations. The current study analyzes data from three organizations, including longitudinal survey data ($N=9,460$),¹ and five interviews. The changes in the studied organizations constitute a quasiexperimental setting (Shadish, Cook, & Campbell, 2010), which is analyzed in this study using a combination of a differences-in-differences design (Wooldridge, 2002) and the synthetic control method (Abadie, Diamond, & Hainmueller, 2015). The analyses are supplemented with five interviews with HR managers in the organizations under study, and their parent ministries. These interviews provide additional insights in the stories behind the numbers.

The present analysis led to three key insights that shed new light on theory and have important implications for practice. First, contrasting the managerial discourse that is implicitly based on goal setting theory, there was a decline in employees' satisfaction with the organizations as a result of the structural disaggregation. Second, in one organization, lower satisfaction levels persisted over a period of more than eight years, which is a longer period than previous studies found for job satisfaction in the private sector (Armstrong-Stassen, 2002; Nelson et al., 1995). This term refines the satisfaction-shock-hypothesis (Jilke, 2015): shocks after organizational change in the public sector may linger. Third, this study contributes to our understanding of the mechanisms explaining the decrease in satisfaction with the organization. The decline in satisfaction is mediated via two separate routes: by a satisfaction with career perspectives, as well as by a satisfaction with the organizational focus on results after the structural reform. The analysis, thus, showed that exchange relationships between organization and employee account for important mediating effects and refine expectations of reformers.

Satisfaction with the organization

A broad literature examines the relationship between employees and organizations (Shore, Coyle-Shapiro, & Tetrick, 2012). In this literature, the relationship between organizations and employees is conceptualized as an exchange relationship, in which organizational contributions are balanced with employee contributions (Blau, 1964; March & Simon, 1958; Shore, Coyle-Shapiro, & Tetrick, 2012, p. 2). Satisfaction with the organization is considered an important indicator for this relationship (Tremblay et al., 2014). Satisfaction with the organization is defined here as a psychological state that reflects a positive general evaluative attitude toward the organization (cf. James, 2009, p. 108). It is different from job satisfaction, as it refers to the organization as a whole rather than to the job alone

(cf. Kristof, 1996, pp. 6–9). Satisfaction with the organization is a reflection of affective organizational commitment (Meyer & Allen, 1991; Verquer et al., 2003), and person-organization fit (PO-fit; Kristof, 1996). Organizational commitment and PO-fit are, in turn, important predictors for job performance, absenteeism, the intention to leave, organizational citizenship behavior, and employee psychological health (Kristof, 1996, pp. 36–37; Kristof-Brown, Zimmerman, & Johnson, 2005). Improving satisfaction with the organization is, therefore, a key ingredient to productive human resource management (HRM) tools in the organization (Gould-Williams, 2003; Steijn, 2004).

This study focuses, in particular, on the satisfaction with the organization among staff in newly created agencies. A link between organizational structure and satisfaction is part of the managerial discourse that dominated structural reforms over the last decades. As discussed in further detail below, one of the reasons for the creation of a semiautonomous agency is an assumed positive effect on employee satisfaction and productivity (Overman, 2016; Smullen, 2010). Clearly, public management reforms do not usually have a comprehensive theoretical or scientific underpinning, and have had significant practical import (Andrews, 2010, p. 282). Therefore, this section reconstructs the theoretical mechanisms that inspired many public management reforms, and that link structural disaggregation of an agency with staff satisfaction in the disaggregated unit. First, the direct effect of structural disaggregation of the organization on employee attitudes will be explored by employing goal setting theory (GST) (Locke & Latham, 1990). Next, this section explores two potential mediating effects that are part of the relationship between employee and organization. These effects include the satisfaction with one's career perspectives and satisfaction with organizational focus on results. Lastly, this section will discuss the possibility of a temporary shock after the disaggregation.

Single-purpose organizations and satisfaction

The core of the managerial logic that connects organizational disaggregation into single-purpose organizations with an increase in satisfaction with the organization is—often implicitly—based on GST. GST posits that clear goals enhance motivation, productivity, and satisfaction (Locke & Latham, 1990). Such clear goals focus attention of the employees. On the other hand goal conflict and goal ambiguity negatively affect job satisfaction, as the employee lacks understanding of the organization, and fails to internalize the goals fully as one's own goals (Deci, Eghrari, Patrick, & Leone, 1994; Jung, 2014). In line with self-determination theory, Jung (2014) found

that employees do not optimally internalize ambiguous goals and that, therefore, goal ambiguity negatively impacts satisfaction.

Central government is often characterized with goal-ambiguity (Chun & Rainey, 2005). Ministries are close to their political principals, who often change priorities in line with demands from parliament, party, or media. Further, ministries are large organizations with a broad number of goals and stakeholders. A single mission statement thus must be abstract enough to cover all of these goals and appeal to all stakeholders. Therefore, both priority goal ambiguity and mission comprehension ambiguity may occur (Chun & Rainey, 2005; Jung, 2014). The lack of consistent prioritization of goals and, hence, the ambiguity in mission comprehension of the ministerial organization could impede the alignment and internalization of values (Steijn, 2008) and, consequently, job satisfaction, productivity, and satisfaction with the organization (Wright, 2004).

As a solution to goal ambiguity, governments can create single-purpose organizations such as semiautonomous agencies (Pollitt et al., 2004). These semiautonomous agencies are designed with a specific purpose and clear goals (Bertelli, 2006b; Verhoest et al., 2012), which contrasts the goal ambiguity that characterizes central government. The mission comprehension in a single-purpose organization is easier to pronounce for the agency management, for example, through a mission statement or branding. The users of the service that the organization delivers are more clearly defined. This reduces the potential variation in stakeholders and their interests at the service delivery end. Moreover, disaggregated agencies are more insulated from politics and, therefore, suffer less from priority ambiguity (Pollitt et al., 2004). This reduces the politicization of tasks as well as the inconsistent prioritization of tasks and, thereby, the goal ambiguity at the agency's end. Based on the reconstructed theory underlying many reforms, the first hypothesis reads:

H1a: The disaggregation of an executive agency from its parent ministry will improve staff satisfaction with the organization.

Prior empirical studies, however, point to negative effects of structural changes on employee well-being. Privatization of a water authority in the UK, for example, led to a decrease in job satisfaction (Nelson, Cooper, & Jackson, 1995). Such effects may be due to factors within the newly created organization, as some suggest. For example, this may be due to more central steering within the newly created organizations (Wynen, Verhoest, & Kleizen, 2017) or managers who feel they should reaffirm their positions by introducing new performance indicators. The contrasting hypothesis, therefore, reads:

H1b: The disaggregation of an executive agency from its parent ministry will improve staff satisfaction with the organization.

The relationship between organizational disaggregation and satisfaction with the organization thus may not be straightforward. Two separate antecedents of satisfaction may mediate the hypothesized effect. These are located in the characteristics of: (1) the organization and those of (2) the individual. Both influence the relationship between organizational changes and satisfaction (Steijn, 2004).

Regarding organizational characteristics, this study focuses on the alignment of performance indicators and the employee's motivation (Vandenabeele, 2007). Following a disaggregation, job content often stays the same for many employees, the organization itself can start to focus on new measures of success, such as measurable process or output indicators (Pollitt et al., 2004). The use of such instruments often accompanies the disaggregation of agencies (Pollitt et al., 2004).

Regarding individual characteristics, this study analyzes the effect of the potential for employees to develop their career (2004). Career support forms an important HR instrument in which an organization can invest to influence employee satisfaction. In particular, self-perceived mobility criteria in an organization are positively linked to satisfaction with the organization (Tremblay et al., 2014). The next sections will discuss these two mechanisms in greater detail and hypothesize whether the effects are short-lived, or effects that last.

Organizational focus on results

The first indirect path from disaggregation to satisfaction with the organization leads through organizational characteristics. In particular, the disaggregation may affect the alignment between the organization's and the employee's values, which affects satisfaction with the organization. Alignment between organizational and individual values increase has, in turn, been found to increase satisfaction (Kristof-Brown et al., 2005). Yet, the use of business-like instruments in managing the organization may obstruct alignment.

Employees in the public sector are generally characterized by an orientation to do good for others and society (Perry & Hondeghem, 2008). If organizational results contribute directly to society, and when the organization can manage a clear and direct line of sight for employees on positive societal impact of their work, the alignment between the individual commitment to the public interest and organization would be optimal. Proponents of agency creation contend that as a focused and compact organization, semiautonomous agencies would provide an organizational environment in which staff that is committed to the public interest would fit better than in a large and bureaucratic ministry (Overman, 2016).

However, empirical studies find that additional accountability demands and an overemphasis on performance targets after disaggregation might blur the view on real impact for employees (Bertelli, 2006a; Bevan & Hood, 2006). Moreover, ministries can use semiautonomous agencies to transfer unwelcome tasks, such as administrative work (Dunleavy, 1992; James, 2003). James (2003, p. 25) argues that public managers at ministries are concerned to work on policy problems in close proximity to political principals, rather than on routine tasks with low discretion. As a result of separating the policy making and implementation, agency staff loses its proximity to political power and they feel impeded to pursue societal impact (Van Thiel & Van der Wal, 2010). The separation between ministry and agency, then, impedes agency staff to take part in policy formulation and reduces their discretion. Moreover, the use of agencies enables managers to use a more transactional, managerialist style, and to focus on cost reduction and performance systems (Pollitt, 2006), which might increase the administrative burden for individual employees. Employees might, therefore, fail to notice the organization's (societal) impact (Pasha, Poister, Wright, & Thomas, 2017). As a consequence, the satisfaction with the organization decreases. Hypothesis H2 adds a negatively mediating variable between disaggregation and satisfaction:

H2: Structural disaggregation negatively influences employees' satisfaction with the organizational focus on results, leading to a decrease in satisfaction with the organization.

Career perspectives

The second alternative path leads from disaggregation to satisfaction with the organization via job characteristics. In particular, career perspectives form an important aspect of the job for public service employees. As stated before, prior research found that career support mediates the relationship between organizational changes and staff satisfaction (Steijn, 2004). Career perspectives in the public sector are subject to change and in recent reforms, many civil servants have lost certain specific benefits or career perspectives (Boyne, Poole, & Jenkins, 1999; Steijn & Leisink, 2007). Altogether, job security for civil servants in the Netherlands has converged in the direction of the private sector from about 2003 (Steijn & Leisink, 2007).

Even though this tendency will hit employees in ministries as much as employees in semiautonomous agencies, employees in a semiautonomous agency may have a more precarious position. They may perceive their position as secluded from other parts of the civil service. Newly formed organizational boundaries can give the impression of "glass walls" that separate

their position from a career in other parts of the civil service. Formally, in the Netherlands, semiautonomous agency personnel is part of the general civil service and, therefore, staff have no formal obstacles to move to other parts of the public sector without losing their tenure.² But their perception might be otherwise and, consequently, they are less likely to move beyond organizational boundaries (De Caluwé, Dooren, Delafortry, & Janvier, 2014). Semiautonomous agency personnel are likely to profit less from ministry-wide HRM resources, including job training. Employees, therefore, may perceive their career perspective to be affected negatively by the structural disaggregation of the semiautonomous agency. Part of creating a new organization is creating a new group identity, separate from the other parts of the public service.

Good career opportunities positively influence organizational commitment and satisfaction (Steijn, 2004; Sturges, Conway, Guest, & Liefoghe, 2005; Yang & Kassekert, 2010) and have a strong impact on the employee-organization relationship (Tremblay et al., 2014). In sum, disaggregation may lead to new obstacles for the perceived career perspectives of employees in the agency. Their satisfaction with career perspectives is, therefore, likely to negatively mediate the effect of the structural disaggregation on employees' attitude toward their organization:

H3: Structural disaggregation negatively influences employees' attitudes toward their own career perspectives, which leads to dissatisfaction with the organization.

Satisfaction shock

The literature on organizational downsizing shows that job satisfaction for all employees decreases as a result of structural reforms (Brockner, Grover, Reed, & Dewitt, 1992; Jilke, 2015). Similar effects are reported from the removal of beneficial work conditions such as the introduction of at-will employment (Bowman, Gertz, Gertz, & Williams, 2003; Kellough & Nigro, 2006). One of the mechanisms in the studies that report such effects is a resistance to managerial reforms in general (Thomas & Davies, 2005) and the deteriorating perception of career security in particular (Demmke & Moilanen, 2010). In previous studies, this satisfaction shock is temporary and employee satisfaction returned to normal after a period between one and three years (Armstrong-Stassen, 2002; Jilke, 2015). If such a satisfaction shock exists, one would expect to see the hypothesized effects decrease over time. Moreover, Schneider et al. show that attraction and selection of employees who fit the organization well, as well as the attrition of employees who do not fit, renders the organization into a new homogenous group (Schneider, Goldstein, & Smith, 1995). The shrinking of the shock effect can, thus, be amplified by turnover of employees. At the same time, it

should be noted that employee mobility in the public sector is relatively low and, therefore, these shock effects might linger longer than in private organizations. This leads to the formulation of the last hypothesis:

H4: Organizational disaggregation causes a temporary decrease in satisfaction with the organization and its effect will soon disappear.

Data and method

Case selection

This study tests the four hypotheses by investigating three cases of structural reform in the Netherlands. Data were gathered from semiautonomous agencies and their predecessors to investigate change effects, as well as from their parent ministries and comparable organizations to compose control groups. These organizations were selected based on the availability of data before and after the disaggregation or closely after the disaggregation and for a longer period of time. InternetSpiegel (see below) collected survey data from 127 organizations or organizational units between 2004 and 2013. From this set, three organizations met the criteria of being surveyed multiple times and going through a structural disaggregation from the ministry or a reaggregation with the ministry within this timeframe. The availability of data restricted the possibilities to select a larger sample of organizations. Unfortunately, this is a consequence of using secondary data.

Two of these organizations were structurally disaggregated from their parent ministry; the third organization was reaggregated. The first two organizations became semiautonomous units within the ministry; they became *agentschappen*. *Agentschappen* are disaggregated public organizations that keep their own budgets and can practice accrual accounting; moreover they have additional freedoms regarding HRM in comparison to ministerial units (Van Thiel, 2012). The third organization was a legally independent organization, a Dutch ZBO. ZBOs are organizations that have legal independence and a public legal form (e.g., statutory bodies, public establishments). This organization was reaggregated and lost its legal independence. See Table 1 for an overview.

- Organization 1 was disaggregated in 2006. The organization works in the public safety domain. Formerly a division of the ministry, it became an *agentschap*. The responsible minister mentioned two important reasons for disaggregation in Parliament. First, disaggregation would facilitate efficiency by introducing performance agreements and, second, it would facilitate better cooperation with third parties. The reason to choose for an organizational form without legal independence and not

for a separate legal entity was to maintain full ministerial responsibility. Employees in this organization were surveyed both before and after the structural disaggregation.

- Organization 2 was disaggregated from the ministry in 2003. The organization works in the healthcare domain. The responsible minister argued that disaggregating Organization 2 into an *agentschap*, potentially increased efficiency by using an output centered business model. Maintaining ministerial responsibility was a reason not to grant a separate legal entity. This organization has only been surveyed after disaggregation. Yet, because the organization was disaggregated in 2003, the potential effects can be monitored over a 10-year period. Such measurements could indicate whether effects as found in Organization 1 were shock effects, or lasting effects.
- Organization 3 works in the domain of registration and benefits distributions and followed the inverse path, as compared to Organizations 1 and 2. This organization used to be a ZBO, a separate legal entity, since the 1980s, but became an *agentschap*. In other words, this organization was reaggregated from a legally independent organization to a semiautonomous organization. Interestingly, the reasons for reaggregation that the responsible minister gave to parliament were almost similar to the reasons for disaggregation of the other organizations: “more efficiency through performance measurements, result oriented management and linking costs and output, while maintaining [*sic*] ministerial responsibility.”

Data and measurement

Secondary survey data for this study were available from InternetSpiegel, a program, which is owned by the Dutch Ministry of the Interior and Kingdom Relations. They surveyed a random sample of employees in the three organizations at various time points at the request of the organizations. The data were originally collected for employee satisfaction studies commissioned by the organizations themselves. No panel data are available, which unfortunately does not allow tracking the same employees over time. The samples, therefore, should be seen as representing the overall staff attitude in the organization. Response rates are recorded by the data provider only for the later survey waves and vary between 57% and 86%.³ The models control for various background variables to limit the effects of the difference in samples, including gender, age, and tenure. All responses that included an answer on the dependent variable contained no missing data, with the exception of the respondents in Organization 3. In Organization 3, 16% of the responses had a control variable (age, gender,

or tenure) missing. Adding or removing these control variables did not influence the conclusions of this article. The survey data were supplemented with five semistructured interviews with HR specialists in all three ministries and two of the semiautonomous agencies under study. The HR manager in Organization 2 responded to neither an interview request nor a reminder. All interviews were conducted between December 2014 and August 2015. These experts reported about the changes that HR policy underwent over the period of disaggregation or reaggregation, as well as their ideas about staff attitudes.

The official law creating the new organization was used to identify the moment of disaggregation. To measure the attitude toward the organization, their career perspectives, and the focus on results of the organization, employees were asked the following questions before and after the structural change: Could you indicate to what extent you are satisfied with the following aspects: (1) the organization you work for, all in all? (2) the career development opportunities? (3) the result orientation of the organization? Respondents were asked to respond on a 5-point scale, ranging from very dissatisfied to very satisfied. Many personality constructs are usually measured with multiple-item scales. In psychological research, however, single-item measures for (job-) satisfaction are considered acceptable (Wanous, Reichers, & Hudy, 1997). In this study, these concepts are, therefore, measured with a single-item question. Control variables⁴ include job satisfaction, asked in a similar fashion as the other satisfaction questions. Furthermore, sex, age, and tenure time were included in the models. Table 2 presents descriptive statistics, and bivariate correlations are in Appendix Table E.

Analytical strategy

The survey results for Organizations 1 and 3 were analyzed as originating from a quasiexperiment (Shadish et al., 2010). Note that the disaggregation might technically be nonrandomly assigned to the organization. It has to be assumed that the structural disaggregation was an exogenous shock, but there were no indications that conflicted with this assumption.

There are also no indications that point to an endogenous relationship between the satisfaction with the organization and the organizations' structural changes. In all cases, the minister was responsible for the decision to alter these structures. To analyze the difference between groups, the study employs a difference-in-differences (DiD) method (Wooldridge, 2002).^{5,6} The analysis revolves around the comparison between the treatment group (agency staff) and the control group (ministry staff). The comparison of changes in attitudes over time between treatment and control groups shows

Table 1. Organizations.

| Organization | 1 | 2 | 3 |
|-------------------|--|------------------------------------|---|
| Domain | Public safety | Healthcare | Registration and benefits |
| Structural change | Disaggregation | Disaggregation | Reaggregation |
| Goal of reform | Efficiency through performance contracting; cooperation with third parties | Efficiency through output steering | Efficiency through result-oriented management |
| Year of change | 2006 | 2003 | 2010 |
| Survey years | 2005, 2006, 2007, 2008 | 2006, 2007, 2009, 2011, 2013 | 2006, 2008, 2013 |

Table 2. Descriptive Statistics.

| | <i>M</i> | <i>SD</i> |
|-------------------------|----------|-----------|
| Satisfaction with (1–5) | | |
| Organization | 3.75 | 0.85 |
| Career perspectives | 3.43 | 0.98 |
| Focus on results | 3.33 | 0.96 |
| Job | 4.03 | 0.78 |
| Age | 40.30 | 10.05 |
| Female (dummy) | 0.53 | — |
| Tenure time | 8.62 | 9.15 |

Note: All organizations, timepoints as in regression analyses. $N = 6834$.

the effect of the treatment. In each of the cases, the first and last available time points were analyzed.

An important limitation of the DiD method is the parallel trend assumption: it is assumed that the control group will behave as a counterfactual, leading to potential selection bias in the control group. To overcome this limitation, Abadie et al. (2015) developed the synthetic control method. This method synthesizes a control group out of a combination of other nontreated groups based on a set of variables assigned by the researcher. An optimization algorithm weighs the available control groups as a function of similarity to the treated group prior to the treatment. In this study, the synthetic control groups were composed from the other organizations that were available in the same dataset (see above). To qualify, the organizations had to be surveyed during the same waves of the selected cases, or with a maximum difference of one year. The weighing was based on age, satisfaction with career opportunities, satisfaction with result orientation, contractual hours, satisfaction with the leadership, job satisfaction, and tenure. Because of the similarity with the treatment group, the synthetic control group is a systematic and precise approximation of a counterfactual based on the available data (Abadie et al., 2015). The major limitation of the synthetic control method is that it is not possible to calculate an average treatment effect, which justifies the combination with the DiD method.

In Organization 1, employees answered the first round of questions a year before the structural disaggregation (see Figure 1 in the next section), as well as in the three years afterward. Before the disaggregation,

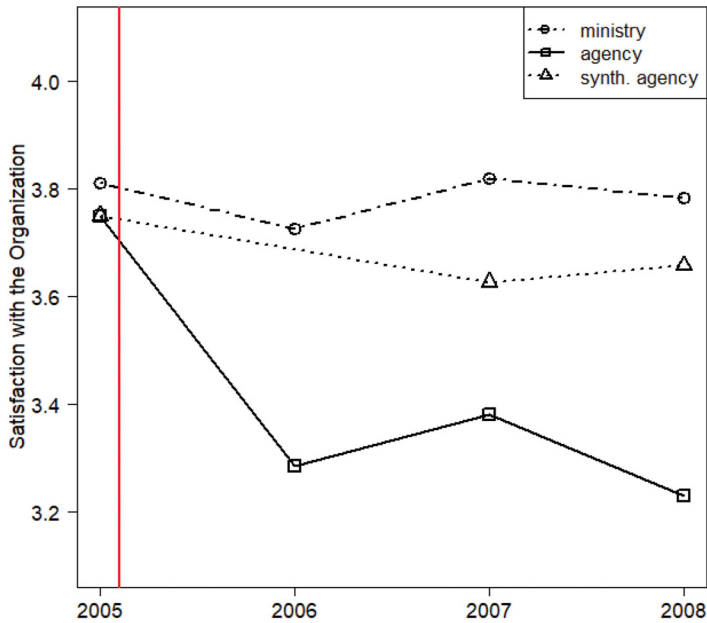


Figure 1. Organization 1—Average satisfaction with the organization—agency, synthetic control group, and ministry.

Note: Measurements in 2005, 2006, 2007, 2008. Disaggregation in 2006.

Organization 1 was a unit within the ministry and respondents from this unit could be separately identified. This unit constitutes the treatment group before treatment at t_0 . The other respondents from the same ministry serve as control group. Both groups are compared over time. One of the unique contributions of the present study is that it includes a third organization with an inverse change. Organization 3 was reaggregated and moved toward the central government rather than away from it. Including Organization 3 provides the opportunity to attribute changes to the change in organizational structure. If disaggregating an organization causes certain effects, the inversed effects are expected to occur when the organization is reaggregated. Employees in Organization 3 were surveyed two times before, and once after the change. After the reaggregation, Organization 3 lost its legal entity and became an *agentschap*. Employees of Organization 3 are considered the treatment group and could be identified before and after the reaggregation. This group is compared to employees in the parent ministry, which is considered the control group. In Organization 2, all measurements took place after the structural disaggregation, see Figure 3 in the next section. Yet, these measurements in Organization 2 facilitate the analysis of a trend over a longer period of time.

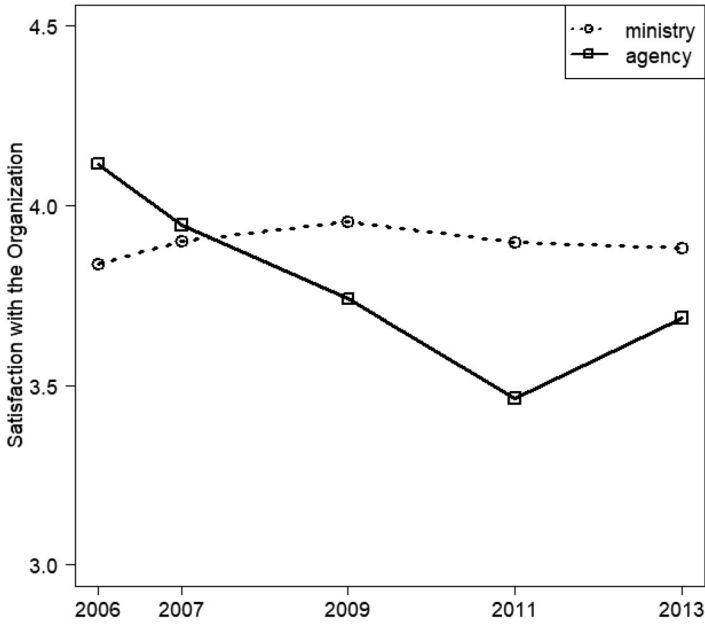


Figure 2. Organization 2—Average satisfaction with the organization.
Note: Measurements in 2006, 2007, 2009, 2011, 2013. Disaggregation in 2003.

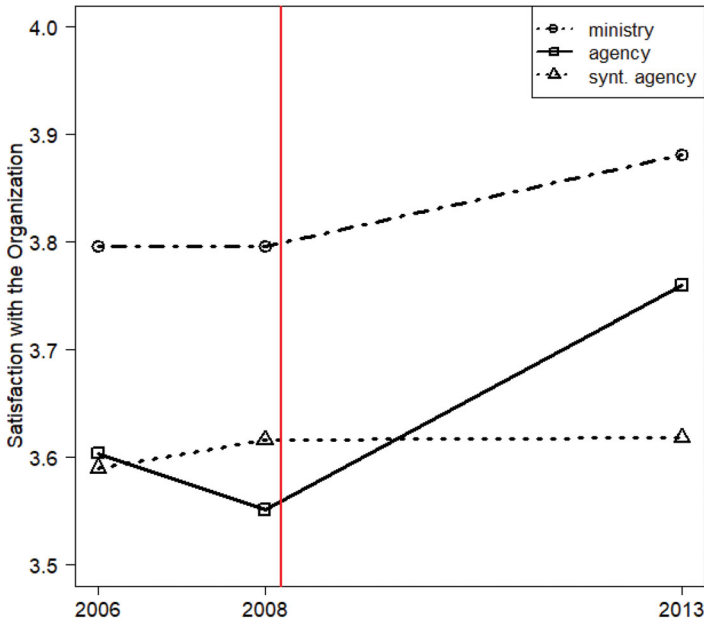


Figure 3. Organization 3—Average satisfaction with the organization—agency, synthetic control group, and ministry.
Note: Measurements in 2006, 2008, 2013. Reaggregation in 2010.

Table 3. Organization 1 (disaggregated in 2006)—Satisfaction with the Organization, 2005–2008.

| | <i>Dependent variable: satisfaction with . . .</i> | | | |
|---|--|----------------------------|--|---|
| | <i>The organization (direct effect)</i> | <i>Career perspectives</i> | <i>Organization's focus on results</i> | <i>The organization (mediated effect)</i> |
| Intercept | 1.50** (0.11) | 1.98** (0.13) | 1.60** (0.12) | 0.93** (0.10) |
| t_{2008} | -0.06* (0.02) | -0.15** (0.03) | -0.21** (0.03) | 0.01 (0.02) |
| Agency | -0.02 (0.12) | -0.06 (0.16) | 0.15 (0.16) | -0.02 (0.11) |
| Agency* t_{2008} | -0.41* (0.24) | -0.03 (0.22) | -0.69** (0.25) | -0.23 (0.21) |
| Satisfaction with career perspectives | — | — | — | 0.08** (0.02) |
| Satisfaction with organization's focus on results | — | — | — | 0.26** (0.02) |
| Job satisfaction | 0.59** (0.02) | 0.44** (0.03) | 0.45** (0.03) | 0.44** (0.00) |
| Age | -0.00** (0.00) | -0.01** (0.00) | 0.00 (0.00) | -0.00** (0.00) |
| Female (dummy) | 0.06** (0.03) | 0.07** (0.03) | 0.07** (0.03) | 0.04 (0.02) |
| Tenure time | 0.00 (0.00) | 0.00** (0.00) | 0.00** (0.00) | -0.00 (0.00) |
| R^2 | 0.29 | 0.13 | 0.14 | 0.39 |

Notes: Agency* t_{2008} indicates treatment effect. OLS regression estimates. Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$.

Analysis and results

Organization 1

Figure 1 presents the average reported satisfaction with the organization for employees in the ministry and in the agency. The downward trend of satisfaction with the organization in the agency is contrasting the flat trend in its parent ministry. Agency staff exhibits a decrease in satisfaction with the organization ($b = -0.41$, $p < 0.05$), compared to stable levels in the parent ministry.⁷ The synthetic control group, based on the weighted average of 10 control groups, follows the trend of the ministry and underlines the deviation from the trend of Organization 1.

Table 3 presents the results from a mediation analysis. The satisfaction with the organization in 2004, before the disaggregation, was not statistically significantly different between agency (to-be) and ministry. After disaggregation, the agency employees report a decreasing satisfaction, contrasting hypothesis H1, see column 3 in Table 3. This effect is, however, mediated by the satisfaction with the organization's focus on results, see the second column. Agency employees report a decrease in satisfaction with the organization's focus on results ($b = -0.69$, $p < 0.05$). The effect on focus on results almost fully mediates the direct effect, as can be seen from the mediation model in the last column of Table 3. Nonparametric bootstrapping of the model leads to the estimation that a large part of the effect (-0.26 , 95% CI $[-0.43; -0.08]$, $p < 0.01$) is mediated by focus on results. This finding is in line with hypothesis H2.

The HR managers at both the ministry and the agency reported during the interviews that, formally, there are no differences between HR policies

for both organizations. Labor conditions have been equal in both organizations throughout the time period that was studied. Both managers indicate they do not perceive major differences in practical HR policy between ministry and organization. This is in line with the results from the survey, where respondents indicated no statistically significant change in satisfaction with their career perspectives after disaggregation. Therefore, the data from Organization 1 do not support hypothesis H3. At the ministry, the respondent asserts that mobility is possible between the ministry and its agencies. However, mobility is low in Organization 1, says the HR manager in Organization 1, explaining that mobility policy is one of the focal issues for the years to come.

Changes in work routines might have affected the satisfaction with the organization's focus on results. The testimony of the interview respondents illustrates how we can understand the lower satisfaction with focus on results among survey respondents. The HR manager at the ministry describes:

For a lot of HRM issues [disaggregation] does not matter. . . . What makes a difference for HRM, and for staff and managers, is that they will experience more pressure to keep their financial management in order. Time keeping is often introduced, employees need to be cost effective for a certain number of hours, they need to attract money from clients. And that is, of course, another way of working. [Author translation]

Such changes might illustrate the decrease in satisfaction with the organization's focus on results. The new instruments to monitor and enhance employee productivity are likely to change employee's perception of the organization's focus. Managers might give the impression that the organization is now concerned with administrative targets, rather than the organization's original mission. Another issue that the HR manager at Organization 1 raises is the conceptualization of HRM. He indicates that the organization had focused their HRM almost exclusively on capacity and costs until his arrival in 2013, seven years after the disaggregation. He states that his vision on HRM, which includes training and employability, remains different from that of the organization. At the ministry, however, the HR manager states that leadership, personal development, and employability are important HRM themes for the organization, and supported by the ministry's management.

Organization 2

The second organization in this study was disaggregated from the ministry three years before Organization 1. This facilitates an interpretation of longer-term effects. As shown in [Figure 2](#), satisfaction with the organization

Table 4. Organization 2 (disaggregated in 2003)—Satisfaction with the Organization, 2006–2013.

| | <i>Dependent variable: satisfaction with . . .</i> | | | |
|---|--|----------------------------|--|---|
| | <i>The organization (direct effect)</i> | <i>Career perspectives</i> | <i>Organization's focus on results</i> | <i>The organization (mediated effect)</i> |
| Intercept | 1.42** (0.09) | 1.41** (0.13) | 1.32** (0.11) | 0.92** (0.09) |
| t_{2013} | 0.02 (0.03) | 0.00 (0.04) | -0.03 (0.04) | 0.03 (0.03) |
| Agency | 0.19** (0.04) | 0.03 (0.07) | 0.69** (0.05) | 0.00 (0.04) |
| Agency* t_{2013} | -0.36** (0.07) | -0.20** (0.10) | -0.51** (0.09) | -0.20** (0.06) |
| Satisfaction with career perspectives | — | — | — | 0.10** (0.01) |
| Satisfaction with organization's focus on results | — | — | — | 0.27** (0.01) |
| Job satisfaction | 0.64** (0.02) | 0.52** (0.02) | 0.45** (0.02) | 0.46** (0.02) |
| Age | -0.00** (0.00) | -0.00* (0.00) | -0.00 (0.00) | -0.00** (0.00) |
| Female (dummy) | 0.05** (0.02) | 0.14** (0.04) | 0.11** (0.03) | 0.01 (0.02) |
| Tenure | -0.00 0.00 | 0.00 (0.00) | 0.01** (0.00) | -0.00** (0.00) |
| R^2 | 0.40 | 0.17 | 0.20 | 0.59 |

Notes: Agency* t_{2008} indicates treatment effect. OLS regression estimates. Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$.

shows a downward trend in the agency until 2011, as compared to a level trend in the agency's parent ministry. This trend confirms the findings in Organization 1. Both organizations' employees report lower satisfaction with their organization following the structural disaggregation. The downward trend is persistent until at least 2011, which is not fully commensurate with the satisfaction-shock hypothesis. This finding provides partial support for hypothesis H4, but the effects last longer than expected. In an earlier study, the negative effects of organizational change on satisfaction already disappeared after three years (Jilke, 2015). Only in 2013, ten years after the disaggregation, a break with this trend is visible, although the satisfaction levels are still not equal to the ministry's levels. The differences in trends between 2006 and 2013 are statistically significant, as Table 4 shows. The satisfaction with the organization in the disaggregated agency decreased ($b = -0.36$, $p < 0.05$), while satisfaction remained unchanged at the ministry.

The downward satisfaction trend in the agency is partially mediated via dissatisfaction with the organization's focus on results and via dissatisfaction with career perspectives. The HR manager at the parent ministry of Organization 2 indicates that over time, mobility between the ministry and its semiautonomous agencies has become easier. Interestingly, though, the mediating effect via career perspectives becomes only statistically significant when comparing data from the last two measurements with 2006. In 2007 and 2009, this effect was not present in the data. The HR manager at the ministry explains that staff in the ministry is divided between administration, policy formulation, inspection, and implementation. Staff from the executive agencies mostly belong to the latter category. The manager says

Table 5. Organization 3 (reaggregated in 2010)—Satisfaction with the Organization, 2008–2013.

| | <i>Dependent variable: satisfaction with . . .</i> | | | |
|---|--|----------------------------|--|---|
| | <i>The organization (direct effect)</i> | <i>Career perspectives</i> | <i>Organization's focus on results</i> | <i>The organization (mediated effect)</i> |
| Intercept | 1.12** (0.09) | 1.15** (0.12) | 1.21** (0.11) | 0.58** (0.08) |
| t_{2013} | 0.08** (0.03) | -0.28** (0.04) | 0.00 (0.04) | 0.11** (0.03) |
| Agency | -0.15** (0.04) | -0.07* (0.05) | -0.25** (0.04) | -0.06* (0.03) |
| Agency* t_{2013} | 0.08* (0.05) | 0.36** (0.06) | 0.01 (0.06) | 0.03 (0.04) |
| Satisfaction with career perspectives | — | — | — | 0.12** (0.01) |
| Satisfaction with organization's focus on results | — | — | — | 0.33** (0.01) |
| Job satisfaction | 0.65** (0.02) | 0.58** (0.02) | 0.45** (0.02) | 0.43** (0.02) |
| Age | -0.00 (0.00) | -0.00 (0.00) | 0.00 (0.00) | -0.00* (0.00) |
| Female (dummy) | 0.07** (0.02) | 0.08** (0.03) | 0.07** (0.03) | 0.04* (0.02) |
| Tenure | 0.00 (0.00) | 0.00 (0.00) | 0.01** (0.00) | -0.00** (0.00) |
| R^2 | 0.36 | 0.22 | 0.17 | 0.52 |

Notes: Agency* t_{2013} indicates treatment effect. OLS regression estimates. Standard errors in parentheses.

* $p < 0.10$,

** $p < 0.05$.

to be in favor of an increase in such mobility. As James (2003) contends, many implementation staff was moved from the ministry into semiautonomous agencies in Britain, so that ministries would be able to concentrate on policy formulation. This line of reasoning fits the personnel categories in the Dutch civil service; it is commensurate with the perception of staff that their career perspectives are unsatisfactory.

Organization 3

Organization 3 lost its semi-independent status in 2010. Formerly a semi-autonomous agency with legal independence, it now became an *agentschap*. As Figure 3 shows, the satisfaction with the organization increased more strongly in Organization 3 than in the ministry itself. The synthetic Organization 3 (the counterfactual, based on the weighted average of 14 control groups) roughly follows the ministry's trend, underlining the deviating trend of Organization 3 following the reaggregation.⁸ The difference in effects is not as strong as in Organizations 1 and 2, but the inverse effect is clear and statistically significant (see Table 5). Before the reaggregation, the average satisfaction with the organization was lower ($b = -0.15$, $p < 0.05$) in the semiautonomous agency than in the ministry. A rise in satisfaction after the reaggregation is visible in both Organization 3 and its parent ministry. However, the effect is about twice as strong in the agency and leads to an additional increase in satisfaction, compared to its parent ministry ($b = 0.08$ $p < 0.10$). Most of the effect of the disaggregation is mediated through the satisfaction with career perspectives (see Table 5).

This finding provides support for hypothesis H3. Staff in the formerly autonomous agency became more satisfied ($b = 0.36$, $p < 0.05$) with their career perspectives after reaggregation than their colleagues at the parent ministry.

Interviews with the HR manager at the ministry and the HR advisor to the board at the agency confirmed the image that the analyses show. Both organizations had to cut their numbers of employees as a result of budget retrenchments, explain both respondents. However, mobility was increased, in particular for the agency's employees. The HR advisor at Organization 3 says: "We work hard to increase staff mobility; we want to direct employees to other jobs in the ministry . . . [T]here are more possibilities, but people are conservative." These two trends are reflected in the figures shown in Table 5. A decrease in satisfaction with career perspectives for staff at the ministry is in keeping with staff reduction caused by the retrenchments. At the same time, the increase in satisfaction with career perspectives in the agency fits the image of increased mobility to other parts of the administration.

The HR advisor at Organization 3 recalls that she had more freedom in developing HR policy before the reaggregation. But that situation changed after 2010. Both respondents indicate that the agency's HR policy was, formally, immediately harmonized with that of the ministry. The actual harmonization of the HR policy might have taken more time, and might still not be completed. The HR advisor at Organization 3 explains: "From a cultural perspective, employees' mentalities change very slowly." These statements are a potential explanation for the smaller effect sizes regarding the change in satisfaction with the organization in Organization 3, than in the two other organizations. It takes time for employees to get used to the new situation in which there are more opportunities for career development.

Discussion

Before the findings from this study can be discussed, a number of limitations should be acknowledged. This study analyzed three organizations in a single country, and might not be representative for other organizations or organizations in other countries. In addition, the case selection relied on data availability. The fact that the findings could be replicated in the case studies gives an indication of robustness, but external generalization remains limited and the findings may only pertain to the organizations under study. Another limitation of this study is that satisfaction was only measured with a single item. Despite some possible advantages of using validated multiple item scales, this is a cost of using secondary data. Nevertheless, other studies have shown the validity of single-item questions

for related measures of satisfaction (Wanous et al., 1997). A third fact to acknowledge is that Organization 3 has been disaggregated in its history. It is possible that similar dissatisfaction effects have occurred at the time of disaggregation. However, the disaggregation took place more than 20 years before the reaggregation and despite the potential lasting effects, it is unlikely that treatment effects persist over such a long period of time. Lastly, this analysis only focused on the results in the perception of employees and their HR managers, while not testing measures of fit between employee and organization from the organization's perspective. This study's conclusions are, therefore, limited to effects on organizational satisfaction, and cannot be directly generalized to organizational commitment or PO-fit. These latter constructs are more comprehensive as they comprise the relationship between employee and organization. Future research should incorporate indicators for organizational commitment, as well as for PO-fit.

The findings of this study form an important contribution to our understanding of the effects of public sector reform. In the organizations under study, employees' attitude toward the organization deteriorated as a result of the structural disaggregation of the organization. This result is in line with effects of privatization on employee job satisfaction (Nelson et al., 1995). These findings contrast hypothesis 1a and support hypothesis 1b, which contended that staff in public organizations would have more positive attitudes toward their organization as a result of the organization's structural disaggregation from its parent ministry. Instead, in the current organizations, the structural disaggregation of the agency led to a decrease in satisfaction with the organization, and potentially, affective commitment. Although single-purpose organizations, such as these semiautonomous agencies, might suffer less from goal ambiguity (Bertelli, 2006b; Pollitt et al., 2004), staff generally become less satisfied with their organization. These results hold, even when controlled for other factors, such as job satisfaction, tenure, age, and gender. Regarding these control variables, job satisfaction had a positive effect on satisfaction with the organization. Tenure and age had only small and inconsistent effects. Women were more satisfied with their organization than men, which is surprising (Caillier, 2016; cf. Cantarelli, Belardinelli, & Belle, 2016).

The data in this study support the second hypothesis. Employees are less satisfied with the goal orientation of their organization, following structural disaggregation. Moreover, this effect spills over to employees' satisfaction with their organization. One explanation for the negative effect is the decreased satisfaction with the organization's focus on results. As clearly illustrated in Organization 1 and its parent ministry, civil servants may increasingly feel under pressure to attain certain administrative goals and risk to lose

connection with the social impact of their work (DeHart-Davis & Pandey, 2005; Thomas & Davies, 2005). In addition, the disaggregation might increase the distance of an employee to public policy making (James, 2003). Interview respondents confirm that public personnel working in policy formulation have a reputation to look down on staff in policy implementation positions. Also, the prioritization of cost control and internal performance mechanisms (see also Pollitt, 2006) in semiautonomous agencies are likely to have a negative impact on the employee-organization relationship. The transfer of administrative tasks to semiautonomous agencies, the increased distance to policy making, and the managerial style of leadership in these organizations, therefore, might have a negative effect on the employee-organization relationship.

The third hypothesis contended that staff in public organizations would have a more negative attitude toward their own career perspectives as a result of the organization's structural disaggregation from its parent ministry. This was, indeed, the result of the analysis in this study. Civil servants might evaluate their career possibilities inferior to the situation in which they were directly employed by the ministry. The smaller size of the agency might decrease their perceived opportunities for quick promotion within the organization. Moreover, mobility is low in the public sector in general, and in parts of the administration that are concerned with executive tasks in particular, as was reported in the interviews. The interview respondents in the case of Organization 3 claimed they increased their efforts to direct staff to jobs outside the organization, and with success—albeit limited. The findings based on the interviews could also inspire managers in semiautonomous agencies to increase the tools of their HRM. Additional focus on training, personal development, and employability could improve the attitude of employees.

The long-term impact of the structural changes stresses the importance of the current findings. The decrease in satisfaction that was measured is not just a shock effect, contrasting hypothesis H4. The results from Organization 2 showed that negative effects on employees' attitudes persist over time. This challenges the satisfaction shock that Jilke (2015) and Armstrong-Stassen (2002) reported. However, the present findings show that the employees do not exhibit signs of coping as quickly with the organizational reform, which eventually would accommodate the negative feelings about the organization. Instead, the results of the change remain consistent over a period of more than eight years, which emphasizes the need for adequate HR management. Moreover, this implies that satisfaction with the organization may be less volatile and may not return to prior levels as easily as job satisfaction, which future studies should address.

Concluding remarks

The structural disaggregation of public organizations into semiautonomous agencies, unexpectedly, has had negative effects on staff satisfaction in the organizations under study. Over time, employees in Organization 1 reported a decrease in satisfaction with the organization as a result of the disaggregation. Results from Organization 2 demonstrate that dissatisfaction effects may linger for a long time. The effect can, however, be reversed by reaggregation of the organization, as Organization 3 demonstrated. After reaggregation, staff satisfaction with the organization increased slightly, compared to the situation before the reaggregation. Another potential solution lies in the more extensive use of HRM tools in semiautonomous agencies.

These findings show certain limitations to the assumptions that underpinned the disaggregation of public services (Overman, 2016). The conclusion implies that effects of structural disaggregation are more complex than sometimes assumed (Wynen & Verhoest, 2016). These findings underline that the relationship between organization and employee is a multilayered exchange relationship. Beyond NPM logic, additional exchanges should be added to the equation in structural reforms, as well. In particular, the mobility perspectives of employees are important to consider, as well as the focus on cost control and performance management—which should be used with caution. These results should be considered in future decisions to create, maintain, or reaggregate independent agencies. Satisfaction with the organization is an important predictor in employee and organization productivity (Meyer et al., 2002; O'Reilly & Chatman, 1986; Verquer et al., 2003). Combined with the negative effects of creating semiautonomous agencies on public sector efficiency (Overman & Van Thiel, 2016), the choice to create autonomous agencies might be less beneficial than some initially had thought.

Notes on contributor

Sjors Overman is assistant professor at Utrecht University, School of Governance. He studies governance of public organizations, public accountability, and effects of public sector reforms.

Notes

1. This is the total number of observations in three ministries and three agencies at two points in time.
2. There are exceptions to this rule, but no such exceptions apply to the organizations under study.
3. Sample sizes varied between organizations as a function of organizational size. Not all response rates were available. See [appendix](#) for rates per organization and year.

4. Results for models with and without control variables were largely identical and lead to the same conclusions.
5. The DiD-estimator $\hat{\delta}_1$ equals the difference between the change in attitude between structurally disaggregated agency and its parent ministry, and follows: $\hat{\delta}_1 = (-y_{\text{agency}, t+1} - y_{\text{agency}, t}) - (-y_{\text{ministry}, t+1} - y_{\text{ministry}, t})$. OLS regression to calculate $\hat{\delta}_1$ facilitates the computation of this estimator's standard error: $y = \beta_0 + \beta_1 \text{year} + \beta_2 \text{agency} + \beta_3 \text{agency} * \text{year} + \beta_k x_k + \epsilon$. This approach is convenient, as follows from the interpretation of the results. Let y denote the attitude toward the organization. Then, the intercept β_0 denotes the average value for y at the ministry in the initial measurement. Parameter β_1 captures the change in y over time for the ministry only. Parameter β_2 captures the difference between ministry and agency at the time before disaggregation. Hence, $\hat{\delta}_1$ filters out the effect of the disaggregation in the agency during the measurement after the change. $\hat{\delta}_1$, thus, represents the actual effect of the disaggregation of the agency. Parameters β_k capture the effects of the control variables in the model.
6. Ordinal logit regressions yielded similar conclusions.
7. A 0.41 decrease on a 1–5 scale.
8. The slight reduction in satisfaction may point to the occurrence of Ashenfelter's Dip, but the decrease is compensated for after the reaggregation.

Acknowledgments

Survey data for this study are collected from and graciously provided by InternetSpiegel, part of ICTU. The author wants to express his gratitude to InternetSpiegel and ICTU. The author thanks Esther de Weert, for her assistance in conducting a part of the interviews, and Sandra van Thiel and Marieke van Genugten for their valuable comments and suggestions.

ORCID

Sjors Overman  <http://orcid.org/0000-0002-0620-0682>

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Appendices

Appendix Table A. Response Rates—Organization 1.

| | Ministry | Agency |
|------|----------|--------|
| 2005 | 82% | unk. |
| 2006 | 86% | 66% |
| 2007 | 83% | 81% |
| 2008 | 78% | 59% |

Appendix Table B. Response Rates—Organization 2.

| | Ministry | Agency |
|------|----------|--------|
| 2006 | unk. | unk. |
| 2007 | unk. | unk. |
| 2009 | unk. | unk. |
| 2011 | 63% | 57% |
| 2013 | 68% | 69% |

Appendix Table C. Response Rates—Organization 3.

| | Ministry | Agency |
|------|----------|--------|
| 2006 | unk. | unk. |
| 2008 | unk. | unk. |
| 2013 | 69% | 60% |

Appendix Table D. Respondent Numbers per Organization.

| | | Ministry | Agency |
|----------------|------|----------|--------|
| Organization 1 | 2005 | 1278 | 28 |
| | 2007 | 1356 | 26 |
| Organization 2 | 2006 | 1848 | 258 |
| | 2013 | 714 | 185 |
| Organization 3 | 2008 | 1048 | 849 |
| | 2013 | 749 | 1121 |

Appendix Table E. Correlations.

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|--|-----|-------|-------|-------|--------|--------|--------|
| (1) Satisfaction with the organization | 1 | 0.399 | 0.523 | 0.597 | -0.012 | 0.041 | -0.003 |
| (2) Career perspectives | | 1 | 0.317 | 0.420 | -0.029 | 0.043 | -0.009 |
| (3) Focus on results | | | 1 | 0.379 | 0.064 | 0.056 | 0.031 |
| (4) Job satisfaction | | | | 1 | 0.044 | -0.017 | 0.001 |
| (5) Age | | | | | 1 | -0.206 | 0.219 |
| (6) Female | | | | | | 1 | -0.042 |
| (7) Tenure | | | | | | | 1 |

Note: All organizations, all timepoints. $N = 23476$.