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Read More About:
The Performance Management Research Cluster within the Whitaker Institute for Innovation and Societal Change.

Further Reading:
Department of Housing Planning and Local Government (2012). *Putting People First: Action Programme for Effective Local Government*.

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Optimum Territorial Reforms and Local Authority Amalgamations: Does Size Matter?

The economic rationale frequently cited for local government territorial reforms and municipal amalgamations is the economies of scale argument. It is argued that in the subnational public sector sphere larger councils may exhibit scale economies, and provide services at a lower per unit cost than smaller councils. As against the 'small is beautiful' argument that is advocated by political scientists using the local democracy and subsidiarity arguments but also by economists in favour of decentralisation, competition and government restraint, this is the case of 'big is better'. In examining structural and organisational reforms aimed at seeking out the optimum size of local government the most likely conclusion based on international evidence is that there is no single or standard size that is appropriate for all local governments, i.e. no one-size-fits-all solution and no universal prescriptions for the design of local government systems as individual country and local circumstances and system-specific characteristics matter.

Research Findings

The average population size of local councils varies greatly across OECD countries, and indeed, worldwide. The difference is not only between countries but also within countries, with no obvious or clear regional pattern. Some of the smallest councils can be found in France, and some Central and Eastern European countries where the average size of municipalities is less than 4,000-odd inhabitants. In contrast, South Korea and the UK have some of the largest councils. For example, the average population size of a local authority in England and Wales, Scotland and Northern Ireland is 146,500, 164,000 and 164,500 inhabitants respectively. As for Ireland, local authorities are already large in size, and indeed constitute some of the largest local councils in the OECD.

Arising from the 2012 *Putting People First: Action Programme for Effective Local Government* and the subsequent *Local Government Reform Act, 2014* the number of local authorities in Ireland was reduced from 114 to 31, partly as a result of the abolition of all 80 town councils but also the amalgamation of some neighbouring city and county councils into bigger local government units. Furthermore, two 2015 reports into the local government organisational arrangements in Cork and Galway recommended amalgamation of the respective city and county councils.

Policy Implications

In addressing the question of whether municipalities enjoy the cost advantages of scale economies, the international research evidence on the causal relationship between local government output and costs is inconclusive, with conflicting results. Using population and per capita expenditure as the most widely accepted proxies, much of the research evidence is weak and limited with some evidence of economies of scale but in other studies no evidence of either economies or diseconomies of scale as no significant statistical relationship between size and per capita expenditure was found. Given this partial and incomplete evidence of a systematic relationship that holds across time and space, we set out to test the hypothesis in the Irish local government system, pre and post the 2014 territorial reforms and local authority mergers. Our study finds econometric evidence of "U-shaped" cost curves for Irish councils in both 2011 and 2016. In both years the range of turning points are near the median council size, suggesting the many councils were operating in the diseconomies region both pre and post mergers. Economies of scale are found in roads spending in both 2011 and 2016, and in water expenditure post-amalgamation. With further territorial changes currently under consideration, policymakers should look at further amalgamations only on a case-by-case basis but also other mechanisms to deliver efficiencies, either through strategic alliances and more shared services arrangements or other ways of inter-municipal cooperation as is common in many continental European countries.