



Municipal amalgamations and the feasibility of economies of scale in local government

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Background: Municipal amalgamation has become a prevalent trend in many modern nations, driven by a desire to enhance the size and scope of local government units. This expansion is primarily motivated by the prospects of economies of scale. Municipal mergers are seen as a method to guarantee that municipalities possess the necessary financial and technical proficiency to provide a wide range of services to their residents.

Aim: To ascertain the feasibility of economies of scale in local government and conditions that should be met in order to successfully achieve economies of scale.

Methods: This study utilised a qualitative research approach, which involved a content analysis of strategic documents from the Ekurhuleni Metropolitan Municipality, including the Integrated Development Plan (IDP) and the Growth and Development Strategy 2055 document.

Results: Economies of scale have not consistently served as an effective foundation for municipal reforms, as the merging of municipalities does not always result in improved service delivery or economies of scale.

Conclusion: Although municipal amalgamations are anticipated to enhance economic, social, administrative, and financial sustainability, thereby creating financially viable municipalities, they often prioritise sound financial management, institutional capacity building, good governance, and basic service delivery. However, this study discovered that these outcomes are not always realised.

Contribution: Municipal amalgamation is a relatively new concept in Africa and South Africa and, as a result, there is limited literature. This study aimed to provide a local context and perspective of municipal amalgamations.

Keywords: economies of scale; diseconomies of scale; municipality; amalgamation; reforms; boundaries; government; governance; development.

Introduction

For a considerable period, scholars have engaged in discussions regarding the correlation between the magnitude of political power and the standard of government service delivery (Bish 2001; Meligrana 2004; Paddison 2004; Tavarez 2018). Local governments have undergone a spate of reforms in most industrialised and urbanised countries since the Second World War (Mao, Wang & Zhang 2022). In recent years, several European nations, including the United Kingdom, Germany, and Sweden, have opted for municipal amalgamations as a means of achieving scale effects and improving urban management. This trend is largely motivated by the notion of economies of scale (Steiner & Kaiser 2017). In terms of economies of scale, larger towns will incur lower expenditures per citizen, while the revenue per resident will remain constant. If scale is important for local government efficacy, expanding size may be a significant factor in achieving more value for money for taxpayers (Blank & Niaounakis 2021). However, economies of scale can be used as a justification for municipal reforms without linking it to improved efficiencies. The majority of local changes aiming at merging local government realms were not supported by extensive empirical research and trustworthy data (Tavarez 2018). If government policies are not informed by empirical research, their policies are prone to have shortfalls and limitations which will ultimately have a negative impact on governance and provision of services. Although there is abundance of anecdotal evidence, very few studies have assessed the impact of municipal amalgamations on service provision in South Africa (Dube & Radikonyana 2020). In the African context, amalgamation is a relatively rare phenomenon with the only documented practice being in South Africa. Initially, the City of Cape Town was the only municipality that undertook the

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amalgamation process, with the primary justification being to redistribute from wealthy local authorities to under-resourced local authorities (Slack & Bird 2013; Todes et al. 2010). The Ekurhuleni Metropolitan Municipality followed suit by amalgamating smaller municipalities in an effort to improve service delivery and the efficiency of the municipality. This was influenced by global trends with municipal amalgamations influenced by the need to achieve economies of scale. Furthermore, municipalities have an overarching desire to achieve financial sustainability, accountability, and transparency which are forms of good governance. This paper investigates the existence and feasibility of economies of scale in governance through a case study of the municipal amalgamation in Ekurhuleni, Gauteng, South Africa. It illustrates that while a merger encompasses a complex, multi-phase development process – encompassing governance, financial management, and sustainability – it frequently fails to achieve its intended objectives of enhancing services and reducing costs. There is scant evidence supporting the presence of economies of scale or scope in public services provided by local governments (Miyazaki 2021).

Economies of scale

Economies of scale can be defined as an optimal approach to producing goods and services at the lowest possible cost (Tavarez 2018). Local governments have pursued the objective of achieving economical public service delivery by scaling up production. The quest for the ideal local government size has garnered significant attention from scholars and policy makers. This interest is because if scale is influential for local government proficiency, then increasing size may be a crucial factor in delivering more value for money to residents (Blank & Niaounakis 2021). Economies of scale are a major determinant of market structure and entry for any organisation, a principle encapsulated in the historical economic adage 'bigger is better'. The goal of every business entity is to achieve growth in order to maximise returns and profits, which necessitates a balance between operational costs and the attainment of returns. Consequently, economies of scale need to be planned over a long-term period, which involves aligning operational requirements with production requirements, and having the appropriate skill set to coordinate these elements. Success is not an overnight phenomenon but rather a long-term exercise and process that is able to adapt and adjust to ever-changing markets due to technological advancements. Traditionally, economies of scale were a strategy employed by industries seeking to achieve financial sustainability and maximise profits, which was built on the premise of the 'bigger is better' stance. Business entities constructed larger industries with the aim of achieving growth and profits while reducing production costs. Municipalities worldwide have attempted to replicate this model of economies of scale and the 'bigger is better' phenomenon.

Municipalities have consolidated and amalgamated, transitioning from many small entities to fewer and larger ones.

Municipalities and economies of scale

Several countries have implemented municipal amalgamation or boundary reform to create larger local governments with the aim of achieving economies of scale and economies of scope (Nakazawa 2013). Additionally, empirical work has documented negative effects of amalgamation at the national level in Austria (Heinisch et al. 2018), Finland (Lapointe, Saarimaa & Tukiainen 2018), Germany (Roesel 2017), and Israel (Zeedan 2017). Municipal amalgamation or boundary reform increases population size, initiating organisational changes in local government that can potentially lead to administrative inefficiency. Numerous studies worldwide have aimed to verify the existence of economies of scale. The broad relevance of economies of scale often bolsters arguments for structural reforms, such as amalgamating small municipalities into one larger municipality (Soukopova et al. 2015). The central argument is that if each municipality produces relatively similar services and significant cumulative economies of scale exist, a system of numerous small municipalities will incur higher costs for the same level and configuration of output compared to a system of fewer larger local governments (Dollery & Fleming 2006). Byrnes and Dollery (2002) reviewed studies to determine if practical bases existed for greater economic efficiencies and larger municipalities. The investigation found no strong evidence of significant economies of scale in the provision of municipal services. A key motivation for municipal mergers is the notion that increasing the size of municipalities could potentially result in cost reductions through economies of scale (Blesse & Thushyanthan 2016). Larger municipalities may be able to generate a given level of production with lower standard unit costs; lower service levels may result in reduced expenditures even if scale economies are not achieved (Gordon & Knight 2008). Proponents of municipal amalgamations as an effective instrument for improving local government efficiency support their stance by citing three factors associated with larger municipalities: significant scale economies, substantial economies of scope, and reduced administrative and compliance costs (Dollery & Crase 2004). Furthermore, quasi-economic scholars who support the 'bigger is better' perspective argue that costs are reduced due to lower representation, as fewer councillors are elected in larger municipalities (Varden 2003). Quasi-markets aim to enhance efficiency and market options as alternatives to rigid bureaucratic delivery systems, promoting the maintenance of equality, accessibility, and stability in governance. Supporters of municipal amalgamation believe that merging municipalities can improve service provision while also reducing operational costs. Scale economies, size economies, and scope economies arise from the production activities of corporations, which involve various input factors like labour, capital, and materials combined with technological innovations to generate more outputs (Dollery & Flemming 2006).

Economists utilise different variables and formulas to analyse production characteristics and relationships between quantifiable inputs and outputs, to determine returns to scale. The main priority for developing countries and municipalities like Ekurhuleni should be to focus on developing their economies first before pushing for economies of scale. Some residents attribute their non-payment defiance towards the incapacity of municipalities to provide equitable services. While municipalities blame their failures in service delivery due to the non-payment for the services rendered (Dollery & Crase 2004). These factors are considered when determining economies of scale, and municipalities are judged against this criterion to ascertain whether economies of scale have been achieved. This process can result in amalgamation being ineffective, failing to provide economies of scale and simply resulting in a shift of policy leading to budget cuts and lower levels of services (Reingewertz & Serritzlew 2019). Economies of scale are not constant across the wide range of services provided by local governments. For example, in a capital-intensive municipality focused on infrastructure services, there may be potential gains due to an increased population as fixed costs can be spread across more citizens. However, in a labour-intensive municipality, service gains may be lost as providing more services necessitates hiring more people to meet the demand for services (Tavarez 2018). Bouckaert and Kuhlman (2016) argued that in the contemporary era, municipal amalgamations are influenced by financial challenges with the optimism that bigger municipalities can expedite economies of scale to save small and dwindling administrative units. Support for amalgamations as a way of achieving economies of scale is often justified through:

- Economies of scale and possible collaborations – the estimation that municipal obligations can be performed better, and expenses being reduced in bigger municipal units.
- Adverse demographic trends can trigger depopulation in small municipalities and lead to challenges in service delivery, in terms of the costs of local services.
- The need to respond to changing dynamics like adjusting to developing settlements, transport networks, and municipal boundaries.
- Economies of scope – the assumption that increased public services can be delivered in bigger municipalities especially where amalgamations are tied to decentralisation (Dafflon 2012; Heinelt & Kubler 2005; Steiner, Kaiser & Eythórsson 2016).

Counter-argument against amalgamation

The counter-argument against amalgamation were listed as follows:

- Diseconomies of scale – the increase in the size of the output results in greater increase in average costs and requires huge investment for services.
- Decline in the accessibility of services and access to local administration.
- A decrease in political participation – it is argued that amalgamation reduces voter turnout because it is

perceived that in big municipalities votes weigh less in terms of the potential impact in the bigger scheme of things.

- A fading link between citizens, their representatives, and local administration. Municipal amalgamations affect the direct contact between citizens and their political representatives because the citizens per councillor ratio decreases after mergers (De Ceuninck et al. 2010; Denters et al. 2014).

This reaffirms that municipal amalgamations do not automatically guarantee economies of scale, as varying circumstances in municipalities can either provide a conducive platform for achieving economies of scale or a hostile environment that is not viable for them. Furthermore, the costs of managing a municipality are more likely to escalate significantly when population growth reaches a certain threshold, resulting in diseconomies of scale (Lassen & Serritzlew 2011). When municipalities amalgamate, the excitement of a new administration can become a pull factor for people seeking opportunities and employment, potentially causing a rapid inflation of the population. This can result in an increase in the demand for services, requiring local government to increase the budget allocated for these services (Bish 2001). Therefore, local governments must consider various aspects before merging municipalities. These include the costs of running the new, larger municipality, the costs of rezoning and remapping, and obtaining residents' agreement to be integrated into a new service area (Dollery & Byrnes 2008). For amalgamation to be successful, proper governance and political stability are required to ensure smooth service delivery and accountability from all involved stakeholders. Not everyone supports municipal amalgamations, as some scholars argue that mergers do not necessarily lead to economies of scale. The primary reason for this is the fact that municipal areas differ and face different challenges; therefore, economies of scale cannot be uniform because the challenges of governance range from simple to complex (Boyne 1992; Dollery & Flemming 2006). Tavarez (2018) argues that economies of scale can be successfully achieved in local governments with smaller populations, ranging between 25000 and 250000 residents. Larger municipalities could easily lead to diseconomies of scale as a result of having to provide rigorous and specialised services on an expanded scale due to increased demand (Holzer et al. 2009). The alternative to the amalgamation debate challenges the earlier arguments that bigger is better, highlighting that amalgamation cannot be a one-size-fits-all approach. Proponents of an alternative to amalgamation advocate for intermunicipal collaboration and outsourcing municipal services (Bish 2001). Thus, local governments wishing to achieve economies of scale can enter into flexible trade agreements with neighbouring municipalities. This can include resource sharing with other municipalities and procuring services from private service providers or other local governments, which could help circumvent rigid forms of governance (Dollery & Flemming 2006; Tavarez 2018).

In Australia, the amalgamation of municipalities has garnered significant scrutiny and widespread criticism. Such scepticism has been fuelled by the failure of amalgamation in several cities, as evidenced by the disparity between the real-world outcomes of amalgamation programmes and their predicted outcomes (Allan 2003; Dollery & Byrnes 2005). Amalgamation process is complex and there are no guarantees that the set goals will be achieved as there are various implications in place which include different stakeholders, the community, and service providers buying into the vision to merge local institutions. Holzer et al. (2009) argues that amalgamations are unsettling and usually have a negative consequence on democracy, which causes tension within affected and interested parties. Political representation in amalgamated municipalities is another impediment which can become a challenge, depending on the type of communities that are merged, the demographics, and the electoral processes (Sorenson 2006). It is imperative that local governments incorporate and encourage community participation and consult widely when contemplating amalgamation of different local governments. Changes in municipal size require a balance of two opposites, namely the economy and democracy, and this subsequently provides complex challenges to the functioning of a local democracy (Dearlove 1979; eds. Kjaer & Mouritzen 2003; Martins 1995). Reingewertz and Serritzlew (2019) argue that not enough research has been conducted to conclusively prove the relationships between size of the municipality and the cost per resident, and therefore the argument that amalgamations lead to economies of scale has not been comprehensively verified. The scholars who are against amalgamation of municipalities contend that mergers do not produce economies of scale or cost reduction because there are various factors which include cost of services, the lack of development and political challenges. Municipal amalgamations are mainly influenced by political struggles and fundamentally there are no assurances that economic gains will materialise, and democratic costs can be prevented (Drew, Razin & Andrews 2019; Reingewertz & Serritzlew 2019).

The concept of returns to scale refers primarily to the physical relationships between inputs and outputs, while economies of scale translate this information into monetised cost values (Wolff 2004). Economies of scope exist if the cost of providing a diversified set of services is less than the cost of specialised provision of these services. Multiproduct manufacturing organisations, which have significant opportunities to increase productivity by expanding their range of activities, have been a focal point in the analysis of economies of scope. This expansion allows these organisations to fully exploit underused resources such as employee skills, information from various divisions, and production facilities (Miyazaki 2021). A similar paradigm is utilised by municipalities to leverage their resources, expertise from various skill sets, and internal departments to ensure an efficient, sustainable way of providing services while also generating revenue. A notable example of economies of scope in the provision of

public services involves the co-location of organisations. This arrangement makes it possible to share facilities, saving on expenses such as electricity, security, and cleaning, and also reduces users' travel costs by offering one-stop access to a range of different services (Bovaird 2014). However, there are obstacles that can impede municipalities from achieving economies of scale. For the purpose of this article, the focus will be on three factors that can hamper the achievement of economies of scale: housing backlog, unemployment, and service provision. South Africa, as a country, still faces prevalent housing challenges driven by poverty and unemployment. These housing shortages are further exacerbated by rapid population growth, urbanisation, and service delivery. Cities worldwide are becoming increasingly attractive, leading to a rise in the demand for urban housing. The expansion of housing in large cities is a global phenomenon largely attributed to the allure of major urban areas (Van Doorn, Arnold & Rapoport 2019). Ekurhuleni Metropolitan Municipality is faced with a housing backlog which has an increase in the influx of informal settlements which negatively affects service provision. The Municipality is plagued by a huge and sustained demand for housing, and the new industrial developments in conjunction with the rapid growing workforce in the area contribute to continuous housing demand that is driven by the population growth in the area as a result of urbanisation and also migration from other urban areas (Marutlulle 2019). Formal settlements are designed and organised to receive services like electricity, water, and sanitation, and refuse removal. Due to lack of affordability and poverty, a number of people rely on the government housing scheme to have decent shelter. Sufficient shelter is more than a roof over one's head; it encompasses adequate privacy, space, security, basic infrastructure, and location which is accessible to the workplace and basic facilities at an affordable price (Bradley 2003).

Harvey (2000) provides a counter-argument that defines poor housing conditions as situations where there is a lack of security, electricity, basic infrastructure, and access to amenities. The Ekurhuleni Metropolitan Municipality, for example, has been struggling to meet the housing demand due to rapid population growth and land scarcity (Marutlulle 2017). The issue of land remains sensitive in the country and contributes further to the housing backlog. Ademiluyi (2010) argues that even though the right to housing is universal, the world faces a global crisis due to homelessness and the rise of informal settlements. Such settlements are proliferating across cities, adding to the service backlog and negatively impacting the service provision capacity of municipalities. Informal settlements arise from a range of interconnected factors, including population growth, rural-urban migration, lack of affordable housing for the urban poor, weak governance, economic vulnerability, underpaid work, discrimination, marginalisation, and displacement caused by conflict, natural disasters, and climate change (UN-Habitat 2015). Informal settlements pose a worldwide challenge, and town planners and policymakers in various countries grapple

with addressing the housing issues they create (Zanganeh, Varesi & Zangiabadi 2013). Marutlulle (2017) posits that informal settlements threaten development, as urban expansion and the proliferation of slums place enormous strain on already struggling health and education systems, resources, and basic service provision. The growing population's demand placed on these systems results in stretched financial resources, affecting the budget and fiscal health. This becomes an obstacle to reducing expenditure and thus impedes municipalities' achievement of economies of scale. The global phenomenon of informal settlements thus challenges the 'bigger is better' argument when considering economies of scale. When municipalities amalgamate, they expand their service provision scope. Opportunities in employment, education, and business are also created, which in turn become pull factors promoting urbanisation and urban migration. With the population increase, the demand for services rises, as does the cost of providing these services. An increase in service costs and operational costs can quickly spiral out of control and undermine the process of achieving economies of scale. Another challenge contributing to cost increase is the high unemployment rate in the country and specifically in Ekurhuleni. Factors such as income inequality, unemployment, political instability, lack of good investment opportunities, and living circumstances have globally impacted the well-being of populations (Mansi et al. 2020). Economic growth is seen as a vital mechanism for reducing unemployment, poverty, and improving people's living standards (Makarlinge & Khobai 2018).

Unemployment represents a significant challenge for governments and has been worsening over time. The economy has been struggling and, with South Africa being placed in a technical recession by ratings agencies like Fitch and Moody's, the situation has only worsened. The COVID-19 pandemic has further exacerbated the country's economic performance, leading to numerous industries shutting down and retrenching their workers, thus increasing the unemployment rate. With millions of young people affected by lack of job opportunities, South Africa faces a generation at risk of lacking important work skills and being dependent on state grants for sustenance (Shankar et al. 2016). The World Bank (2015) stated that the country needs job-intensive growth and support for its youth in an education and training system that can produce a more skilled workforce, better suited to evolving labour market demands. While economic growth is crucial for reducing unemployment and alleviating poverty, it is insufficient on its own, as it cannot address all the critical factors contributing to poverty and unemployment (Osinubi 2006). South Africa, a country grappling with exceptionally high rates of unemployment, poverty and inequality, has been actively seeking to mitigate the destructive effects of its apartheid past. This is reflected in priority goals like achieving full employment, eliminating poverty, and reducing inequality, as stated in the Constitution and

interpreted in the National Development Plan (Altman 2020). Many individuals who are unemployed have been actively seeking jobs for over 3 years (Banda, Ngirande & Hogwe 2016). The government has attempted various economic interventions, such as providing economic stimulus, to address the unemployment challenge. Investors are being sought to fuel the country's different industries, acting as a catalyst for development and job creation. The high unemployment rate negatively impacts government function, particularly at the local level. Unemployment implies that people cannot pay for services received from the government, nor participate in the region's economic activities. As a result, people's inability to pay for services means that the municipality cannot increase its revenue but instead operates at a loss, with expenditure increasing. The municipality must spend more on service provision and citizen welfare, while infrastructure in the townships crumbles under the pressure and demand from scores of unemployed individuals who lack disposable income. Given these significant challenges of high unemployment and economic recession, it appears highly unlikely that economies of scale can be achieved in the present state. Unemployment negatively affects the state government's ability to generate income and tends to reduce economic activity. High unemployment leads to fewer people paying taxes to the government (Joshi 2017), and fewer people with disposable income to spend on goods and services. This adversely impacts the municipality's ability to effectively plan, implement, and provide service delivery. Service provision remains a critical aspect with which South Africans are largely dissatisfied.

Over the years, service delivery protests have been a thorn for the government with a number of communities voicing their displeasure with the quality and pace of service delivery. Reddy (2016) perfectly captures the definition of service delivery as the distribution of basic communal needs and services, especially housing, water and sanitation, land electricity, and infrastructure. A high number of South Africans live in abject poverty and depend on service delivery for survival, which is what makes public perceptions on service delivery critical. Public perceptions on satisfaction can help municipalities improve their functioning on key performance areas. Understanding the insights of citizens and their experiences of municipal services can be utilised to access valuable feedback on the efficiency of service delivery (Masiya, Davids & Mangai 2019). Describing governance can be a challenge; however, measuring it is more complicated because of the various standards used which include measuring perceptions, governance indicators, and legislative indicators (Hallward-Driemeier & Pritchett 2011).

Public entities are subject to public scrutiny, and their strength is fortified by feedback from stakeholders, who in this context are the communities they serve. Cities globally are grappling with significant service delivery challenges as a result of rapid population growth. The year 2020 marked

a turning point in the global pursuit of sustainable development, with cities being at the forefront, contributing significantly to the world's rapid population growth (UN-Habitat 2020). Worldwide, service provision is tied to good governance and accountability. Although cities function differently, the common assessment system for good governance is based on public critique, perception, and satisfaction. International best practices emphasise good governance associated with efficient service delivery. South African municipalities face pressure to address the basic needs of disadvantaged communities, a task made more challenging by limited budgets and technical capabilities (Kanyane 2014). These budget constraints stem from the inability to reduce expenditure and to collect rates, leading to revenue accumulation. Without cost reduction and revenue accumulation, achieving economies of scale becomes unfeasible. The argument that 'bigger is better' falls short in this scenario because larger municipalities require larger budgets and more resources to maintain a healthy fiscal position. As a result of poverty, unemployment, and increasing demand for services, costs escalate, thereby negating the presumed benefits of economies of scale. Consequently, the diseconomies of scale emerge as the inadvertent product of the envisaged economies of scale.

Methodology

Qualitative research approach

Research in the social sciences aims to uncover novel or different perspectives on the evolving nature of social realities (Jackson, Drummond & Camara 2007). Qualitative research, a method of inquiry, involves non-numerical data including interviews, written text, observation, and case studies (Remler & Van Ryzin 2011). Primarily, qualitative research approaches are concerned with interpretation and understanding; both the collection and analysis of data are sensitive to the social and cultural context of the study (Eriksson & Kovalainen 2016). A qualitative research approach was chosen for this research project due to its ability to deliver rich data, offering an in-depth understanding of the issues under study, which could be either social or cultural phenomena. Benefits of utilising a qualitative research approach include providing a detailed description of the participants' opinions, experiences, and feelings, as well as interpreting the meanings of their actions (Denzin 1989). Chalhoub-Deville and Deville (2008) assert that qualitative approaches facilitate a reflective understanding of elements related to the design, administration, and interpretation of text.

Content analysis

Content analysis was employed as an analytical technique in this research. Studies employing qualitative content analysis focus on the features of language as a means of communication, devoting attention to the content or contextual meaning of the text (Lindkvist 1981; McTavish & Pirro 1990; Tesch 1990). Content analysis was applied to scrutinise the municipality's Integrated Development Programme (IDP) and the strategic

framework, termed the Growth and Development Strategy (GDS) 2055, as part of the exploration into Ekurhuleni's amalgamation policy. The IDPs from the years 2011, 2016, and 2021 were analysed. Inductive content analysis is utilised when existing knowledge about a phenomenon is limited or fragmented (Elo & Kyngas 2007). For this research project, a conventional content analysis approach was adopted, with data collected through an examination of strategic documents and open-ended interviews.

A conceptual analysis, also known as a thematic analysis, was undertaken. This process involved examining concepts and themes recurring across multiple texts, aiding in the description and interpretation of data in relation to various factors, such as participant groups and textual data from the IDPs and GDS 2055 documents. Importantly, the coding scheme should be connected to the research questions and objectives, be selective (not trying to capture everything), and, critically, discern the importance and meaning of data.

Qualitative data analysis requires the researcher to apply astute innovation in organising raw data. The entire process of data analysis involves breaking down raw data into manageable segments (Shava et al. 2021). Effective qualitative data analysis is crucial to achieving research outcomes, and efficiently designed qualitative data analysis incorporates the use of computer packages to enhance credibility and trustworthiness (Shava et al. 2021). The collected data was organised and themed according to the research objectives of the study. Content analysis has three stages: pre-analysis, material examination and result analysis, and interpretation (Bardin 2011). The initial stage encompasses data preparation, including the organisation and appropriate grouping of documents. The second stage involves the breakdown of data, which includes the creation of codes and the grouping of these codes accordingly. The final stage focuses on investigating and analysing data, linking data, generating insights, and preparing data for discussion and presentation. In this stage, raw data is processed to make it meaningful and coherent, aiding the researcher in interpreting results from tables, diagrams, figures, and significantly, the coded data is scrutinised according to the research objectives and theoretical framework (Friese 2019).

Conventional qualitative content and data analysis

Conventional qualitative content analysis encompasses a coding process in which categories are derived directly and inductively from raw data. This approach is commonly used for grounded theory development. Qualitative content analysis can be applied to various types of data, but the data often needs to be converted into written text before the analysis can commence. If the data originates from existing texts, the selection of the content must align with what the researcher seeks to understand (Patton 2002). Key themes were identified from the research objective questions, influencing the scope and direction of the data to be extracted

from the strategic documents. Data was organised and coded into different themes using ATLAS.ti software. For the analysis and interpretation phase, data was extracted from the ATLAS.ti software, where coding was performed according to themes. Qualitative content analysis is crucial as it involves extracting objective content from text to examine meanings, themes, and patterns that are either explicit or underlying in a specific context. Importantly, qualitative content analysis allows researchers to understand social reality in a subjective but scientific manner (Zhang & Wildemuth 2005). A prerequisite for successful content analysis is the ability to condense data into concepts that define the research phenomenon by creating categories, concepts, a model, conceptual system, or conceptual map (Elo & Kyngas 2007; Morgan 1993; Weber 1990). One advantage of qualitative research lies in the richness of the collected data, which needs to be interpreted and coded in a reliable and trustworthy manner (Moretti et al. 2011). A critical consideration when assessing the trustworthiness of findings from a qualitative content analysis is the need for a degree of analysis when approaching a text. Researchers must consider how to ensure credibility and conformability during the organisation stage (Graneheim & Lundman 2004). This process included the analysis of concepts and themes that appeared across multiple texts, aiding in the description and interpretation of data relative to different variables such as participant groups and textual data from the IDPs and GDS 2055 documents. Conformability of findings suggests that the data accurately reflects the information provided by the participants and that the interpretations of the data are not artificially constructed by the investigator (Polit & Beck 2012).

Findings

Conditions for achieving economies of scale

From an economic perspective, smaller municipalities are often thought to have lower costs, mainly due to their standardised populations and their heightened sensitivity to the priorities of inter-municipal competition (Cobban 2019). The concept of economies of scale hinges on the distinction between constant and fluctuating costs of services (Gendzwitt et al. 2018). A common argument for municipal amalgamation is predicated on the assumption that a larger organisation allows for higher quality staff and, consequently, better performance in service delivery (Walker & Andrews 2013). From an external perspective, the 'bigger is better' argument appears feasible and idealistic. Economies of scale have been considered a fundamental justification for advocating local government amalgamations. More recently, there has been a trend of local governments seeking economies of scale in specific services through cooperative production via intermunicipal collaboration (Blank & Niaounakis 2021). However, a detailed analysis reveals that economies of scale cannot be achieved simply because a municipality is large. Much like municipal amalgamations, economies of scale are not a one-size-fits-all concept. To achieve economies of scale, certain conditions should be in place, such as having a functional municipality, good governance, sustainable

practices, and accountability. Yet, a municipality can embody all these attributes and still fail to achieve economies of scale, as they are a complex phenomenon dependent on local and international market performance. Another concept that has emerged from academic discourse over the years is that of economies of scope, which is also linked to economies of scale. Miyazaki (2021) defines economies of scope as the cost of supplying a diversified set of services being less than the cost of specialised production of these services. Economies of scope are typically secondary as they entail a set of specialised services that involve different service providers. This approach is informed by the collaboration of government with other public and private entities. These services can range from security to cleaning to travel, among others, and most of these are often outsourced by the government. There is currently insufficient evidence regarding the existence or absence of economies of scope in public services provided by local governments. More research is needed to examine their impact or lack thereof (Andrews & Boyne 2009; Miyazaki 2021). Therefore, municipal amalgamations have become a catalyst for local governments, driving them towards the realisation of economies of scale. Over the years, municipal amalgamations have faced numerous challenges in terms of financial performance. Importantly, the prevailing consensus is that municipal mergers have traditionally failed to achieve the anticipated cost reductions (Denters et al. 2014). There are, however, conditions that can enable municipalities to have a chance at achieving economies of scale.

As a case in point, developed countries are potentially better positioned to achieve economies of scale because they already have robust infrastructure, sound governance, an educated electorate, and a stable fiscal environment in place. Good governance refers to the processes used to ensure that the exercise of sovereign power is disciplined to achieve the primary objectives of government: securing the health, wealth, and happiness of the population (Chamberlain 2014). Foucault (1991) argued that the central focus of good governance is to achieve overall welfare and security for the populace, rather than a select few political elites (Joseph 2009). The relationships between the government and various sectors of society determine the manner in which things are done and how services are provided. Good governance is a prerequisite at all levels of public administration. It is of critical importance at the local level, as local governments are closer to the people and provide them with essential services (Sutcliffe 2020). A strong governance structure enhances a municipality's chances of achieving economies of scale. Contrastingly, many countries in the global south face significant challenges: crumbling infrastructure, lack of basic services like electricity, water and sanitation, a low level of education, and widespread poverty. For these municipalities, delivering services and collecting revenue become daunting tasks. These challenges limit revenue collection, leading to unsustainable and dysfunctional municipalities. While Ekurhuleni Metropolitan Municipality is not dysfunctional, it faces service delivery backlogs that have been discussed previously, including

high unemployment rates, poverty, and a proliferation of informal settlements. These hurdles disadvantage the municipality and create unfavourable conditions for the realisation of economies of scale.

South Africa, a developing country, grapples with deficits in social and economic development. The South African economy has been on a downward spiral, negatively impacting the fiscal environment and leading to job losses, increased poverty, and reduced spending and economic participation among the electorate. These unfavourable conditions challenge the 'bigger is better' argument in two aspects: firstly, larger municipalities attract a rapid increase in population, and secondly, larger populations increase the demand for services. This increased demand escalates expenditure, leading to diseconomies of scale. Considering the struggles faced by developed countries in achieving economies of scale despite their resources, it appears almost impossible for developing countries to reach economies of scale, given the developmental challenges they face. This struggle is particularly apparent in African countries.

Economies of scale at the local government level

The critical problem encountering most local authorities, particularly those overseeing cities in developing countries, is the growing divide between available financial resources and the requirements for municipal expenditure (UN-Habitat 2015). The primary cause of this widening economic disparity is the swift expansion of urban populations, which fuels an escalating demand for public services, new public infrastructure, and its subsequent maintenance (Dafflon 2011). Research has proven that it is almost impossible to quantify economies of scale in terms of municipal services and till now no strong evidence to verify otherwise is available. It is further difficult to effectively evaluate economies of scale in municipalities because their services are under public scrutiny. The public's perception plays a significant role because when it is positive, it can portray a picture that economies of scale are being achieved; but if the perceptions are negative, it can also illustrate that economies of scale are not being achieved. Public perceptions are always fluctuating and erratic because they are based on personal perceptions and not empirical research. Public perceptions cannot be relied on because people are fluid and move from city to city, or province to province, and their perceptions may be influenced by previous experiences (Masiya et al. 2019).

Economies of scale require tangible services in order to be able to quantify them; sectors like manufacturing can easily quantify and measure their expenses and profit based on their production. However, in terms of municipal services it is a challenge to achieve such a feat as a result of the discussed implications. Economies of scale are not consistent across the whole scale of services provided by local governments; for example in capital-intensive and infrastructure services, there can be probable advantages with increased population size because fixed costs can be distributed across more residents

(Tavarez 2018). Therefore, it is critical that municipalities leverage this and target specific services that can yield and produce economies of scale. Ting, Villano and Dollery (2020) argue that services offered by local municipalities differ greatly between countries and as a result there is a significant alteration in the magnitude of scale economies in local government services. For example, a municipality like Ekurhuleni can plan to achieve economies of scale in water and energy services which are high in demand and utilised by everyone. Significantly municipalities have to identify services which can be conducive for achieving economies of scale, while services like transport provision, maintenance and public parks may not be suitable for economies of scale. Municipalities further have a responsibility to ensure that the services that have potential for economies of scale are delivered consistently, professionally, and that the responsible departments are governed properly. Good governance is still a challenge for most government departments in South Africa as they face surging obstacles like corruption, financial mismanagement, nepotism, and lack of accountability. In a developing country like South Africa, municipalities like Ekurhuleni are further challenged by an increasing demand in terms of service delivery, housing, employment, and education. The Ekurhuleni Metropolitan Municipality was formed by amalgamating smaller municipalities 20 years ago in an effort to improve service delivery and the efficiency of the municipality. Ekurhuleni Metropolitan Municipality is one of the fastest growing areas in South Africa, with a total land area of 1975 km² that shelters a population of 3379104; Ekurhuleni expands over 15.6% of Gauteng's land mass and accommodates 5.4% of the country's populace, and 25.8% of Gauteng's population (City of Ekurhuleni Annual Report [2016] 2017). The Ekurhuleni Metropolitan Municipality's economy is greater and more diverse compared to those of many of the smaller countries in Africa and accounts for nearly a quarter of the Gauteng economy (Marutlulle 2017). Municipalities are better placed to know what people require as municipalities are institutionally closer to communities; therefore, decision-making can be more participatory through the assembly system, and policies can be applied more effectively at the municipal level than at the national level (Nathan 2013).

While the municipality has managed to achieve efficiency and has improved service delivery to some extent, it is far off from achieving economies of scale because of the pertinent challenges it is facing which affects its resource base and revenue collection. With the influx of informal settlements, a number of people in Ekurhuleni still do not have access to electricity, water, and sanitation. The high rate of unemployment means that majority of young people cannot participate in economic activities that are meant to produce revenue for the municipality. The main priority for developing countries and municipalities like Ekurhuleni should be to focus on developing their economies first before pushing for economies of scale. Development economics provides a comprehensive approach to development as it places emphasis on enhancing the fiscal, economic, and social conditions of development by strategically targeting key areas like education, health, environment, market

conditions, and working environments (Todaro & Smith 2009). One of the many ways that countries drive development economics can be through different interventions like following the developmental state model. Economic development is considered to be significant for a country to lessen its poverty by delivering more employment, higher incomes, improved goods and services, and latest technologies of production (Panth 2020).

Ekurhuleni post amalgamation and the state of the city

Amalgamation was an intervention which was aimed at addressing spatial inequalities in Ekurhuleni while also improving service delivery and to fast-track development in the metro. Amalgamation in Ekurhuleni has generated both advantages and disadvantages, notably as it has been emphasised implementation has been poor and as a result the impact of amalgamation has not been meaningful enough to effectively change the quality of life for people in the city. South Africa is compromised by the incapacity of good governance structure that can provide a conducive environment for transparency and accountability. Without proper governance the state cannot efficiently provide successful developmental interventions that will accelerate growth and respond satisfactorily to the needs of the people. For amalgamation to be successful, proper governance and political stability are required to ensure smooth delivery of services and accountability from all involved stakeholders. For government to be effective there needs to be a governance structure in place that will assist to effectively run government because having good systems in place will ensure that government institutions continue operating efficiently and smoothly.

Prinsloo (2013) recommends that good governance commences with the political will to govern well, and importantly good governance entails fair legal frameworks that are implemented fairly. There is a great need to build strong institutions in government that will be building blocks for strong and effective government that will be responsive to the needs of the people while fighting and discouraging crime and corruption. The relationships between government and various sectors of society determine how things are done, and how services are provided, and good governance is a prerequisite at all levels of public administration; at local level it is of vital importance because local government is closer to people and provides them with critical services (Sutcliffe 2020). Big municipalities like Ekurhuleni are tasked with a constitutional mandate of driving development and providing service delivery, and without sound governance they will not be able to meet their mandate. Stable government results from good and clean governance that operates within the prescripts of the law, financial management, transparency, and accountability. Political squabbles also have a negative bearing in good governance at local government which has been observed with the advent of coalition government. Coalitions have proven to be very unstable in local government which has had a bearing on service delivery as the result of the chopping and changing of leadership.

Coalition governments are the future of South Africa and therefore it is crucial that governments acclimatise and embrace the changes to the standard operational arrangements, that will be brought about by the instability of coalitions. Municipal amalgamation can either yield positive or negative fiscal consequences for municipalities (Ncube & Vacu 2015). Efficiency and reduced costs are not automatically guaranteed when municipalities undergo amalgamation. The amalgamation process has risks and one of the biggest challenges for recently merged municipalities is the management of public expenditure, service delivery, and fragmented development. Unaccountable expenditure affects service delivery and the smooth running of the municipality. Governance systems need to be fluid and flexible in order to be able to respond quickly and efficiently to service delivery needs and challenges that occur spontaneously. Currently in South Africa there are vast service delivery backlogs which can be attributed to bureaucracy, and they can be solved by having this network model where there are formal and informal relationships with different stakeholders who can be engaged in a time of crisis.

Theoretical analysis of amalgamation

Transition and transformation periods are prone to bring about challenges because it involves dismantling the status quo and charting into new beginnings which provide a number of uncertainties. In Ekurhuleni, amalgamation brought challenges especially in the early years as the nine administrations were consolidated to one metro, and trying to integrate and harmonise the bloated team while functioning well and maintaining its mandate was not an easy task. The challenges that have been recorded after amalgamation of municipalities include struggling with huge service delivery backlogs, political interference, corruption, fraud, poor management, and a lack of public participation (COGTA 2017). Municipal size plays a vital role in governance and a larger size may raise assistance and information costs because bigger municipalities involve more planning, monitoring, and reporting than small ones (Lassen & Serritzlew 2011). Managing big municipalities requires more determination compared to smaller ones and importantly it also requires the support of the employees to adopt the vision to ensure that all new processes are implemented effortlessly. The effects of amalgamation further include the cost factor, the costs of rearrangement of different parts of the municipal organisations, new office buildings may be required, IT systems have to be integrated, and regulations must be standardised (Allers & Geertsema 2016). Enwereji and Uwizeyimana (2020) recognise that the failure of municipalities to collect payments from owing and non-paying residents has intensified the consumer debt of municipalities and has contributed to diminishing of the quality of services provided. The global pandemic COVID-19 also aggravated the poor payment trend of rates and taxes which can be squarely attributed to the closing down of industrial businesses

which also led to job losses in South Africa. Some residents attribute their non-payment defiance towards the incapacity of municipalities to provide equitable services. While municipalities blame their failures in service delivery due to the non-payment for the services rendered. (Enwereji 2018). A major difficulty facing South African municipalities is to generate adequate income to safeguard that the needs of a growing population are met, taking also into account the high rates of unemployment and poverty. Sub-Saharan Africa is confronted with rapid growth in urban population and does not have the required urban governance plans in place that can meet their responsibilities and manage the change, which has created large shortages in infrastructure and service delivery which exposes much of the urban population to high levels of risk (Satterthwaite 2017).

Contribution and summary of key findings

Post-democracy, South Africa has struggled with the eradication of poverty, unemployment, and a sluggish economy, which have hindered the nation's path towards satisfactory development. Economic development is crucial for promoting and preserving citizens' welfare as it emphasises critical life aspects, including provision of quality healthcare, economic growth, and the creation of knowledge through research and technological advancements, which are vital for survival. Coccia (2018) posits that economic development thrives in environments with apt social systems, strong democracy and culture, sound economic governance, structured higher education, and high-level creative outputs.

South African local municipalities grapple with significant challenges, including severe poverty and unemployment, lack of services, stagnant local economies, shortage of skills needed for local economic development, lack of administrative capability, and unsuccessful policy implementation (Mashimate & Lethoko 2018). While the amalgamation process in Ekurhuleni has achieved some development, it has not been comprehensive or flawless. Discontent has arisen over the quality of service delivery and the neglected infrastructure that has not been maintained for an extended period. Ekurhuleni's amalgamation has presented both advantages and disadvantages. However, poor implementation has significantly diluted the amalgamation's impact, failing to effect a meaningful improvement in the residents' quality of life. Consequently, Ekurhuleni has struggled to establish conditions conducive to the realisation of economies of scale, mainly due to governance challenges. Without appropriate governance, it would be impossible for local municipalities to achieve economies of scale. South African municipalities possess immense potential to evolve and develop into world-class cities, but they are currently beleaguered by corruption, maladministration, and poor accountability, which negatively influence their performance.

Scholarly work on municipal amalgamations and restructuring has largely concentrated on the functional benefits of

amalgamations. The prevailing notion is that 'bigger is cheaper', 'bigger is better', and that 'larger municipalities result in economies of scale, a wider array of services, and administrative efficiency'. This study, however, asserts that certain prerequisites and conditions must be fulfilled for the feasibility of economies of scale in municipal amalgamations to be realised. Additionally, it is vital for municipalities to pinpoint specific services that may lead to economies of scale, as some services can yield economies of scale while others cannot. Municipal amalgamations are anticipated to enhance economic, social, administrative, and financial sustainability, thereby creating financially viable municipalities. This includes prioritising sound financial management, building institutional capacity, ensuring good governance, and delivering basic services. However, this study demonstrates that this is not always the case. Its key contribution lies in debunking the assumption that economies of scale are always an effective foundation for municipal reforms. In essence, merging municipalities does not always guarantee improved service delivery or the expected economies of scale.

Conclusion

Local governments in South Africa face numerous challenges, including inadequate service delivery, poverty, unemployment, and slow economic growth (Ncube & Monnakgotla 2016). A third of South African municipalities are classified as distressed and unsustainable, another third are considered at risk, and the remaining third are deemed efficient and sustainable (Madonsela 2013). Similarly, local governments worldwide grapple with administrative constraints, which influence the practice of municipal amalgamations as a response to governance challenges. The notion of merging municipalities is driven by the need to eradicate dysfunctionality and cultivate good financial performance, autonomy, and sustainability (Ncube & Monnakgotla 2016). Municipalities face pressure to provide services efficiently due to burgeoning populations, the demand for housing and services, and a challenging economic environment. Slack and Bird (2013) put forth a compelling argument that larger municipalities outperform smaller and fragmented ones, attributing this to the perception that larger municipalities can result in enhanced productivity, cost savings, and superior service delivery. However, there is no concrete or empirical evidence to substantiate the claim that the desire to leverage economies of scale typically motivates municipal amalgamation. In numerous countries, amalgamations were enacted as part of national restructuring, involving additional municipal responsibilities and financial arrangements (Allers & Geertsema 2016).

The primary argument in municipal mergers is that the process outcome varies from municipality to municipality. In certain instances, a merger can affect municipal expenditure, leading to an increase in spending, while in others, expenditure can be curtailed, but not significantly enough to impact total spending (Breunig & Rocoboy 2008). Municipal expenditures are primarily influenced by

population size, jurisdiction, and the scope of service provision. Amalgamation may reduce a municipality's expenditure, but there is no guarantee that spending can be trimmed sufficiently to realise economies of scale. Municipal amalgamations are also implemented to support local government entities exhibiting subpar performance, as poor municipal performance results in financial mismanagement and inadequate community service delivery. This study has reviewed various case studies from different countries on municipal amalgamations, the formation of economies of scale, and the conditions necessary for achieving economies of scale. Even though every proposal for amalgamation has distinct objectives, there are common trends that advocate for shared municipal size, structural and economic development, and the achievement of economies of scale as an additional benefit. Moreover, the feasibility of economies of scale is contingent on multiple factors, which need to be adequately and comprehensively addressed to ensure success. Economies of scale are a complex phenomenon in governance, demanding rigorous discipline and commitment, and it may take years to realise them effectively.

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Authors' contributions

S.T and A.W.G both contributed equally to this article.

Ethical considerations

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Data availability

The data that support the findings of this study are available from the corresponding author, S.T., upon reasonable request.

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