

## Chapter 9

# Contemporary Local Government Reform in New Zealand: Efficiency or Democracy

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### **ABSTRACT**

*The New Zealand local government system has experienced considerable reform over the last twenty-five years. The nature of the reform has been contingent on both international trends and local factors, including prevailing ideologies. The experience provides lessons for other nations, particularly the lack of a consistent direction and any overall coherence. The paper identifies six themes, some of which have been recurring while others have been specific to local political economy factors. The lack of any national consensus about the role of local government, and the lack of constitutional status, means that reform is expected to continue into the future.*

### **INTRODUCTION**

Reform has been an ongoing feature of local government in many parts of the world, particularly in recent decades (Dollery et al. 2008). While specific approaches have reflected the unique circumstances of each society common trends and objectives can be found, such as the desire to improve efficiency and strengthen democratic responsiveness. The way in which governments go about achieving these potentially opposing objectives varies. Some choose a consolidation option in the expectation that larger authorities will create economies of scale. Others choose the localist option in order to bring decision-making closer to citizens and encourage inter-council benchmarking. Yet the frequency of reform suggests that finding the right mix of regulations and incentives to achieve efficient local services and a responsive democracy is still some time away, certainly if the New Zealand experience is typical.

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Since its establishment towards the middle of the 19<sup>th</sup> Century local government in New Zealand has played a significant role in the country's growth and development. Yet, unlike local governments in many other parts of the world, the New Zealand system has struggled to achieve recognition as a legitimate partner in the governance of what is today one of the most centralised states in the developed world. Three decades of reform has not changed this situation even though local government's structures, powers and processes have been radically changed. Such changes have not been unique to New Zealand with many local government systems similarly affected (see Dollery et al, 2008; Fiorillo & Ermini, 2008), however the New Zealand approach may provide helpful lessons for other local government systems.

The paper identifies six major trends which have dominated reform since 1989. It has been far from a consistent process with reform periods reflecting short term political objectives, not all of which can be said to be in sympathy. The first and most dominant theme has been re-organisation which has resulted in a comprehensive change in the number and structure of local authorities. Also dominant have been reforms which have exposed local governments to market forces through corporatisation and privatisation, and internal rationalisation or new public management (NPM). The period saw a short flirtation with what might be called new public governance (Osborne 2010) until this was replaced by a new approach which emphasized dis-empowerment. This period was characterised by measures that undermined local autonomy and discouraged councils from expanding their roles. The diversity of trends or reform approaches reflects an underlying tension between whether or not reform should focus on increasing efficiency or democratic responsiveness.

The paper concludes by analysing local government reform in New Zealand from four theoretical perspectives, namely:

- The rational actor perspective which highlights the influence of specific individuals;
- The new institutionalist perspective which focuses on the impact of institutions;
- The behaviourist perspective which highlights the impact of interactions between key parties and their relative influence;
- The political economy perspective which emphasizes the effect of prevailing ideologies and/or external influences.

The analysis finds that all four perspectives have influenced reform, although it does highlight the impact of two - the political economy perspective in relation to the use of market style instruments, NPM and new public governance and the rational actor perspective. The fact that reform is so susceptible to the rational actor perspective, in which individuals are able to exercise considerable influence on the Government's reform agenda, probably highlights the weak constitutional status of local government.

The paper is divided into three parts. Part 1 is an overview of New Zealand and its system of local government; Part 2 a summary of the major reforms undertaken over the last three decades, and Part 3 examines the dominant trends, rationale and the lessons that might be taken out of the experience.

## **THE NEW ZEALAND SYSTEM OF LOCAL GOVERNMENT**

New Zealand is a parliamentary democracy. It has a unicameral parliament (the upper house abolished shortly after World War 11) and the head of state (a largely ceremonial position) is held by the British

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