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Ethical, Economic and Efficient Sector: Is it a gamble? The case of New Zealand Health sector

Dr. Soheila Mirskehary  
Deakin Business School  
Faculty of Business & Law  
Deakin University  
Australia  
Ph: +613 9244 5537  
e-mail: soheilam@deakin.edu.au

Mr Ali Yaftian  
School of Accounting and Finance  
Victoria University  
Australia  
Ph: +613 9919 5305  
e-mail: ali.yaftian@vu.edu.au

Mr Bikram Chatterjee  
School of Accounting and Computer Science  
Charles Sturt University  
Australia  
Phone: +61 2 6338 4427  
e-mail: bchatter@csu.edu.au

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Abstract

The New Zealand public sector has gone through major reform as a result of fiscal deficit in 1984 (Kettl, 1997; Schwartz, 1997), resulting in shift of emphasis from quality service provision to establishing financial supremacy (Kettl, 1997). This raises concern as to how public sector employees are attaining balance between their service objectives with financial ones and how is the ethics negotiated in this process. Following this concern, this paper focuses on determining the organisational variables consisting of organisational policies in the District Health Boards (DHBs) and hospitals of New Zealand on ethical behaviours of managers and the ethical climate of these departments.

The aim of this study is to increase our understanding of the ethical climate of the public health. Our findings suggest that little emphasis has been provided to the aspect of ethics in New Zealand health sector. There is no reward for employees who exhibit exemplary ethical behaviour, no hot line to consult/report about ethics, any detailed guidelines and policies, and not enough ethics-related training provided to staff.

Introduction

The New Zealand public sector has gone through major reform following fiscal deficit in 1984 (Kettl, 1997; Schwartz, 1997). The aim of this reform was to exercise control without bearing the risk of ownership (Gill, 2001). This led to the import of business-like principles of private sector into public sector through the administration of contracts (Boston, 1996, 1998; Hood, 1998). Contracts have been used to measure the performance of public sector Chief Executives (CEs) in mainly quantitative and financial terms (Boston, 1996). Each Government department and their respective CEs are now required to achieve outputs, though whether and how outputs can be linked with outcomes is still a question to be resolved (Laegrid, 2000). The only rationale behind attaching stress on outputs rather than outcomes is due to the fact that outputs can be easily measured while measuring outcomes are difficult (Mascerenhas, 2001). The stress in now on attaining fiscal targets and to justify the survival of public sector entities through publishing financial statements on the same basis as that of private sector, that is, accrual accounting and through the preparation of annual report.
following the enactment of Public Finance Act, 1989 to ensure that public sector entities conform to the budgets, which acts as meeting the accountability requirements. However, in this reporting paradigm there is no requirement from departments to establish that they are meeting the service and/or product requirements of citizens of the country, which is the main purpose of the existence of a public sector (Kettl, 1997). The Cave Creek incident in New Zealand further emphasises the fact that the quality of public sector departments in terms of fulfilling the requirements of the society is insufficient (Hood, 1998) and raises concern in regard to whether the present stress on financial achievement of public sector is having a reverse effect on fulfilling the requirements of New Zealand citizens.

A concern arising from the shift of the existence of public sector to fulfil the requirements of citizens to achieve outputs is the way this new requirements are dealt in everyday life by public sector employees. Hence, how public sector employees attain balance between their service objective with financial objectives and how this mechanism of balance affects their ethics is a question that raises serious question these days especially in New Zealand. This concern has led the present paper to explore the ethical climate of New Zealand public sector, by taking the case of New Zealand Health sector.

**Literature Review**

The reform of New Zealand public sector has attracted the attention of a large number of researchers. These studies can be grouped into three categories for the purpose of this paper as: studies investigating the reform and its underlying causes, studies investigating the contributing factors that led to fast paced reform and studies providing critical analysis of the reform process.

(i) *Studies investigating the New Zealand public sector reform and its underlying causes*

The principal reason behind the reorganisation of institutional and ideological structure in Australia, New Zealand, Denmark and Sweden was to overcome fiscal deficits (Schwartz, 1994). Schwartz (1994) states that the requirement to shift policy in New Zealand public sector came in early 1984. The Reserve Bank of New Zealand tried to obtain loans from overseas to sustain its foreign currency reserves but international banks refused such requests.
that shocked the Treasury and the Reserve Bank. The New Zealand reform started from this fiscal crisis gradually reorganising the public sector. In New Zealand attention was given to effectively spend money in the public sector as government expenditure was a significant share of national expenditure (Evan, 1993).

Another reason behind New Zealand public sector reform was its poor performance in 1970s and 1980s that forced many countries including New Zealand to change their public management systems (Campos and Pradhan, 1997). Campos and Pradhan (1997) opine that countries such as Australia, New Zealand and United Kingdom (U.K.) started experimenting with various alternative approaches to improve the performance of public sector. The New Zealand reform aimed at attaining fiscal discipline and enhancing technical efficiency and the principle motivations guiding this reform were transparency and accountability. Transparency and accountability mechanisms forces politicians and bureaucrats to conform to the rules due to the fact that these mechanisms impose implicit costs of violating such rules. Transparency has been laid down in New Zealand public sector through specification of outputs in CEs’ contracts; appropriations taking outputs purchased by the Government as the basis; requirement to prepare and publish financial statement, such as Balance Sheets showing net worth of government and legislatively enforced frequent disclosure of performance information. On the other hand, enforcement of accountability took place through employing agency heads on tenure basis as compared to permanent positions before; proper specification of outputs expected from organisations and through the administration of implicit and explicit employment contracts for agency heads and their employees together with the requirements to publish accounts and carry on audits of such accounts. The emphasis in New Zealand has been mainly on technical efficiency rather than strategic priority setting, resulting in emphasis provided to technical efficiency in the delivery of outputs, such as, goods and services produced in New Zealand instead of an emphasis to attain outcomes (impact of outputs). The public sector reform in New Zealand originated from an over-expended public sector. Hence, the emphasis during the reform process has been the reduction in role of the state following large-scale privatisation. The theory guiding the reform was the principal-agent theory.
The principles underlying the New Zealand public sector reform has been introduction of market and competition in this sector; segregation of policy-making function from regulatory ones and service provision; implementation of accountability within public bodies to senior managers and finally to a democratically elected body(ies); implementation of a planning process that includes objectives, plans and actions that would facilitate monitoring and evaluating the achievement of government programmes; establishing clear lines of democratic accountability; introduction of uniform accounting systems with the application of accrual accounting (Wistrich, 1992). The public sector reform in New Zealand encompassed strategic management, accounting, economics, policy analysis, public policy, public management, public choice and law (Stewart and Stewart, 2004).

The reform stressed on efficient management of services through the introduction of systems designed to provide freedom from political intervention to managers, while setting politically determined objectives at the policy level and establishing transparent reporting procedures. Ministers determine policy objectives and they are accountable to the Parliament for ‘outcomes,’ that is, for attaining intended objectives, while CEs are responsible to attain ‘outputs’ as efficiently as possible (Wistrich, 1992b).

The fiscal deficit in New Zealand has led to redesigning, reorganising or reconfiguration of New Zealand public sector (Boston and Pallot, 1997) which can be termed as New Public Management (NPM) (Wallis and Dollery, 2002). Under the changed approach, the Government specifies a limited number of principally desired results for the public service as a whole over a period of three years. These are known as “strategic result areas” (SRAs) (p.383). More specific targets, known as Key result areas (KRAs) are formulated by taking SRAs as the basis for CEs of government departments (Boston and Pallot, 1997).

Kettl (1997) states the public sector reform in New Zealand has been guided by principal-agent theory. Reformers in New Zealand replaced authority and rigidity with flexibility together with introducing market-style competition. The adaptation of this theory resulted in the introduction of various forms of organisation, such as, state-owned enterprises (SOEs), government departments, local government and crown entities including schools, tertiary
education institutions, research institutes and health sector organisations. The rationale for such introduction of various organisational forms was differences in activities to be achieved (Hay, 2001).

The reform that started from the Labour Government in 1984 resulted in commercialisation, corporatisation and privatisation. The aim of the Crown behind corporatisation and commercialisation of entities was to retain ownership without bearing risk. The reform also initiated outsourcing (Gill, 2001). This reform resulted in a shift of emphasise from inputs towards outputs and outcomes. Planning and implementation functions were separated following private sector model. Monopolies over provision of services were mostly eliminated with the introduction of competitive tendering. The State Owned Enterprises (SOE) Act, 1986, the State Sector Act of 1988 and the Public Finance Act of 1989 changed the status of managers within state agencies and enterprises regarding labour relations. The State Sector Act of 1988 and the Public Finance Act of 1989 impacted on labour discipline that formerly existed in the traditional welfare state and non-commercial agencies. The State Sector Act of 1988 changed the wage structure of public sector aligning it with private sector resulting in erosion of centrally determined wages. The Act provided the managers of public sector agencies and SOEs the right to hire and fire employees and to formulate their employees' remuneration. On the other hand, these managers were now under contract with the Treasury and Ministers to produce certain outputs, that is, goods and/or services. The state completed the construction of market mechanism for public services taking user-pays principals as the basis at all levels. Agencies with high rates of return and low costs for services are rewarded with more resources through bigger contracts compared to agencies with low rates of return (Schwartz 1994).

Funnell (2004) states that the economic necessity resulting from budget deficit in the 1970s, forced the governments of Westminster countries, such as, Australia, New Zealand and England to bring reform to their public sector. The aim of the reform was to ensure that taxpayers were getting value for their money through the imposition of more accountability requirements on government departments and agencies regarding their performance. During
this time extensive reform to management was carried out in the public sector that included clearly set objectives for programs and departments and eventually to the introduction of value-for-money auditing. The author states that public sector management reforms in the last two decades of the 20th century in Westminster countries has resulted in the convergence of former rigid divide between public and private sector. Some private sector practices were perceived to be appropriate to the public sector during the reform process at the level of policy formulation and program management. The auditor-general of these Westminster countries are now required to comment on management efficiency a term formerly used in private sector, which was not expected before the management reform in the public sector in these countries.

The key motivation behind public sector reform in New Zealand stemmed from fiscal crisis (Meehan, 1996). The author states that the New Zealand government in 1984 believed that the introduction of competition in public sector was the only way of improving the fiscal condition of the country. The principles guiding the reform were transparency and consistency. Ministers believed that ‘transparency’ will eradicate unnecessary functions, develop efficient processes and clarify accountability. The ideas of transparency and consistency were arranged into organising principles to guide the reform process. These principles include, the state should not be involved with those activities that can be efficiently and effectively performed by the private sector or the community; efficiency and effectiveness of trading enterprises can be improved if they are structured along the lines of private sector and separation between policy and operational functions together with separating commercial and non-commercial activities in government departments will facilitate in bringing more efficiency and effectiveness of their operation.

The gradual adaptation of business-like principles in public sector went to the extent of participating in ‘Business Excellence Awards’ administered by the New Zealand Business Excellence Foundation in 2002 by public sector entities, such as, Trade New Zealand, ACC Healthwise business units and Auckland Regional Council (ARC) (Birchfield, 2002).
The reform and hence stress on financial achievement has led to the extensive use of contracting (Boston, 1996) following the pattern of private sector. The principle reason behind such introduction of 'contracts' was to enhance accountability, by enhancing transparency between politicians and senior public servants, as contracts clearly specifies the responsibilities of public servants and hence provides a clear picture of responsibilities of politicians as well (Hood, 1998). Boston (1996) states that these contracts are used in both outsourcing of public sector activities to private sector as well as between public sector organisations. Such contracts include agreements in regard to funding, purchases and performance. The rigour of contracts in New Zealand public sector has been emphasised by Schick (1998). The author titled this era as 'Government by contract' (p.124). The contractual mechanism encompassed relationships between the government and Ministers with suppliers of such goods and services. Each year several contracts are negotiated formally. Each contract specifies the resource that should be supplied by one side and the performance the other side will be expected to produce. Ministers are on the resource supplying side and CEs can either be on resource providing side or the goods or services providing side, depending on their role. The performance agreements between CEs and Ministers took the place of the old civil service ethic of trust and accountability. It has also led to restructuring of departments and the separation of policymaking functions from the delivery of goods and/or services. One such example is, the national defence organisation, which was divided into the Ministry of Defence and Defence Forces. The Ministry of Defence plays the policy advisory role to the government, whereas the Defence Forces carry out its assigned operations.

Schick (1998) explained the role of contracts in New Zealand public sector. The author suggests that the present system, at the time of placing the budget in Parliament, publishes a departmental forecast report that specifies outputs to be produced in the next financial year. The forecast report provides the basis to construct purchase agreements which are prepared before the start of the year between the CE and the Minister purchasing the goods and/or services. The purchase agreements contain the outputs in details. At the end of the year, each
department publishes an Annual Report containing outputs actually produced, facilitating the
government to determine whether the terms of various contracts have been fulfilled.

Laegrid (2000) suggests that the key motivation behind introducing contracts in New Zealand
public sector was to enhance efficiency of this sector. The contracts led to an introduction of
annual performance agreements between Ministers and CEs together with an annual system of
assessing performance and performance linked remuneration.

The concern arising from the studies discussed above is how does attaining economic and
efficient operation with ethical operation matches. The focus throughout the public sector
reform has been overcoming fiscal deficit through attaining technical efficiency (Campos and
Pradhan, 1997). This led to the introduction of market mechanism in the public sector
(Wistrich, 1992; Kettl, 1997, Gill, 2001). The market mechanism has been based on user-pays
concept. Agencies with high rates of return and low costs are provided with bigger contracts
(Schwartz, 1994) The auditor-general of New Zealand has to comment on management
efficiency in New Zealand (Funnell, 2004). This system has led to an emphasis on outputs
rather than outcomes. At the end of each year departments report their outputs, which act as
the basis of measuring their efficiency. In this system where efficiency, economy and
effectiveness together with competition is given priority in the public sector in line with the
private sector, without any/much emphasise on ‘ethics,’ it raises concern as to how this
balance is maintained or it is a pure gamble allowed to be played in this era of cutting cost.

(ii) Studies investigating the reason behind fast-pacing of New Zealand public sector reform
Kettl (1997) states that the public sector throughout the world has gone through a stage of
revolution from 1970s through to mid-1990s. New Zealand followed large-scale forceful
changes in its public sector. The factors that aided such fast paced reform is the smallness of
the country and its straightforward political system. Similarly, Quiggin (1998) suggest that the
fast-paced New Zealand public sector reform was facilitated by unitary state of unicameral
Parliament which provided the former Finance Minister, Roger Douglas to take an
authoritarian approach. One such example where authoritarian approach was definitely
applied was the implementation of Goods and Service Tax (GST) in which case its
unpopularity did not deter its implementation. The Labour government, possessing the majority in a unicameral Parliament did not need national consensus at the time of imposing the GST.

The forceful and rapid changes in New Zealand were facilitated by the fact that the country was ruled centrally by a single party. The New Zealand had a centralised system, with the core executive, the New Zealand Ministry of Finance and State Service Commission (SSC), possessing the capability to impose administrative change throughout the rest of the public sector administrative system, including the local government (Pollitt and Summa, 1997).

It is evident from the above studies that the fast-paced reform in New Zealand was facilitated by its smallness, straightforward political system and unitary state of unicameral parliament (Kettl, 1997; Quiggin, 1998), which led to authoritarian approach of imposing New Public Management (NPM) in the New Zealand public sector, rather than a democratic one. This further confirms the concern in regard to whether significant attention was provided to ethics in the public sector.

(iii) Studies providing a critical analysis of the reform

Boston and Pallot (1997) opine following their study that their respondents suggested that the present model involving SRAs and KRAs may not be achieving its intended purpose as SRAs and KRAs were not clearly defined.

Boston (1996) criticises the use of contracting in the public sector. The main criticism rests on the fact that all such contracts are not negotiated on an arms-length basis and agents are often forced to accept the terms provided by the principal. Similarly, Schick (1998) opines that the over emphasis on contractual mechanism is detrimental to the public sector as this system has reduced traditional values of public service, personal responsibility and professionalism.

These contracts have led to a checklist approach to accountability by managers. Finally, these contracts are hypothetically between public entities, one being the owner and the other being the owned. The establishment of this market mechanism is at best pseudo market as there is no real market. Hence, the government weakly addressed the un-satisfactory performance of its own organisations. The author states that there may be some benefits in adapting market
mechanism in the public sector, but anything less than the real one, such as the non-existence of real market, deters the government to obtain full benefits of vigorous competition.

Laegrid (2000) suggests that contracts have led to the introduction of too specific responsibilities and expectations on employment relations at senior level in the public sector, which may be detrimental to this sector. This is due to the fact that at the senior level flexibility and duty should be given priority as opposed to job specification.

Mascarenhas (1996) suggests that the economic crisis of 1970s in New Zealand changed the concentration of management in government from accuracy, honesty, equity and reliability to efficiency in line with the private sector. The author criticises the present public sector efficiency measures as they are based on quantitative terms. Also performance measurement in different public sector organisations should follow different criteria as public sector entities are not a homogenous group and every organisations are different from each other. The author also suggests that there is greater emphasise provided on outputs rather than outcomes as relating outputs and outcomes is difficult in some sectors, such as, in health, education and social welfare (Mascarenhas, 1996). Another question resulting from a distinction between ‘outcomes’ and ‘outputs’ is whether the government intended to purchase specific goods and services from its departments to attain its outcomes. The principle reason of the government to own departments is to fulfil its social and economic objectives, so that it reflects the values and ethos of good government and fulfils requirements of public accountability, rather than to purchase goods and services (Meehan, 1996). Similarly, Preston (1999) opines that the aim for smaller government in New Zealand from the reduction in public sector leads to doubt as to whether the government exists to meet the public interest and welfare of the community and hence raises doubt in regard to the values driving the government.

Another problem resulting from the New Zealand public sector reform focussed on outputs as opined by Mabin, King, Menzie and Joyce (2001) is departments are working within constraints of a budget, and hence may not be able to deliver all desired strategic outcomes. As a result, departments are finding it essential to attach priorities among activities, both in terms of their relative contribution to outcomes as well as for allocation of scarce resources.
The authors state that prioritisation among activities lead to difficulties. The introduction of any system to prioritise resource allocation can lead to feelings of anxiety among those who may perceive that they will incur loss in the new order. These feelings are expected to find expression in resistance to the process of priority-setting.

Norman and Gregory (2003) criticises the present accountability mechanism of public sector. The authors state that the public sector reforms in New Zealand has not recognised challenges and complexity resulting from variations in tasks of public sector entities and narrowed the tasks of public sector staff to defined tasks and to fulfil accountabilities taking those defined tasks as the basis, which shows that the reform has failed to recognise principal motivators that used to stimulate public sector staff before.

It is evident from the studies mentioned above that the emphasise on fiscal targets were so high that it led to suppression of agent by the principal and hence the forceful implementation of contract terms on the agent (Boston, 1996). The contractual mechanism is detrimental to public service as it reduces the core values of public service (Schick, 1998). The rigour for attaining technical efficiency has led to specification of duties and responsibilities at the senior level, which is likely to provide less motivation to these managers to go out of their duties to serve the society (Laegrid, 2000) as these managers are not measured by those extra efforts, as these efforts are outside the checklist. This led to measuring performance in quantitative terms (Mascarenhas, 2001), which again is likely to adversely affect the motivation of public sector employees to serve the society. However, the principal concern rests on the fact that whether the government at all intended to purchase these outputs measured in quantitative terms at the very outset as the government exists to serve the society rather than attaining outputs (Meehan, 1996). This focus on outputs have led to the prioritisation of resources to meet the target budget (Mabin, Menzie and Joyce, 2001) which is expected to affect the ethical climate of the public sector, as this is expected to motivate public sector to meet the budget rather than considering the needs of the society.
The Health Sector

The change process was so aimed at fast pacing that during the public sector reform some of the reforms were not clearly mapped and implemented even before a specified future direction was provided to the concerned sector. One such example is the health sector reform, which was restructured three times in 1990s. This reform has also introduced contracting in health sector similar to other public sector entities.

Newberry and Barnett (2001) provide an analysis of the contracting process of New Zealand mental health services. There were 28 agencies providing mental health services at that time, spread across four purchasing authorities, that is, Regional Health Authorities (RHAs), who used to purchase services from their respective agencies. These RHAs were funded by the government. All agencies realised that their funding and hence operation if not existence itself now depended on purchasing of their services by their respective RHA. Taking this advantage of vulnerable position of agencies, most of these RHAs forcefully negotiated contracts with their agencies at low costs, and hence exploited them. More than 15 out of 28 agencies provided services to their RHAs at a cost more than the prices they used to get from their RHA. The reason behind this financial pressure imposed on these agencies by RHAs was to adhere to their funding agreement with the Minister of Health and hence to establish their supremacy in financial terms. RHAs that spent less amount compared to others for similar services were considered to be more efficient. The quality of service provision of agencies under respective RHAs was not considered to evaluate the efficiency of RHAs. The only representative of efficiency was financial performance.

The third restructuring of the health sector was carried out after the general election in November 1999. Gauld (2003) states that one of the principle reasons behind this restructuring was to reduce competition within the health system. This restructuring, has led to abolishing New Zealand Health Funding Authority (HFA) and its functions and staff members were re-designated to the Ministry of Health (MOH) same as that existed after the first reform in 1993 and 21 new District Health Boards (DHBs). The responsibility of assessing health needs and planning and health care purchasing was attributed to these DHBs.
The implementation of this change process started before the development of any details of this process. The legislation enabling this change process was not passed until December, 2000, which was almost after one year from the commencement of such change process. Hence, those involved in the change process had to make plans without being guided by any future direction.

Doolin (2003) provides a case study of the reform process of a New Zealand hospital between 1994 and 2001. The Health and Disability Services Act 1993 transformed New Zealand health providers into commercial entities. The main ideology of such transformation at the government level was economic rationalism, leading to introduction of managerialism into the health sector. The health sector was previously dominated by health care professionals, which now gave way to an accountant taking the position of the Chief Executive Officer (CEO) at the end of 1995. This new CEO adapted a different approach to management of the hospital due to pressure from the central government to reduce operating deficits. As a result, the production line became the central theme for healthcare management among the hospital’s managers. Following this concept, clinical care was translated into patient flow management and hence production line management. The attribution of clinical specialities as semi-autonomous business units made clinical managers accountable for both the clinical and the financial performance of their units that included clinical outputs and cost management. However, the concept of clinical leadership changed in 2001. Management became totally separated from medicine. Clinicians opposed the attempt to involve medical practice into management. This led to larger groupings of clinical specialists replacing clinical units, and clinical directors were working alongside operations and service managers.

The reform process significantly affected the health sector in New Zealand, which can be named as a gambling sector or gambling with life of organisations that are supposed to save human life. This is due to the fact that the fast-paced reform has restructured the health sector thrice, with the first restructuring more focussed on attaining fiscal targets and competition while the third restructuring targeted to reduce competition, though not overlooking the financial aspect. During the first reform the focus on fiscal target was so high that efficiency
was judged by taking the amount spent by Regional Health Authorities (RHAs) as a yardstick. The Health and Disability Sector Act 2003 changed New Zealand Health providers into commercial entities, which were guided by economic rationalism (Doolin, 2003). Clinical leadership was replaced by managerial leadership during this time (Doolin, 2003). This fast-paced reform in the health sector that introduced market-mechanism has motivated the present study to explore the ethical climate of New Zealand health sector. The principle concern arising from this fact is the extent to which balance is achieved between attaining financial targets and ethical discipline in New Zealand health sector and hence to explore the ethical climate of this sector.

**Ethics in Public Sector – Previous Studies**

Studies investigating the aspect of ethics in the public sector are sparse. These studies can be provided as follows:

Ashkanasy, Falkus and Callan (2000) conducted a study of ethical attitudes of public sector employees in Australia. The data was collected from public sector organisations of one Australian state. The authors state that demographic variables (gender, managerial level and job tenure) and personal ethical values together with contextual (conflict between personal values and work demands, relevance of a formal code of conduct as perceived by individuals and perceived requirement for a formal code of conduct) and group-level variables (extent of use of code of conduct by an individual’s work group) were related to dependent variables, that is, use of code or ethical tolerance while organisation’s reward scheme had no such relation. The authors state that the extent to which others in the group used the code was related to individuals’ use of such codes. On the other hand, ethical tolerance was mainly related to personal values in regard to the leniency with which they viewed unethical behaviour and the extent to which these individuals viewed such unethical behaviour to be trivial. The authors’ state their finding that propensity to use formal codes was a contributing factor for the use of these codes by others in the organisation, rather than the application of the specific requirements within the code, is interesting. This suggests that the notion of a formal ethical code is not an aggregation of specific ethical requirements. Rather, it may be
that ethical attitudes are holistic in nature, and that an ethical moral climate in an organisation is a product of a set of carefully crafted and detailed codes. The author concludes that the use of a code in an organisation is a self-perpetuating activity. It depends on the use by increasing number of people in a given organisation. If more people use them it is more likely that other individuals will also use the code.

Haynes and Jones (1999) suggest that the principle concerns while developing a code of ethics in the public sector results from balancing demands of two contesting nature, that is, ethical values on one hand and corporate managerialist framework which uses performance indicators on the other hand. The authors suggest that contestability, philosophical integrity, performance indicators and whistleblowers protection are key elements that need to be considered in developing a code of ethics in business-like public sector entities, such as those in Australia. Whistleblowers protection has been emphasised by De Maria (1995) as well. De Maria (1995) proposes protection of whistleblowers in the present arena of public sector ethics movement. The author conducted a survey of ex-Queensland public sector employees who raised their voice against wrongdoings in the 1990-93 periods. In this study a whistle blower was a concerned citizen, motivated by public interest, who disclosed a significant wrong action of their organisation to a person or agency at a status capable of investigating the complaint and advice correction of these wrong actions. The author states that some of these whistle blowers received punishment from their boss for speaking out, which took form by following policies and procedure so that the organisation is not charged with illegality, such as, selective redundancy and poor performance review. Some of them also faced unofficial revenges, such as exclusion from various social activities. There were no policies or procedures to stop exclusions in these organisations and hence it could be easily carried on against these whistleblowers. The principle motivations behind reprisal mechanisms against these whistleblowers were to make their working environment so intolerable that they were forced to resign. The author suggests from this survey that the public sector ethics movement should consider the protection of these whistle blowers. This is due to the fact that these whistle blowers bring wrong doings to the light of justice.
Whistle blowers' protection has also been emphasised by Preston (1995). Preston (1995) suggests that in this era when public sector ethics are gaining significant attention in Australia, concerns are increasing for legitimate whistleblowers as they may be forcefully made silent in this new public sector culture. This is due to the hierarchical structure of the public sector which is undemocratic and involves moral authoritarianism, which may lead to “ethical renewal” (p.5) rather than “structural renewal” (p.5).

James (2003) considered the application of ‘economic rationalism’ in public administration and its impacts on the ethics of public sector decisions. The author argues that the introduction of ‘economic rationalism’ seems to fit well with a utilitarian view of ethics where ‘public interest’ is served with creating government savings. However, ‘economic rationalism’ fits less well with deontological view of public interest. This is due to the fact that under this view the motivation to attain common good, as distinct from personal interest has less recognition in the economic rationalist paradigm.

Harris (1999) discusses the impact of placing public sector employees in contracts similar to private sector ones on their ethics as these employees can now be disposed off without a reason or prospect for appeal. The author states that the public sector should be careful in adopting private sector management accounting principles and practices as students in public schools and patients in hospitals are not customers, their treatment by public service cannot be equated with private sector treatments, as public sector does not exist only for profit.

Similarly, it is expected that government employees will follow a higher ethical standards compared to private sector employees, which is now at risk in the public sector. The author concludes that the public sector used to provide significant benefits to its employees and hence these employees were not required to act unethically or unprofessionally. At present such benefits do not exist as public sector service principles have been replaced by pragmatism and ethics have been replaced by outcomes. The author advises a betterment of this scenario in the public sector.

A similar opinion to Harris (1999) has been provided by Gregory and Hicks (1999). Gregory and Hicks (1999) states that in New Zealand public sector has depended on mechanistic
interpretation of public organisation as opposed to the organic one. A mechanistic approach focuses on organisational accountability as opposed to responsibility and hence may be counterproductive over the long term in maintaining high standard of ethics. The authors advise the development of a concept of responsible accountability to minimise this possibility. The concept of accountability encompasses controllability or answerability of public officials, while responsibility encompasses their obligations and trustworthiness. The mechanistic approach is concerned to enhance the periodic measurability of results and performance, while the organic one encompasses qualitative assessments, sound judgement and critical analysis of performance through continuing process of public scrutiny. Following of a narrow idea of accountability, as opposed to securing and maintaining responsible behaviour by public officials may lead to longer-term damage to public institutions, though may be fruitful in the short term. The authors suggest that a balance needs to be achieved between these two forms of administrative reform, to make sure that changes do not take place at a cost of lowering the ethical standard in public service, and hence the idea of responsible accountability will serve the purpose better. The authors state that mechanistic and organic paradigms provide different perspectives to the nature of control in public organisations. These two approaches have been used to ensure high ethical standards in public service, encompassing compliance-based or systematic means based in traditional bureaucratic hierarchy and integrity, or trust-based approach which focus on character, integrity and trustworthiness of organisation members. The former approach is impersonal while the later one is humanistic and forms a part of organic paradigm. The authors state that the introduction of New Public Management (NPM) in the New Zealand public sector starting from mid-1980s has shifted the balance from a procedurally oriented bureaucratic system to a results-oriented managerial one, leading to more reliance on public servants in regard to their ethical competence rather than decreasing such reliance. The authors opine that ethical probity may be under threat under this new regime of NPM. The authors suggest that ethical probity is enhanced by risk-taking and tolerance for mistakes rather than stressing on compliance with procedures to avoid undesirable results, like that imposed in the new NPM
regime. The imposition of ‘managerialism’ in line with the private sector to the public sector as that has been done in New Zealand may threaten ethical probity in public sector as lower incentives are provided in business entities to stop personal corruption. The authors advice the appreciation of organic interpretation of public administration rather than the narrow mechanistic interpretation. Otherwise high standards of honesty, integrity and fairness in public sector governance in countries such as New Zealand may be at risk.

The concern in regard to how a balance can be attained between ethical values on one hand and attaining performance indicators on the other hand has been questioned by Haynes and Jones (1999). However emphasise on attaining economic targets does not necessarily degrade the ethical climate in the New Zealand public sector and especially the health sector. Hence the aim of the present study is to explore the ethical climate in New Zealand health sector.

Structure of New Zealand Public Health Sector

The New Zealand health sector has gone through major reforms in the last decade from more market-based approach in 1993 to a community focussed sector introduced later on (www.moh.govt.nz).

There are 21 District Health Boards (DHBs) in New Zealand that existed from 1st January, 2001. These DHBs are responsible for providing and/or funding of health and disability services in their districts. These DHBs are funded by the Ministry of Health (MOH) which provides policy advice, regulation, funding and monitoring the agencies. These DHBs are guided by two strategic documents, that is, New Zealand Health Strategy and New Zealand Disability Strategy (www.moh.govt.nz).

The Present Study

The present study adopts Morris, Schindehutte, Walton and Allen (2002) to explore the ethical climate of the New Zealand public health sector. These authors used the environmental approach which posits that particular aspects within the organizational environment, such as the reward system, peer influence, codes of conduct, role models and organizational norms and values, have a demonstrable effect on the ethical behaviour of individuals. This study
uses the second part of Morris et al (2002) survey to explore the impact of ethical climate variables on employee perceptions regarding what is ethically acceptable within the organization, the importance of ethics within the organization, the sense that ethical standards are clear-cut, and the level of satisfaction with the ethical climate of the organization.

The purpose of the present study is to empirically examine the relationship between adequacy of ethical standards and policies of these departments and the managers’ preparedness to deal with ethical challenges as they arise.

Research Methods

The questionnaire has been developed based on the ethical context of entrepreneurship study by Morris et al (2002). They designed a self-report questionnaire in two separate instruments, one assessed personality traits of the entrepreneur, key business descriptors and the stage of business development and the other measured the ethical climate of the firms and employees’ perceptions regarding ethical norms and behaviours within the firms. Morris’s second instrument has been adopted for this study and considered to be relevant to the present study as the concerns are more-or-less the same in the public sector and especially the health sector in this era when market-like mechanism has been introduced in this sector. However, the questionnaire has been slightly changed to suit the health sector to some extent, in which case the study by De Maria (1995) and Preston (1995) have been taken into consideration, as these two later studies encompassed public sector.

To measure the ethical development framework, a series of dichotomous (yes/no) questions was asked. The respondents were asked about the person in the organization with direct responsibility for ethics-related issues and the amount of ethics related training in their organization.

The ethical perceptions and norms were measured through different approaches, three questions used to assess importance of ethics within the firm, one question about the organization’s philosophy and a series of seven ethical dilemmas about the clarity of the ethical guidelines and policies and the same ethical dilemmas about their rate of occurrence in the organization.
Sample

The sample consists of DHBs and hospitals in North Island of New Zealand. This consists of 15 DHBs and 34 hospitals. Before distributing the questionnaires an email were sent to all DHBs whether they are agree to participate or not. Three DHBs sent email back and expressed their disagreement to participate in this study. As a result, questionnaires were not distributed to these three DHBS and hospitals attached to them. Therefore the final the number of organizations surveyed was limited to 12 DHBs and 27 Hospitals. The survey questionnaires were sent to an employee holding managerial position in each DHB. Questionnaire was also sent to one employee holding managerial position together with ten employees holding clinical position in each hospital. This totalled to 12 managers of DHBs, 27 employees at managerial level and 270 employees holding clinical positions in hospitals, resulting in a total sample of 12 in DHBs and 297 in hospitals.

A total of 66 surveys were returned, of which 3 responses from DHBs and 63 responses from hospitals. Thus, the response rate for DHBs is 25% and for hospitals is 21.2%, and for the total population is 21.4%. As the questionnaire was sent by mail, the completion and return of the questionnaire was taken to be consent. There was no separate consent form to be completed by the participants. Filling in the questionnaire implied informed consent. This response rate would appear acceptable for this study as the similar research of this type had the same rate of responses (Morris et al, 2002, 28.4%).

Instrument Design

Measurement of the organizational policies involved a series of twelve dichotomous (yes/no) questions regarding the presence or absence of each of the twelve elements cited in Morris study. In addition to these questions, participants were asked to indicate the person in the organization who has direct responsibility for ethics related issues and the amount of ethics-related training done at the organization, (none, some or a great deal).

The ethical perceptions and norms were asked through multiple approaches. First, a set of 3 items from Victor and Cullen's (1987) ethical climate survey (cited by Morris et al, 2002) was used to assess the importance of ethics within the organization, where a 5-point (strongly
agree – strongly disagree) response scale was employed. This was followed by a question about the best statement that will define their organization’s philosophy.

Second, seven ethical dilemmas from Morris et al (2002) was used to ask the respondents about the level of clarity of the organizations’ ethical guidelines and policies for dealing with each situation (very clear and specific guidelines, general guidelines, or no real guidelines) and the level of the occurrence of the ethical dilemmas in their organization (regular occurrence, frequent occurrence, or never happens). This was followed by a question about the occurrence of a serious ethics-related problem of respondents.

Third, the respondents indicated the global rating of the organization’s overall preparation for dealing with any ethical challenge that comes along on a 5-point (very well prepared – not at all prepared) likert scale.

Fourth, the respondents evaluated how clear the organization’s ethical guidelines are on a 5-point (extremely clear – no ethical guidelines) likert scale.

Finally, three measures of satisfaction with the organization’s management of ethical issues were included, with the respondent providing a rating on a 5-point (strongly agree – strongly disagree) likert scale.

Analysis

Preliminary and exploratory tests employing Statistical Package for Social Sciences (SPSS) 14 was used to analyze the data and to generate frequencies and other descriptive statistics. The independent T-Test was used to determine statistically significant differences between the managers and doctors. Measurement of the organization policies involved a series of twelve dichotomous (yes/no) questions. The first 7 questions asked for the presence or absence of a formal statement of core value, penalties for unethical behaviour, rewards for ethical behaviour, a formal mission statement, a hot line, a formal code of conduct, and a code of conduct that provides guidance about resolution of ethical dilemmas on their job. We also asked them whether they are aware of the organization’s effort about communication of ethical stories with other employees, ethics-related training as an on-going activity, access to
the policies’ manual, the manual clarity and if some one is responsible for ethics-related issues. The results are reported in Table I.

Table I

<table>
<thead>
<tr>
<th>Measurement of Organization Policy</th>
<th>Managers</th>
<th>Doctors</th>
</tr>
</thead>
<tbody>
<tr>
<td>A formal statement of core values</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>Penalties for unethical behavior that are communicated to all employees</td>
<td>66</td>
<td>73</td>
</tr>
<tr>
<td>Rewards for employees who exhibit exemplary ethical behavior</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>A formal mission statement that covers ethical issues</td>
<td>45</td>
<td>65</td>
</tr>
<tr>
<td>An anonymous hot line (telephone, e-mail) to seek advice on ethical issues and/or report ethical abuses</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>A formal code of conduct</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>A code of conduct that provides guidance to employees about the resolution of ethical dilemmas they may face on the job</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>Does your organisation make unique effort to communicate stories about employees who went out of their way to do the ethical or right thing with other employees of the organisation?</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>Is ethics-related training an on-going activity at your organisation?</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>Does each employee of your organisation receive, or have access to, a manual of the organisation’s policies?</td>
<td>100</td>
<td>94</td>
</tr>
<tr>
<td>Does the manual explicitly cover ethical issues?</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Does someone in your organisation have direct responsibility for ethics-related issues?</td>
<td>50</td>
<td>54</td>
</tr>
</tbody>
</table>

* As a percentage of the respondents.

The doctors and managers highly agreed to the existence of formal statement of core values, a formal code of conduct, and access to a manual of the organization’s policies. On the contrary, substantial difference was observed between managers and doctors about a formal mission statement that covers ethical issues. In particular, 45% of managers agreed to the existence of a formal mission statement against 65% of doctors.

Table I shows that, the least popular are the rewards for exemplary ethical behaviour, an anonymous hot line, communicating stories with the other employees and ethics training in
the organization. On average, doctors believe more in absence of these guidelines except an anonymous hotline that managers are.

Respondents were also asked about the amount of ethics-related training done at the organization (none, some or a great deal). 68.2% of respondents indicated none or very little ethics training while 31.8% believed some ethics training and none believes a great deal of ethics training is done in the organization. In line with the previous question about the ethics-related training within the organization, all respondents (managers and doctors) indicated that there are very little or none ethics related training available to employees in public health.

Second, seven ethical dilemmas outlined in Morris et al (2002) were adapted to ask the respondents about the level of clarity of the organization’s ethical guidelines and policies for dealing with each unethical situation (very clear and specific guidelines, general guidelines, or no real guidelines) and the level of the occurrence of the ethical dilemmas in their organization (regular occurrence, frequent occurrence, or never happens). The results are reported in Table II (a) & (b).

Table II (a) and Table II (b) shows that the doctors and managers had the same opinions in regard to the clarity of ethical guidelines to respond unethical scenarios and the level of occurrence of unethical situations except in the level of occurrence of ‘inappropriate use of a power position by a senior manager in dealing with a subordinate’ and that managers believe this situation is a regular to a frequent occurrence but the doctors believe it is a frequent to never happens.
Table II (a)

Independent Samples T-Test — clarity of the organization's ethical guidelines and policies for dealing with each unethical situation

<table>
<thead>
<tr>
<th>Factors</th>
<th>Managerial</th>
<th>Std. Deviation</th>
<th>Non-Managerial-Doctors</th>
<th>Std. Deviation</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity Inappropriate use of Power</td>
<td>N=30, Mean=1.90, SD=.71</td>
<td>N=32, Mean=1.97, SD=.86</td>
<td>t(60) = -0.341, p = 0.341</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using organisation's resources</td>
<td>N=30, Mean=1.43, SD=.57</td>
<td>N=32, Mean=1.72, SD=.68</td>
<td>t(60) = -1.782, p = 0.080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overstating expenses</td>
<td>N=30, Mean=1.33, SD=.55</td>
<td>N=32, Mean=1.41, SD=.56</td>
<td>t(60) = -0.518, p = 0.606</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taking credit</td>
<td>N=30, Mean=2.67, SD=.48</td>
<td>N=32, Mean=2.38, SD=.79</td>
<td>t(60) = 1.738, p = 0.087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promising a service</td>
<td>N=30, Mean=2.20, SD=.76</td>
<td>N=32, Mean=2.13, SD=.79</td>
<td>t(60) = 0.379, p = 0.706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharing private, confidential information</td>
<td>N=30, Mean=1.40, SD=.68</td>
<td>N=32, Mean=1.41, SD=.80</td>
<td>t(60) = -0.033, p = 0.974</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copying computer software</td>
<td>N=30, Mean=1.53, SD=.82</td>
<td>N=32, Mean=1.34, SD=.70</td>
<td>t(60) = 0.981, p = 0.330</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factors</td>
<td>Managerial</td>
<td></td>
<td>Non-Managerial-Doctors</td>
<td></td>
<td>t-values</td>
</tr>
<tr>
<td>-------------------------</td>
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<tr>
<td></td>
<td>N</td>
<td>Mean</td>
<td>Deviation</td>
<td>N</td>
<td>Mean</td>
</tr>
<tr>
<td>Occurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inappropriate use of Power</td>
<td>30</td>
<td>1.57</td>
<td>1.14</td>
<td>32</td>
<td>2.16</td>
</tr>
<tr>
<td>Using organisation's resources</td>
<td>30</td>
<td>1.40</td>
<td>1.00</td>
<td>32</td>
<td>1.72</td>
</tr>
<tr>
<td>Overstating expenses</td>
<td>30</td>
<td>2.00</td>
<td>1.20</td>
<td>32</td>
<td>2.13</td>
</tr>
<tr>
<td>Taking credit</td>
<td>30</td>
<td>1.63</td>
<td>1.13</td>
<td>32</td>
<td>1.84</td>
</tr>
<tr>
<td>Promising a service</td>
<td>30</td>
<td>1.90</td>
<td>1.09</td>
<td>32</td>
<td>1.81</td>
</tr>
<tr>
<td>Sharing private, confidential information</td>
<td>30</td>
<td>1.67</td>
<td>1.12</td>
<td>32</td>
<td>2.16</td>
</tr>
<tr>
<td>Copying computer software</td>
<td>30</td>
<td>2.07</td>
<td>1.23</td>
<td>32</td>
<td>2.16</td>
</tr>
</tbody>
</table>
Table III

Independent Samples t-tests - satisfactions with the organization’s management of ethical issues

<table>
<thead>
<tr>
<th>Factors</th>
<th>Managerial</th>
<th>Non-Managerial-Doctors</th>
<th>Std. Mean Deviation</th>
<th>Std. Mean Deviation</th>
<th>t-values</th>
<th>p-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactions with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>organisation's ethics</td>
<td>30 2.80 1.186</td>
<td>32 2.91 1.146</td>
<td>t (60) = -0.359, p = 0.721</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comfortable to discuss</td>
<td>30 2.30 0.794</td>
<td>32 2.56 1.105</td>
<td>t (60) = -1.079, p = 0.285</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics program is best</td>
<td>30 3.57 1.104</td>
<td>32 3.53 1.367</td>
<td>t (60) = 0.112, p = 0.911</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Finally, three measures of satisfaction with the organization’s management of ethical issues were included, with the respondent providing a rating on a 5-point (strongly agree—strongly disagree) response scale. Table III shows the mean responses and t-values resulting from independent samples t-test. This test was used to see if there are any significant differences in the responses between doctors and managers about three measures of satisfaction with organization’s management of ethical issues.

Results reported in Table III indicate that there is no statistically significant difference between managers and doctors for all three measures of satisfaction with the organization’s management of ethical issues.

Conclusions

This study investigates the use of ethical guidelines and policies in the public health by managers and doctors in the New Zealand.

We find that:

- There is agreement between managers and doctors in regard to the existence of a formal statement of core values, a formal code of conduct, and access to a manual of the organization’s policies.

- Managers and doctors have different opinion in regard to the existence/non-existence of a formal mission statement that covers ethical issues. Doctors agreed relatively more on a formal mission statement.

- Managers that confirm the absence of the rewards for exemplary ethical behaviour, unique efforts are made to communicate stories about employees who went out of their way to do the right thing and ethics training in the organization are more than doctors.

- Doctors that confirm the absence of an anonymous hot line to seek advice on ethical issues and/or report ethical abuses are more than managers.

- Managers and doctors show very similar opinion as very little or none ethics related training available to employees in the New Zealand public health.
Managers and doctors had the same opinions in what they regarded as the clarity of ethical guidelines to respond unethical scenarios.

 Managers and doctors are different over the inappropriate use of a power position by a senior manager in dealing with a subordinate that managers believe this situation is a regular to a frequent occurrence but the doctors believe it is a frequent to never happens.

 Managers and doctors had the same degree of satisfactions with the organization’s management of ethical issues.

Our study suggests that little emphasis has been provided to the aspect of ‘ethics’ in New Zealand public health sector. Perhaps it has been lost under the realm of ‘economy’ and ‘efficiency’ and left to a gamble allowed to be played with these two Es (economy and efficiency). There are no rewards for employees who exhibit exemplary ethical behaviour, no hot line to get help, no detailed guidelines and policies, and not enough ethics-related training available for those seeking advice. The existence of a formal statement of core values, a formal code of conduct, and access to a manual of the organization’s policies were highly supported by managers and doctors. In short, there appears to be a tendency for the public health organizations to set a formal code of ethics and core values instead of details guidelines, policies, trainings, and hot lines to communicate a climate of ethical decision making.

For scholars, though, this study demonstrates a significant relationship amongst doctors and managers about organisational issues in the public health, medical and patient ethics is not included.

Limitations and direction for future research

The study is limited to New Zealand and in its sample size. Future study is suggested that will include larger sample. Also similar research in other countries that have brought New Public Management (NPM) in their public sector is suggested so that generalization of our findings in context to NPM can be made.
References:


