The behavior gap between the nonprofit and for-profit providers in Japanese quasi-market

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There is often competition within providers of different sectors in quasi-market of social service introduced by government. The welfare reform from the beginning 2000s made it easier for nonprofits and co-ops to enter the human care service in Japan. In case of elderly care, the public long-term care insurance system for the elderly was introduced in 2000. Through the introduction of the system, new care service providers included for-profits and incorporated nonprofits were urged to enter the elderly long-term care services - particularly at-home care services. As a result, nowadays, the elderly care quasi-market in Japan includes markets for goods and services in which for-profit, non-profit, cooperative and government providers coexist as ‘mixed-form’ markets (Marwell & McInerney, 2005).

In order to the nonprofits have a system of “nondistribution constraint” (Hansmann 1980), it can be seen these organizations will not opportunistically take advantage of the asymmetrical knowledge distribution for consumers (the provision of contract failure). It has assumed that the nonprofit providers relatively more invoke trust of customers than for-profits from the new institutional economic theories perspective. However, nonprofits were subject to stiff and unaccustomed market competition in quasi-market. Nonprofit service providers suffered new difficulties including financial struggles and increased competition with other service organizations in which for-profit, non-profit and government providers (Suda, 2006). Thus, some authors argued that nonprofit providers become having a behavior like for-profits as a result of severe competition (Wolff & Schlesinger, 1998). On other hand, “structuration” is another helpful theory for explaining the homogenization of nonprofits and for-profits (organizational isomorphism). Structuration is the process by which such expectations, while originating in the organizational environment, come to suffuse the consciousness, the collective self-awareness, of an organizational field (DiMaggio & Powell, 1983). Nonprofits and for-profits in a same organizational field such as quasi-market may become homogenize in their organizational characters. The harder question is: which is assume - contract failure and structuration - afford more explicit explication of the nonprofit and the for-profit providers’ behavior in quasi-market?

Dealing with the case of elderly care, or the public long-term care insurance system for the elderly in Japan, we tried to find that the behavior gap of the nonprofit providers and the for-profit providers in quasi-market. Two research questions are asked in this empirical study: (1)do nonprofits and for-profits have different service quality? (2)how about the cream skimming behavior in the difference? The data used here are derived from the data of wam-net (http://www.wam.go.jp/) in 2007. For examining first research questions, we analyze the third-party evaluation results of 146 group home care service providers. Secondly, we analyze the locating condition of at-home care services providers on each provider ownership form in aim of clarify the tendency of cream skimming behavior. The more providers exist in the area of high-density of elderly people aged 65 or over, the more they are regarded as cream-skimming.

Analyses demonstrated that the quality of service provided by for-profit providers significantly superior than nonprofits. More important, the results showed that there is a difference of behavior among the nonprofit providers at the both view of service quality and cream-skimming. The contract failure proposition and organizational isomorphism proposition also lacks empirical support from this study. How do we account, then, for the difference (or similarity) of the quality of service and an opportunistic behavior? The adopting of legitimacy theory may explain why the unexpected results showed not accounted for by the contact failure theory and organizational isomorphism theory. Legitimacy is defined as “a generalized
perception or assumption that the actions of an entity are socially desirable, proper or appropriate with in some socially constructed system of norms, value, beliefs and definitions” (Suchman, 1995: 574). Isomorphism arises out of the pursuit of legitimacy without regard for effectiveness and efficiency. For-profit institutions have less legitimacy than nonprofits in their organizational field (the area of care service providers), and they may try to heighten the quality of their services with the aim of legitimating themselves. However, some nonprofits such as medical corporations have already a sort of legitimacy that is available for mobilizing resources and clients, then, they may falls into “isomorphism failure” problem.

Preference


