

How to Protect the Quality of Child Care  
When a University or a Hospital Uses a Consignment Contract:  
A Study of the Public, Market, and Community Mechanisms

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This paper is a study how the public, market, and community mechanisms should be combined by focusing on a contract when a university or a hospital makes a consignment to a for-profit or a not-for-profit organization. For the method of empirical work, we adopt a qualitative approach based on interviews. In our interviews, university officials expressed an idea that it is necessary to choose a childcare organization through biddings or open calls for participation in order to promote fairness and economic efficiency. This is a misunderstanding, however, if we consider the importance of the community mechanism for child care in our economic analysis. One aspect related to this importance is that relation-specific investment is important for the community mechanism that improves the quality. For example, incentives of child caregivers to make relationship-specific investment are distorted if there is a possibility of most caregivers are replaced when a new organization wins a bidding. If most caregivers are actually replaced, a principle of fairness that efforts should be rewarded will not be attained. Another aspect is that a child cannot effectively use the market mechanism, and relies on the family community. This aspect requires more attentions to the community mechanism. In order not to destroy a child-care community that is providing high quality care because of misunderstanding, it is necessary to carefully consider various effects of the community mechanism when a bidding or an open call is a possibility.

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