

# EDI Research Link Up Research Presentation



Center for Effective Global Action

*Improving the Effectiveness of Labor Courts  
through Information and Conciliation (Mexico)  
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## Problem Statement/Motivation

- Courts function poorly in most developing countries: backlogs, delay, unpredictable case outcomes. This hampers the functioning of markets and raises concerns about access to justice.
- Little rigorous evidence on the ineffectiveness of courts and its causes. We study Mexican labor courts. We observe:
  - **Low settlement rates** in spite of long trials.
  - **Low recovery:** Workers win only 15% on average of what they request in lawsuits. Only 24% of workers who continue to a judgment receive any compensation.
  - **Misinformation:** only 1/3 know what the legal severance pay is, and only 60% know what they are asking for in their own lawsuit.
  - **Overconfidence:** The sum of subjective probabilities of winning on both sides of the lawsuit is 1.47.
- Recently Mexico passed a constitutional reform that creates a compulsory pre-lawsuit conciliation stage. The federal labor law is being designed now.



## Some results from previous pilots

- Information and conciliator cause a doubling of same day conciliation, but **only when employee is present**
- This effect is persistent

	Same day settlement				2 months	5+ months	2 months	5+ months
	Phase 1		Phase 2		Phase 1		Phase 2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Control	0.060*** (0.012)	0.034*** (0.011)	0.11*** (0.030)	0.10*** (0.030)	0.061*** (0.014)	0.18*** (0.022)	0.18*** (0.052)	0.41*** (0.044)
Calculator	0.051** (0.021)	0.019 (0.017)	0.045* (0.021)	0.0067 (0.019)	0.031 (0.022)	0.0089 (0.032)	-0.031 (0.031)	-0.034 (0.033)
Conciliator	0.054*** (0.021)	0.033* (0.018)	- -	- -	0.032 (0.022)	-0.0014 (0.031)	- -	- -
Emp present (EP)		0.14*** (0.046)		0.14* (0.072)	0.14*** (0.050)	0.083 (0.058)	0.083 (0.086)	0.12 (0.078)
Calculator##EP		0.16** (0.076)		0.16* (0.088)	0.14* (0.079)	0.20** (0.087)	0.20* (0.10)	0.11 (0.096)
Conciliator##EP		0.16** (0.080)	- -	- -	0.19** (0.084)	0.28*** (0.090)	- -	- -
Observations	1075	1075	1098	1098	1075	1067	1098	1098
R-squared	0.01	0.12	0.050	0.11	0.1	0.06	0.10	0.080
DepVarMean	0.1	0.1	0.20	0.20	0.13	0.22	0.25	0.41
Calc=Conc	0.89	0.49	-	-	0.96	0.75	-	-
Calc=Conc=0	0.01	0.17	-	-	0.23	0.94	-	-

## Research Question/Hypotheses

- Does statistical information increase settlement? **YES**
- Can "forcing" a conciliation encounter increase settlement? **YES**
- **Indirect evidence that lawyers matter: info only helps when lawyers present.**
- **Do workers' lawyers play a role in misinformation and overconfidence? CURRENT EXPERIMENT FINANCED BY EDI.**
  - *Hypothesis 1:* many private **lawyers inflate workers' expectations** to convince them to sue.
  - *Hypothesis 2:* information on likely case outcomes is not enough, **workers need help choosing a strategy.**
  - *Hypothesis 3:* **Early information** provided to workers leads to **selecting higher quality lawyers**, having **higher quality law suits**, and obtain **more money** (settlement or ruling)
- This is a common example of an institution in which users face severe informational problems. Using large databases and machine learning could provide crucial initial information to improve efficiency in such institutions.

## Research Design / Methods

- Research design is a randomized controlled trial in the field, cross design.
- Intervene **before they get a lawyers/sue**
- 1 control y 4 treatment groups – all answer a baseline survey
  1. **Control group:** receives basic information about legal rights.
    - 1A. **Public lawyer nudge:** Basic info + free transport to public lawyers' office.
  2. **Calculator:** Detailed information + calculator
    - 2A. **Calculator+ Public lawyer nudge:** Detailed information + calculator + free transport to public lawyers' office.
  3. **Letter of appointment:** Detailed information + calculator + letter of appointment for conciliation meeting.
- Free transport saves subject about ½ hour in public transport. 95% takeup.
- Letter of appointment delivered by worker to firm, if both show up to appointment, firm representative receives calculator information and they negotiate with the help of a court conciliator.

## Data Collection / Measurement Strategy

- **Surveys** (baseline, 2 weeks, and 2 months after treatment)
  - **Conflict outcomes:** settled, sued, both, or neither. (Primary outcomes)
  - **Expectations:** baseline and updated at 2 weeks and 2 months. (Secondary outcomes)
  - **Lawyer:** how they found lawyer, talked to lawyer, hired lawyer, terms of contract, satisfaction with the lawyer. (Secondary)
  - **“Welfare”:** Job status and measures of education, economic hardship, and durable goods spending.
- **Court administrative data:**
  - **Historic data:** 5000 finished cases: 2011-2015
  - **New filings:** list of registered settlements and list of casefiles of lawsuits filed at the court, since the experiment started. Match with names of workers and firms in our database.

## Preliminary Results

- **T3 (calculator+letter of appointment):** 15pp increase in solving conflict out of court, 9pp less suing, conditional on suing **16pp less likely to use informal lawyer. Are they going to better lawyers?**
- **T2 (calculator):** 19pp less likely to talk to public lawyer, conditional on talking to a lawyer (are we a substitute for public lawyers?)

	Solved conflict	Talked to lawyer	Talked to public	Sued	Sued w public	Sued w informal lawyer
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment 2	0.042 (0.031)	-0.0095 (0.028)	-0.19*** (0.037)	-0.038 (0.029)	-0.088* (0.052)	-0.20*** (0.059)
Treatment 3	0.15*** (0.034)	-0.19*** (0.032)	-0.33*** (0.047)	-0.093*** (0.032)	0.020 (0.060)	-0.16** (0.069)
Constant	0.51*** (0.028)	0.60*** (0.026)	0.69*** (0.035)	0.35*** (0.026)	0.51*** (0.040)	0.50*** (0.068)
Observations	1869	1739	964	1806	589	298
R-squared	0.020	0.025	0.078	0.0097	0.018	0.073
BVC	YES	YES	YES	YES	YES	YES
Source	2m	2w	2w	2m	2m	2m
Obs per group	705/664/500	703/615/421	424/365/175	691/644/471	253/209/127	118/121/59
Days per group	90/98/74	80/83/60	78/80/56	90/98/73	74/76/54	55/62/34



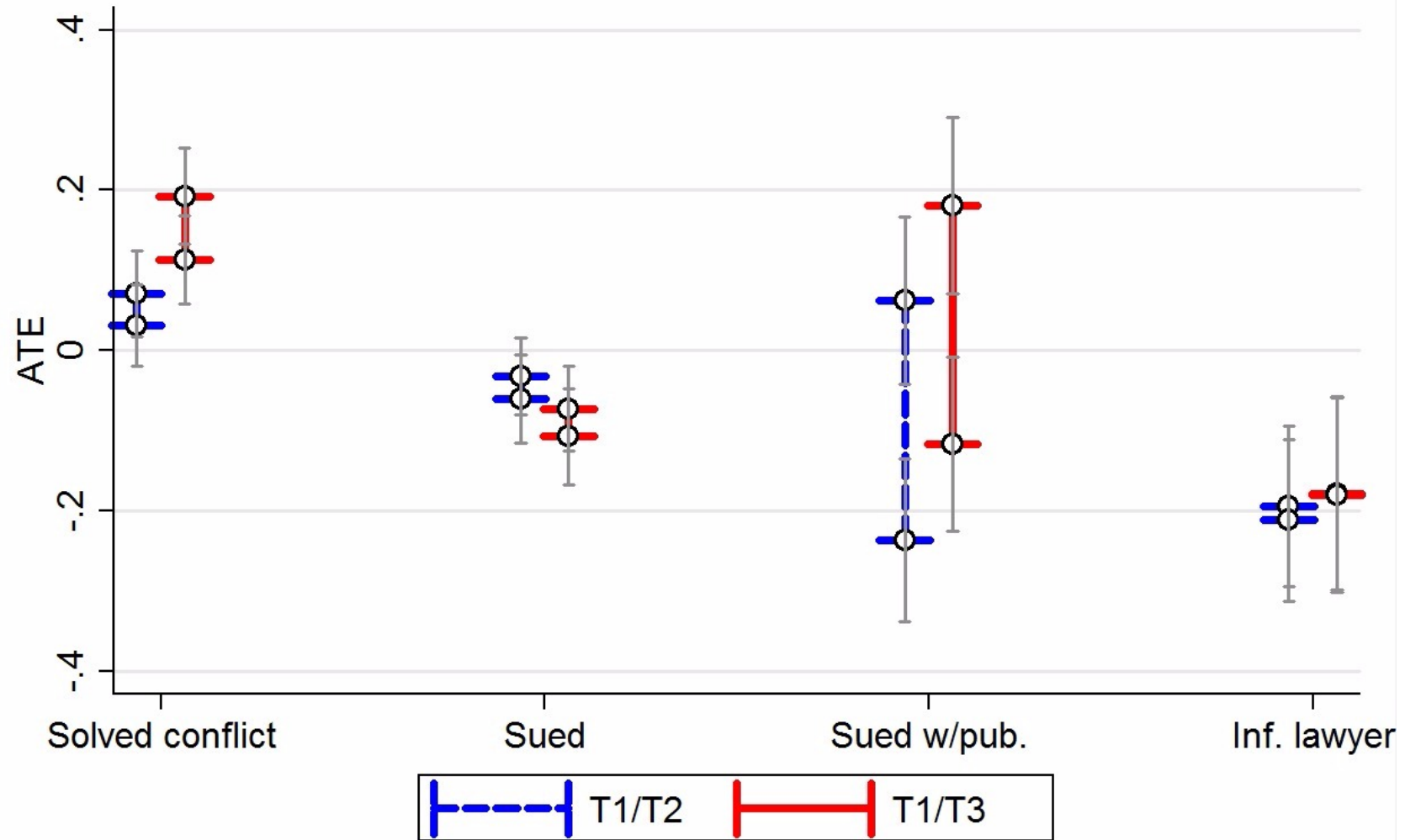




## Challenges/ Next Steps

- Have treated slightly over 2000 subjects, we calculate about 500 left to the time limit for running the experiment.
  - Significant results for T3 (detailed info + calculator + letter)
- Biggest challenges and where we need feedback:
  - **80% response rate** for surveys so far → lee bounds
  - Our free transport treatment is aimed at randomly affecting the public/private lawyer. Interrupted for most of the experiment due to earthquake.
  - Matching names with **court data** is problematic.
  - We need to measure **lawyer quality** and **lawsuit quality**.
    - “Objective” outcomes: win rate, % zero compensation, \$won/\$asked.....
    - “Subjective” evaluation of lawsuit by labor lawyers.
      - **Need to map to quality of “inputs”**, in order to measure short term effects. **ML+text?**
  - How to measure **welfare** in the short term?

# Lee Bounds 2M





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