Improving Labor Courts through Competition in Mexico

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Location: Mexico

Sample: 120 labor court notifiers

Initiative(s): Governance Initiative (GI)

Target group: General

Outcome of interest: Corruption and Leakages

Intervention type: Community monitoring

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Partner organization(s): Mexico City Labor Court, Mexico City Government (Digital Innovation Agency)

Labor courts are essential for addressing grievances and disputes between workers and firms. While the law in Mexico requires lawsuits to be resolved in three months, courts face large case backlogs, lengthy delays, poor quality service, and bribery among court notifiers. Researchers are partnering with the Mexico City Labor Court to evaluate whether rotating court notifiers across areas and casefiles can reduce incidences of bribery, increase the notification rates, and improve the functioning of labor courts.

Policy issue

Labor courts are essential for addressing employment-related grievances and disputes between workers and firms. However, courts in many low-income countries function poorly, with large case backlogs, lengthy delays, poor quality service, and bribery among court officials. In particular, court officials, such as notifiers, who are responsible for notifying defendants, have exclusive control over cases and could extract bribes from defendants (typically firms) and plaintiffs (typically workers) by generating intentional delays.

While addressing bribery has the potential to improve the functioning of labor courts and labor markets, there is little rigorous evidence on which specific types of policies might be effective. One way could be to rotate notifiers across cases, as a way of increasing competition by reducing their control over cases. Under such a rotation scheme, firms may have weakened incentives to pay notifiers to postpone cases, and the threat of delay to plaintiffs may be less compelling. Can increasing competition amongst court officials significantly reduce corruption and improve the functioning of labor courts in Mexico?

Context of the evaluation

In Mexico, while the law requires all lawsuits to be processed within three months, in reality courts face a backlog of about four years. For instance, the Mexico City Labor Court (MCLC), the largest local labor court in the country, receives about 120 casefiles per day, of which 95 percent claim unfair dismissal. However, about 4,500 casefiles have yet to be notified for their first hearing. On average the first hearing is postponed three times, taking over one year to be concluded. In only 30 percent of cases, the first

hearing is held on the date originally assigned.

Delays are mostly due to the fact that a trial cannot start without the defendant first being notified in person by a court notifier. Currently, court notifiers are assigned to cases in areas within which they act as the sole notifier, giving them exclusive control over notifications in their area.



Audience engaging in live labor courts session in Mexico.

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Details of the intervention

Researchers are partnering with the Mexico City Labor Court (MCLC) to evaluate whether rotating notifiers across areas and casefiles will increase notification rates and reduce the incidence of bribery. Researchers will divide Mexico City into 60 geographical zones, and randomly assign each of the court's 120 notifiers into one of two groups:

1. *The status quo group*, where 60 notifiers stay in their zone – as is currently done – and have exclusive rights over the casefiles of the zone assigned to them. The assigned zones will be smaller than they were before the intervention.
2. *The rotation group* consists of 60 notifiers who will rotate across the 60 zones. Each day, notifiers in this group will be assigned casefiles that have not been previously notified, and will return the casefiles that were not notified at the end of the same day. In this design, only the notifiers rotate across zones, while casefiles remain. Both the defendants and plaintiffs whose cases fall in the rotation intervention will be informed that notifiers rotate daily.

Eight months later, notifiers in the status quo group will be re-assigned to the rotation group intervention, and vice versa. This will allow the researchers to observe each of the 120 notifiers under both status quo and rotation conditions, ensuring that all

notifiers are treated equally over the entire length of the intervention (approximately 16 months).

Researchers will collect data on the likelihood that a case is notified (reflected in administrative data), the speed of notification, and information about workers, firms, and notifiers. They will also estimate effort exerted by the notifier by measuring the number of firms visited per day and kilometers travelled, through GPS-enabled smartphones that all notifiers will use. Researchers will collect survey data from firms and workers to determine if firms were visited by the notifier, and if notifiers and lawyers asked for a bribe.

Results and policy lessons

Project ongoing, results forthcoming.