Overview

- Local government can forego the institutionalization of dispute resolution only when they can convince workers.
- Local workers’ experience with the existing institutions matters.
  - Workers’ experience with the informal negotiation mechanisms inside firms
  - Workers’ expectation of arbitrated outcomes

Research Questions

- What explains the regional variation in the level of institutionalization of labor dispute resolution?
- Why do some local authorities settle more disputes through formal mechanisms (arbitration) while others rely extensively on informal settlement mechanisms (mediation)?

Institutionalization of Labor Dispute Settlement

- Labor disputes settlement mechanisms
  - Mediated Settlement: informal negotiation between two parties, low enforceability
  - Arbitrated Settlement: formal adjudication ruled by arbitrators, adversarial, high enforceability
- Increasing cases, declining settlements

- Workers’ growing reliance on formal dispute resolution systems (Arbitration)
- Local government’s growing reliance on informal dispute settlement mechanisms (Mediation)

Theoretical Motivation

- What explains institutionalization across authoritarian regimes?
  - Incentives for elite cooptation
  - Variation in local economic capacity
  - Different preferences of economic actors
    - Firm size: large firms vs. small firms
    - Firm ownership: state-owned enterprises vs. foreign enterprises
    - Types of workers: low-skilled vs. high-skilled workforce

Argument

- Local governments can persuade more local workers to settle through informal mechanisms (mediation)
  - when workers have no experience with the informal negotiation mechanisms inside firms.
    - Average firm size has a positive effect on arbitrated settlement.
  - No association between average firm size and arbitrated settlement when workers expect favorable outcomes from arbitration
    - when workers expect unfavorable outcomes from the formal arbitrated settlement
    - Pro-firm adjudication rates have a negative effect on arbitrated settlement.
  - No association between pro-firm adjudication rates and arbitrated settlement in provinces with large firms

Empirical Analysis

- Estimator: OLS with panel-corrected standard errors
- Dependent variable: cases settled by arbitration/cases settled
- Independent variables
  - Average firm size
  - Pro-firm adjudication rates
  - Average firm size × Pro-firm adjudication rates

Evidence 1

- When workers expect unfavorable outcomes from arbitrated settlement, they are more likely to settle by arbitration as firm size increases.

Evidence 2

- When workers have to risk unfavorable outcomes from arbitrated settlement, those from regions with small average firm size are less likely to use arbitrated settlement.