

# **Informal Institutions**

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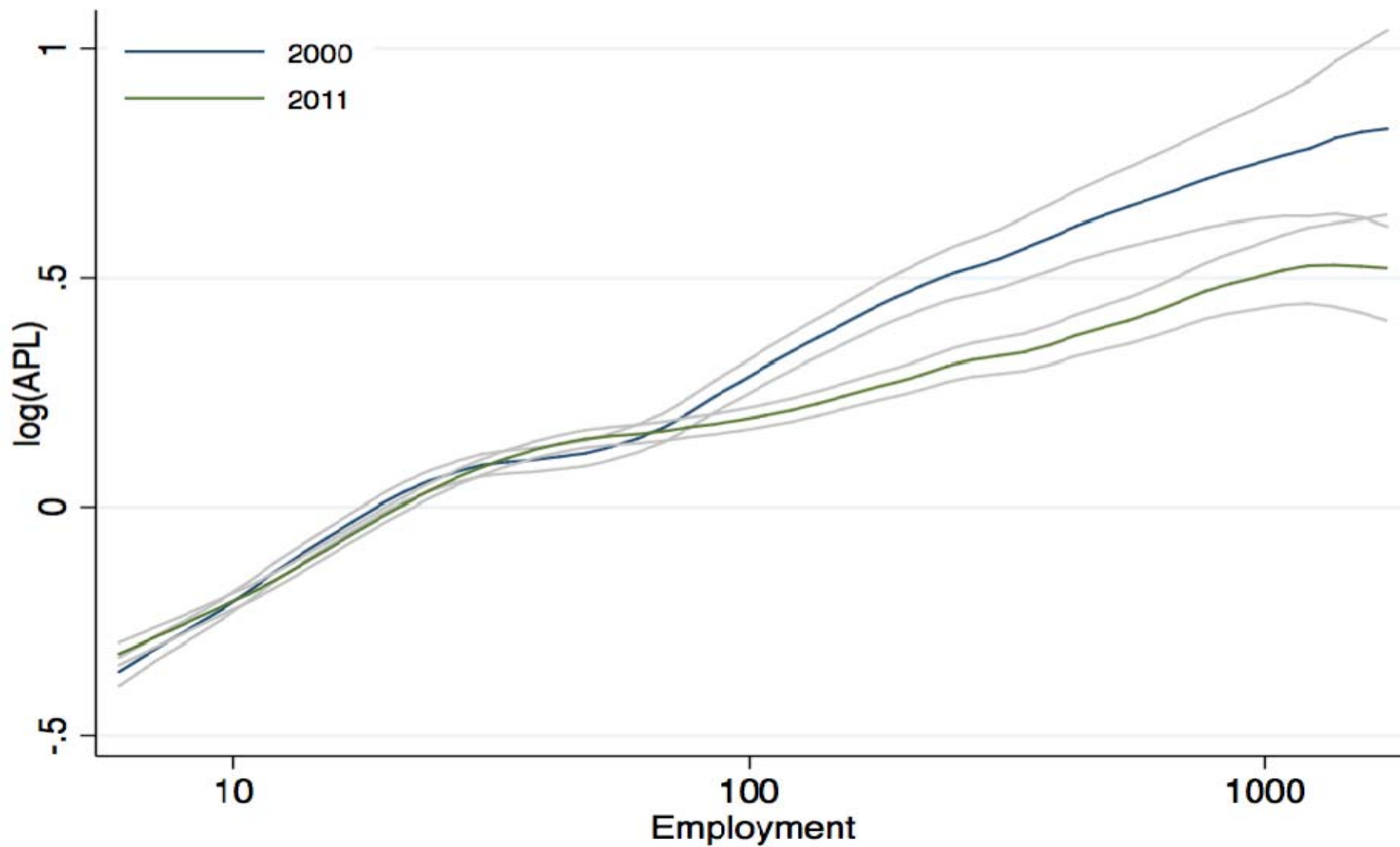
# Industrial Disputes Act in India

Firms > 100 workers need to provide severance + authorization for layoffs

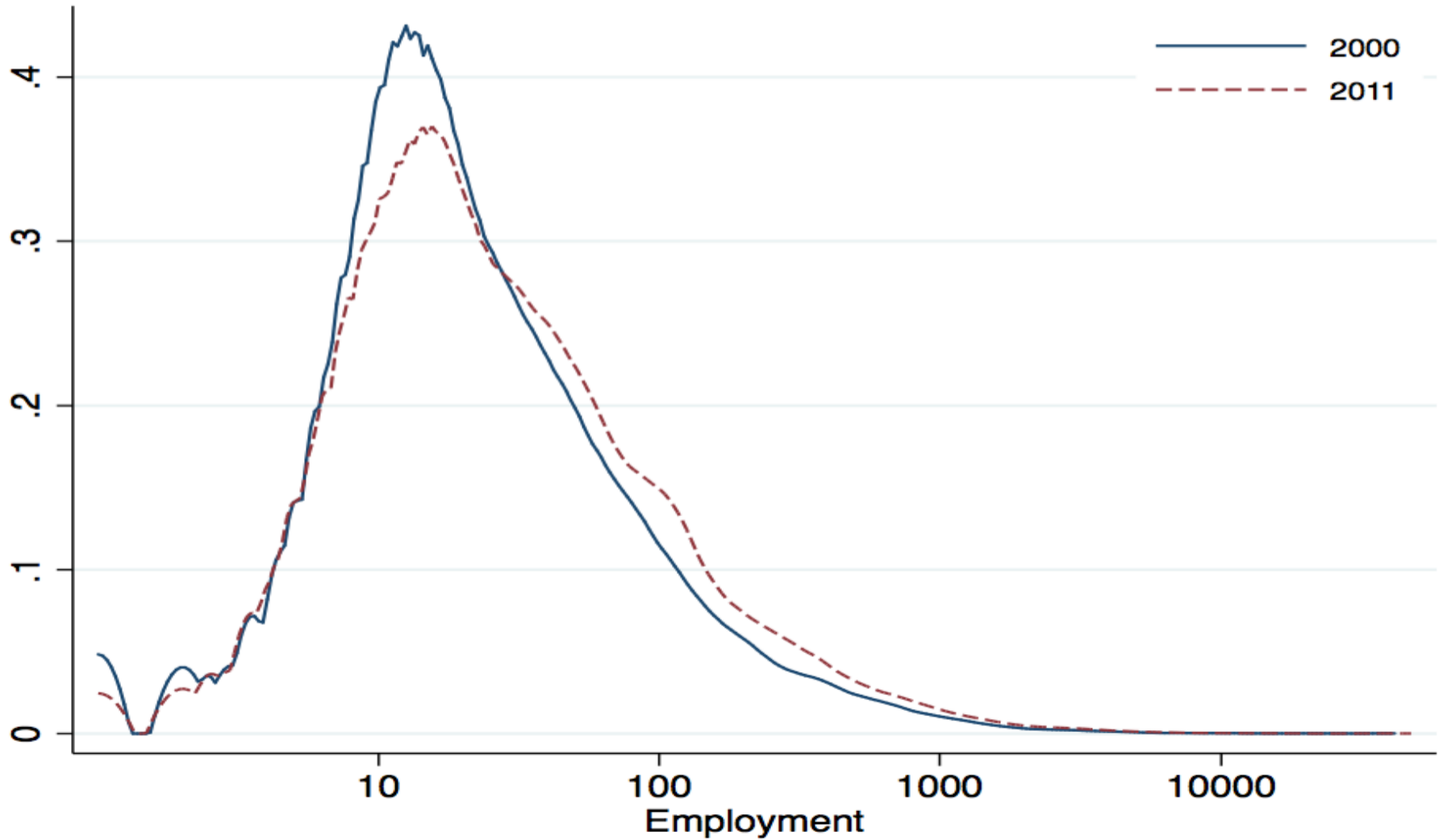
No change in industrial disputes act

Bite of industrial disputes act has declined since late 1990s

## Y/L Declined for Large Firms



## Right Tail of Firm Size Distribution Has Thickened



# Growth of Contract Labor Industry

## TeamLease

Founded in 1997

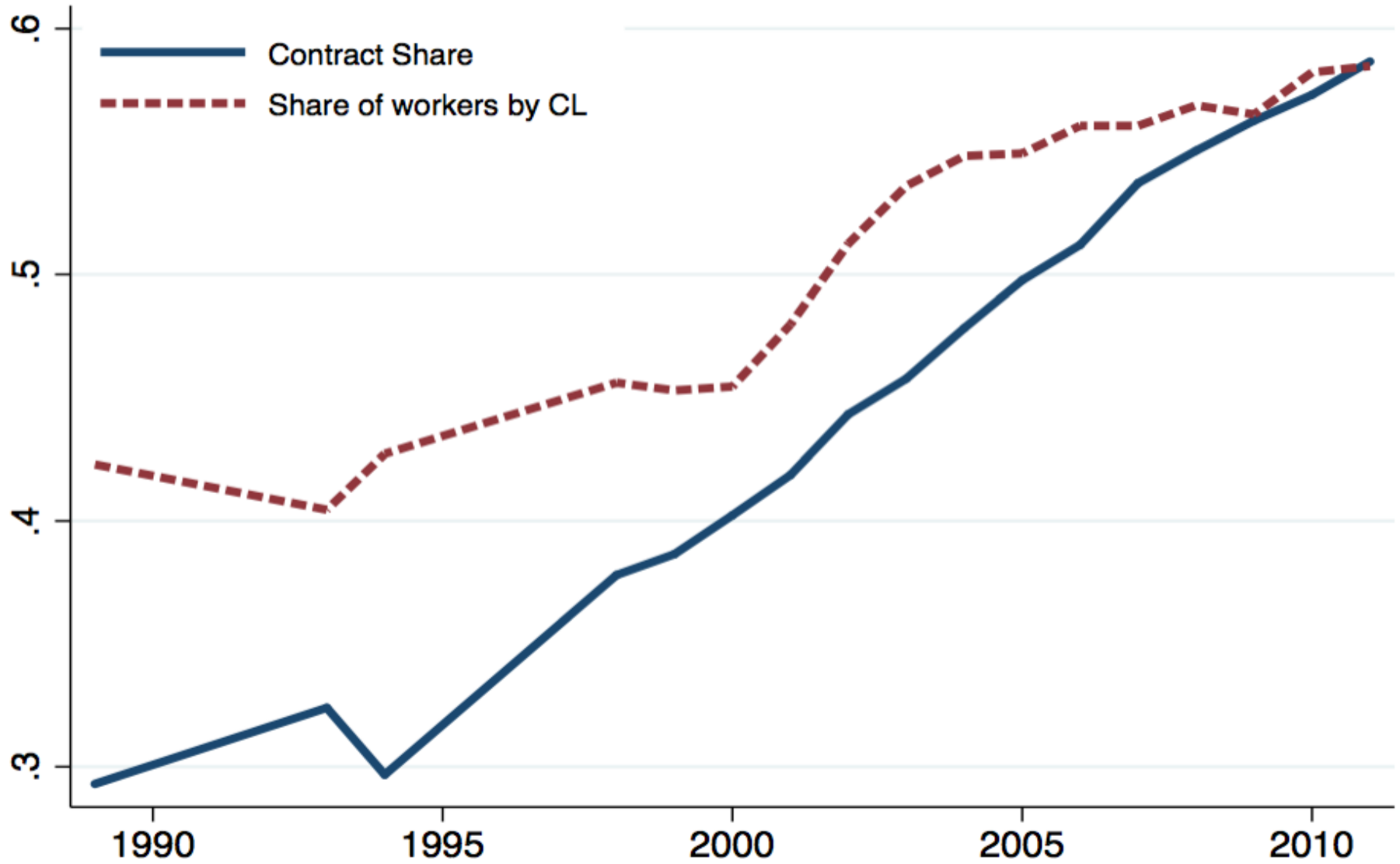
99,000 Workers, 1100 administrative staff

1,200 clients, mostly service sector (83 workers per client)

One-year contract, one-month notice

Complies with IDA, pays payroll tax (but other labor contractors may not)

## Contract Labor Primarily Used by Large Firms (> 100 Workers)



# **Jugaad**

“Innovative Fix or Workaround by Bending Rules”

## **The Puzzle of China:**

### **World Bank Doing Business Indicators (2013)**

Ease of Starting a Business: 151

China: 151

Congo: 152

Haiti: 140



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## 企业盖栋楼，要交95种税费盖192个章

南京民企老总抱怨懒政之下办事难；江苏确定简政放权路线图，行政审批大幅“瘦身” 封5~7

## 守着银行 专偷“大户”

徐州破获特大盗抢案  
4人团伙流窜9省1市  
8年盗抢1200万元

封8



犯罪嫌疑人被押回徐州  
图片由警方提供

南京一名医生  
一天看了192个病人

封12

27岁南通小伙  
任职福建龙海副市长

封17

充气时轮胎爆炸  
汽修老板不幸身亡

封10

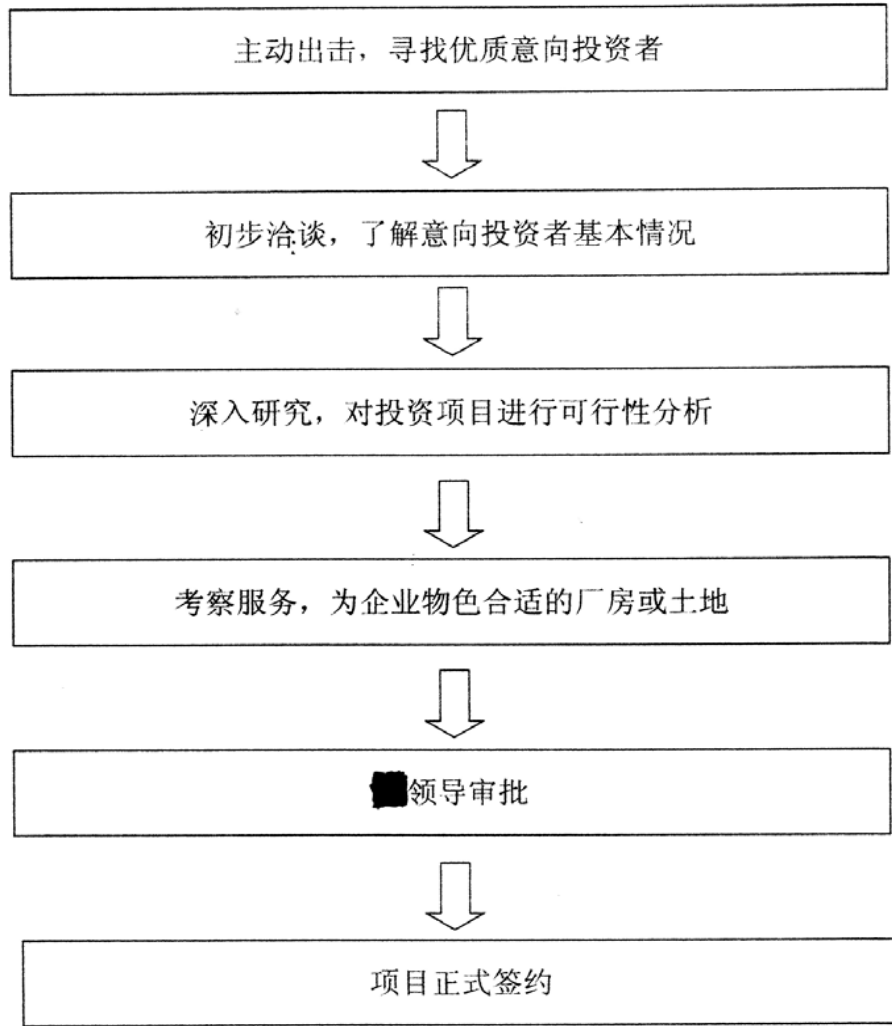
亚运会上再遭羞辱  
国奥0:2不敌泰国

A10

40位抗战老兵聚会  
南京体彩组织专车接送

封19

# "Small" City (2 million people) in Southern China



Actively look for quality prospects

Initial discussion to learn about investor

Feasibility Analysis

Identify land and other needed services

Approval by Vice-Mayor

Sign agreement

# Organization of Local Government

Party Secretary

Mayor

9 Vice-Mayors

Each Vice-Mayor assigned 20 "important" projects

Chinese System:

Dysfunctional Formal Institutions

Easy Access to Informal Institutions

“Jugaad” on steroids

## "Zhengzhou Speed"

iPhone 6 produced in Foxconn Zhengzhou (200,000 workers)

2007: Foxconn opens plant in Wuhan (Hebei Province)

2008: Guo Gengmao (Governor of Hebei) moved to Henan.

June 20, 2010: Governor of Henan Province welcomed Gou Tai-ming (Chairman of Foxconn) at airport

June 29, 2010: Agreement was signed

August 2010: Foxconn Zhengzhou opened





"Local party secretaries have dictatorial powers and is a dangerous enemy for anyone who takes him on in the area under his control. He can lock up petitioners and any other activists who challenge him, and prevent rivals from advancing within the local government through control over appointments.

When it comes to the economy, however, these same powers make the local party secretary a ruthless competitor....You want a business license? The locality will assign someone to do the walking and talking for you. Want a building permit? They will give you one with money-back guarantees? Unhappy about the dirty-creek passing through the site? They will offer to build a small lake for you. They will help you find architects and builders and, at the production phase, recruit workers for a reasonable fee. They sell their cheap electricity, sell their parks and entertainment, sell their easy transportation, sell their water supply, sell their



glorious history and even sell how good-looking their girls are -- no exaggeration!

Each locality operates like a stand-alone company. Localities prompt investment, strong-arm banks for finance and often hold shares in the businesses themselves....they operate much like a company might....at the same time, the local party's overwhelming powers within its own borders effectively make each district its own separate jurisdiction, with direct control over the courts and over local regulations governing business activities."