Private Selection and Arbitration Neutrality

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News and Press Announcements

- Hanukah candle-lighting with President Peres
- University of Heinrich Heine in Dusseldorf awarded an Honorary Doctorate to Prof. Uriel Reichman, President of IDC Herzliya
- The Melnick State of the Economy Index increased by 0.2% in November 2010

To all news ›

Events

6.2 The 11th Herzliya Conference

23.2 Open House

To all events ›

Avantgarde - IDC Magazine
What is the secret behind Israeli Hi-Tech?
To previous edition ›

IDC Radio 106.4 FM
LIVE
To Radio Site ›

Study in english

Simple Example: Employment Arbitration

Institutional Variables

- Selection of an arbitrator
- Information about an arbitrator's past decisions

Effects of Institutional Variables

- Selection effects
- Incentive effects

Bad Reputation!

Main Conclusions (1)

- Inexperienced arbitrators try to ‘even up’ their win/loss ratio
  - Cause: truncated information
  - Implication: may be vetoed by ‘their’ side
- Experienced arbitrators less likely to ‘even up’ their win/loss ratio
  - Cause: less sensitive to reputation effects
  - Implication: more valuable for parties (from an ex-ante perspective)

Main Conclusions (2)

- Private selection + truncated information
  - Good: if selection effect is dominant
  - Bad: if incentive effect is dominant

Arbitrator Selection Procedures

- Discretionary selection by the provider
- Party veto (restricted or non-restricted number)
- Party ranking

Information About an Arbitrator's Past Decisions

- Scarce information due to confidentiality
- In FOA, truncated information
- Yet,
  - Private information from prior litigants and attorneys.
  - Some information available (e.g., California CCP §1281.9, New Jersey Automobile Cost Reduction Act, Major League Baseball)

The Model

- Plaintiff and Defendant: payoffs are 1 for winner and -1 for loser.
- Each litigant believes his probability of winning is $p>0.5$.
- Both litigants think that in all other cases plaintiffs and defendants are as likely to win or lose.

The Model

- Prior probability that an arbitrator is biased in favor of the defendant=β
- Biased arbitrators decide in favor of the defendant
- Unbiased arbitrator's payoff: 1 if right, 0 if wrong
- Discount factor (for arbitrators and litigants)=δ
- $\delta + \delta^2 \geq 1$

The Model

- Each arbitrator has at most three cases
- Litigants are offered an arbitrator and each can veto him. In case of veto, they are offered another arbitrator.
- Probability of appeal=$\lambda \geq 0$

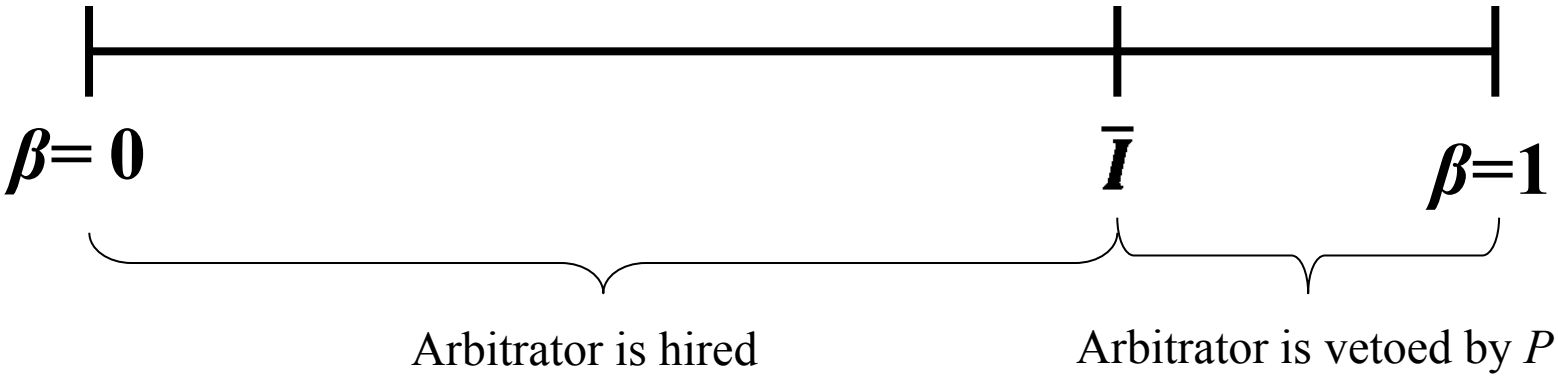
Three regimes

- No Veto
- Veto + Unobservable Information
- Veto + Observable Information

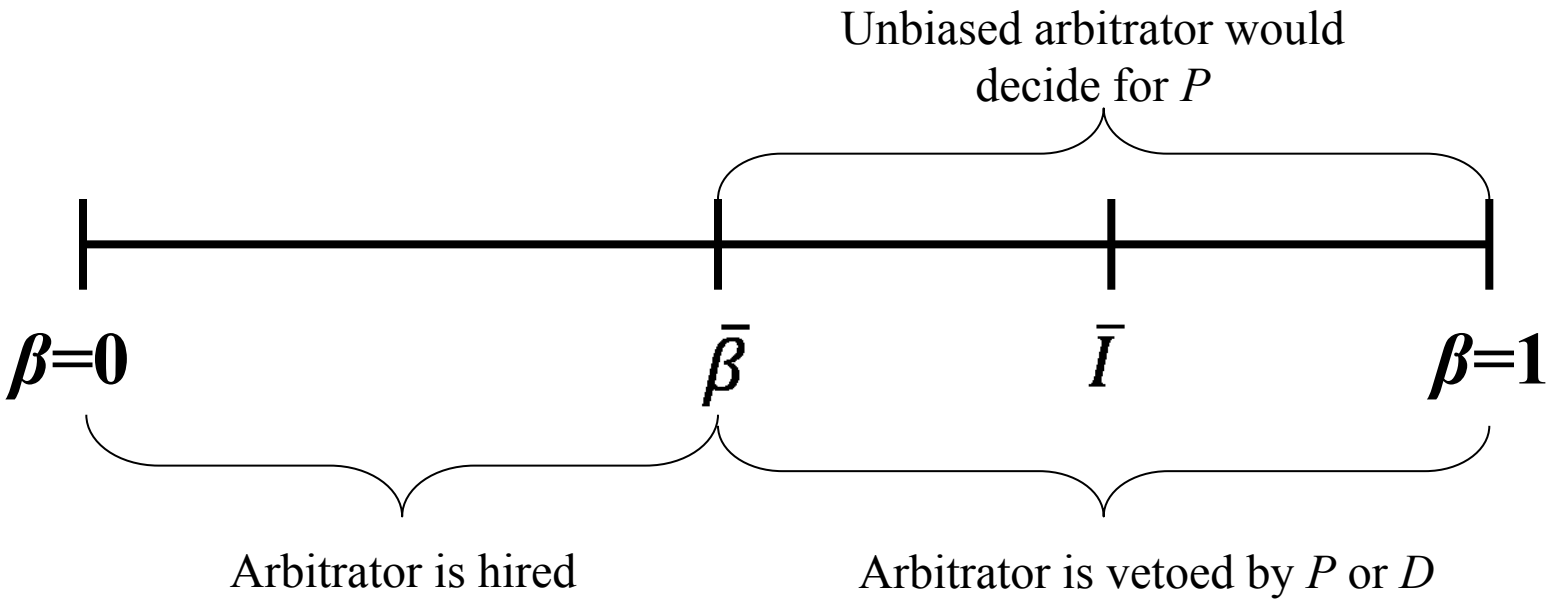
Experienced Arbitrators: Second and Third Rounds

An unbiased arbitrator renders a correct decision in the second and third cases in which she is employed

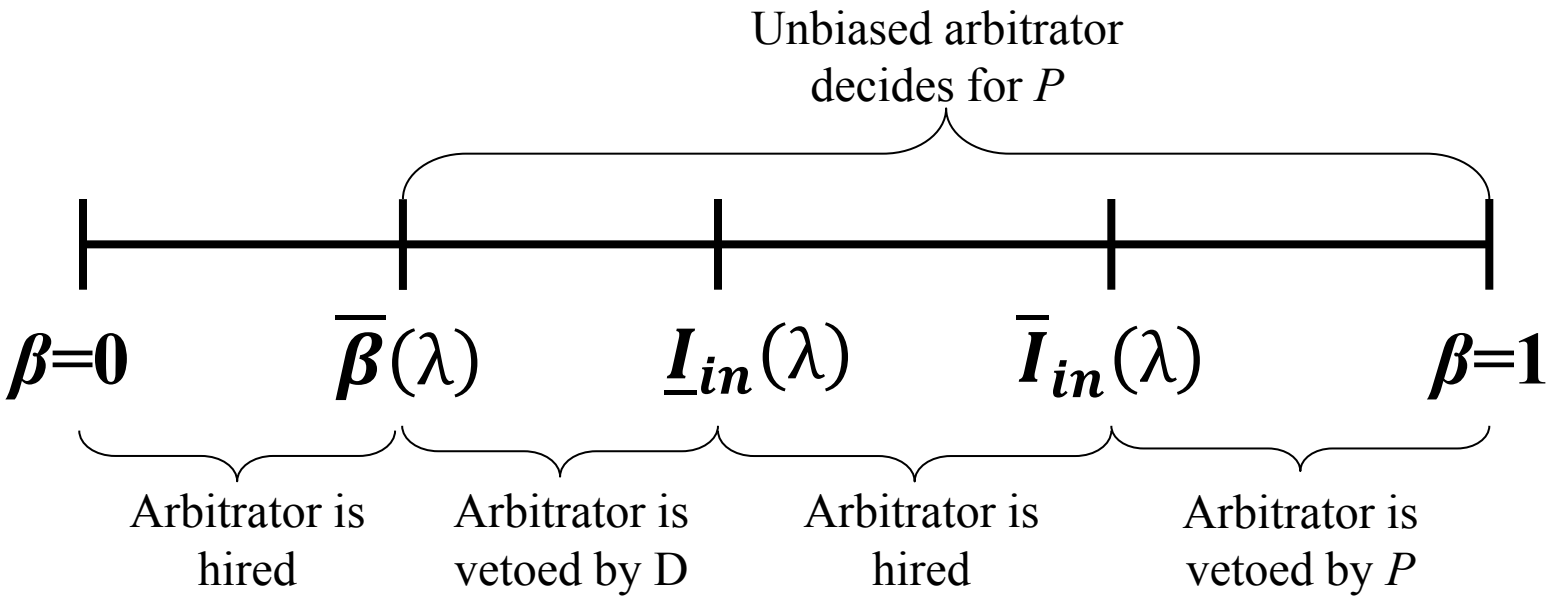
Veto+ No Information



Veto + Information: First round



Veto + Information+ Appeal: First round



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Apply to be a Neutral
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Panelist Fees
FAQ for Panelists
Contact CPR for Help
IMI Certification

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Apply to be a Panelist
Panelist Fees
FAQ for Panelists

CPR Announces New Online Evaluation Tool

A New Opportunity Available to CPR's Distinguished Panels of Neutrals

As part of CPR's ongoing efforts to provide exclusive benefits to our Panelists, we have partnered with Positively Neutral to make evaluative information on our Neutrals available online to corporate and law firm users.

Why Is This Needed?

CPR's neutrals have already been qualified by CPR as an elite neutral capable of handling complex commercial matters. However, in 2008, a number of CPR's most sophisticated corporate members asked us to explore ways to provide them with on-going evaluative information about the actual performance of our Panelists. Corporate users now live in a world of increased transparency requirements at all levels. As a result, they expect the same level of transparency from the professionals they engage. Reputations are no longer enough. Specifically, they want user- provided, "real-time", detailed, and revealing information regarding the skills and abilities of mediators and arbitrators – and, they want this information at the click of a mouse.

CPR reviewed various ways to increase transparency and accountability, while recognizing the sensitive nature of subjective information and the need to retain confidentiality. We are delighted that we found an easy-to-implement solution that appropriately balances client demand for quality feedback with fairness to CPR mediators and arbitrators. For more information about our approach and to learn about support for this effort, we refer you to CPR's feature article in the 9/28 issue of Corporate Counsel magazine. >> Read the full article here.

How Does This Help Your Practice?

With this innovative tool, you will be able to demonstrate and capture quantitatively, for the very first time, the quality work and talent you demonstrate on confidential matters to prospective clients. Moreover, you will be in complete control. The decision to publish the data is yours alone.

How Much Does It Cost?

Our agreement with Positively Neutral enables us to provide our Panelists with access to these unique evaluative services at a substantial discount (approximately 80%) over its standard fees. If you choose to contract with Positively Neutral, you will be able to provide prospective clients with valuable evaluative information about your skills for a nominal fee of only $99 per year. This discounted rate will only be offered for only a limited time as part of CPR's anticipated January 2010 launch.

What Is The Process?

The process is very simple and user-friendly. Once you sign up with Positively Neutral, you will provide them with a list of references from proceedings over the last two years. Additionally, as further protection for arbitrators, CPR requires the references be from both sides of a case. Your references then will be contacted by Positively Neutral and asked to respond to a series of questions (see below) and to rate your performance on a 4-point scale of Excellent-Unsatisfactory. They will also be encouraged to provide substantive supporting comments as appropriate. You will have the opportunity to review the results before they are made available to CPR's members. You can choose to publish all or none of the ratings. If you agree to publication, the information will be accessed (via hyperlink) directly through your bio on the CPR website. You will also be able to use the data for your own promotional purposes. >>

PositivelyNeutral

What Is Positively Neutral?

Positively Neutral… facilitates the selection of high quality mediators and arbitrators by providing information about prior on-the-job performances of the neutrals under consideration.

Empirical literature on arbitrator selection and bias

- Bloom & Cavanagh (1986): Parties prefer arbitrators whose win/loss ratio tend in their favor
- Ashenfelter & Bloom (1984), Ashenfelter (1987): Arbitrators' decisions are statistically exchangeable
- Sherwin, Estreicher and Heise (2005): Win/loss rates in employment arbitration are not significantly different than in litigation

Bad Reputation

- Morris (2001)
- Ely and Välimäki (2003)