

## **Ethics in Hiring: Nepotism, Meritocracy, or Utilitarian Compassion**

**by Mikael Olsson**

*After 7 years you stop caring. Since then, no chance. Let's face it, no-one's going to employ me.*

*You can so easily feel it as a personal failing, even when you know it's a fault in the system.*

*You felt you were playing a part in the community (when working): it was right for someone to go to work from nine till six and bring a certain amount home... You weren't shoved on the scrap-heap, rendered useless... Well, you might as well be dead.*

*–Testimonies of unemployed persons, quoted in Burnett 1994, pp. 278, 288, 289.*

Petersen et al. (2000, p. 764) contend that the process of hiring personnel is 'poorly understood and hardly studied'. Ethical investigations of the hiring process have not been frequent either, in spite of the fact that many ethical questions are raised in this vital facet of business operations (Carroll 1999, p. 141; Pinnington et al. 2007, p. 1ff). Evidently, questions pertaining to hiring personnel do not seem to appear on lists of the most common ethical problems that managers face; more important ethical problems are reported to be, for instance, guaranteeing good working conditions, loyalty to peers or superiors, fair treatment of customers and suppliers, and truth-telling in public relations (Carroll 1999, p. 144). It is, furthermore, accepted by many that employees should have certain rights, for instance the right to a safe work environment or the right not to be fired without a reasonable cause, and this is often reflected in legislation (Duska 1999, p. 257, 264-268); but the question pertaining to who should have the right to be employed in the first place is rarely discussed, at least outside of the context of affirmative action programs (addressing gender and racial discrimination). One could argue that the task of hiring and firing has more ethical implications than many other tasks since these decisions directly impact other people, benefiting some and harming others (cf. Margolis et al.

2007, p. 237). As Pinnington et al. (2007, p. 2) point out this is even more the case in our ‘individualist’ age, the turn to which ‘has arguably placed the morality of HRM [human resource management] increasingly in the hands of managers and HR managers in particular,’ whereas in the past ‘the employment relations practices of employers were more open to scrutiny by other powerful parties such as trade unions and industrial tribunals’. This article will consider whether businesses have a moral duty to job applicants and should consider criteria besides their qualifications and experience in the hiring process.

There are three general principles that one can follow when making a hiring decision: following objective criteria of competence (meritocracy), nepotism/favoritism, and ethics. These principles can, of course, be combined in different ways. It can also be the case that following one of the first two principles is, indeed, the ethical thing to do, depending on which ethics one endorses.

Since the Middle Ages, it is considered inappropriate to favor one’s relatives with public or quasi-public positions (i.e., nepotism) and in some places attempts have been made to outlaw the practice. In the US, some states have made exceptions in cases where an appointee’s qualifications can be objectively established, but other state courts have seen nepotism as an ‘inherent evil’ and have enforced the prohibition without regard to the appointee’s qualifications (Evans 1955, p. 41ff; White 2000). Such rules have also – at least historically – been in place in universities, but I do not know what rules remain today (Simon et al. 1966, p. 344ff). When it comes to non-public positions – i.e. jobs in the private sector – or ‘ordinary’ jobs in the public sector (i.e. jobs not directly connected to political decision making or other prestigious functions), ‘pure’ nepotism is perhaps not as frequent as what one might call ‘favoritism’, i.e. hiring people who belong to one’s extended social network (cf. Scoppa 2009 for a discussion of nepotism in Italian culture). Sometimes nepotism is defined in such a way as to cover cases of favoritism, or even just treating people from one’s own ethnic group more favorably than other people (Fershtman et al 2005, p. 373). It may, however, be prudent to keep the phenomena apart and to reserve the term nepotism for the favoring of family and relatives (and perhaps close friends).

The third way of hiring – the ‘ethical’ way – can be approached from different angles. One could, for instance, look at the rights and duties of the hiring manager, or the employee’s right to be treated fairly, including the right not to be terminated for irrelevant reasons (Alder & Gilbert 2006, p. 455ff). The central question in what follows will be: how can utilitarianism – or more specifically hedonistic utilitarianism – inform hiring decisions?

According to Alder & Gilbert, a utilitarian who is hiring personnel has to keep two things in mind: what will produce the greatest good for the company and what will produce the greatest good for society. In most cases, they believe

both aims will be achieved by hiring the most competent and efficient person, since stockholders will get higher profits, and customers get better goods and services at lower prices. It would not typically maximize happiness to hire a friend or relative even if it brings happiness to the person hiring and the person hired. There are, however, exceptions to the rule that one should hire the most qualified person, such as when there is a lack of diversity within the company. Alder & Gilbert thus note that utilitarians have a duty to ‘consider how any given hiring decision fits within the overall pattern of hiring of the department and organization over time. Given the overall pattern of hiring, it is possible that the greatest good for the greatest number will result from an individual hiring that gives consideration to broader concerns than the placement of the best qualified candidate in the open position’ (Alder & Gilbert 2006, p. 453). As mentioned, the utilitarian perspective also entails that the hiring manager must, to some degree, consider the good of society, which means that his decision might not be optimal from the point of view of the company.

A utilitarian perspective will, to a large degree, eliminate nepotism and favoritism (it may be allowed in cases where, for instance, a relative or a friend really is in dire need; but that may only warrant temporary employment), since one is generally obliged to hire the most qualified person, or, in a few cases, someone who might not be *the* most qualified person, but who nevertheless has other characteristics that one has a duty to consider. A problem in this context, however, is that in many occupations it is not easy to know exactly who is the ‘most qualified’. There are many jobs that can be performed by most people with a very modest amount of on-the-job training. There are also many areas where it is obvious that some academic qualifications are needed (which many people do not have), but where it is still hard to decide objectively who is the most competent for the job.

How do we know that a significant number of jobs could have been carried out successfully by many of those who applied but did not get the job, perhaps because of a lack of experience, references, or connections? If employers make excessive and unnecessary demands for qualifications in cases where the qualifications or work experience are not that necessary, then we should observe that many people are actually overeducated for the tasks they are performing. In fact, the research on the subject seems to confirm that over-education is prevalent in the job market, especially for those educated in arts, humanities and some social sciences (McGuinness 2006). Moreover, one paper on the Australian labor market has found that 30 percent of employees believe themselves to be moderately *over-skilled* (as opposed to simply over-educated) and 11 percent believe themselves to be severely over-skilled, and – which is easy to understand – that the more ‘menial’ tasks the job entails, the more over-skilled people perceive themselves to be (Mavromaras et al. 2007).

In cases where the possibilities to assess qualifications objectively are limited, nepotism and favoritism might possibly creep in through the back door, since subjective assessments will carry great weight (cf. Petersen et al. 2000, p. 764, 767ff). According to Prendergast & Topel (1996, p. 958), ‘accurate and objective measures of a worker’s performance are typically unavailable. Instead performance is gauged from subjective opinions provided by superiors.’ Performance evaluations thus often have an element of arbitrariness, and one can assume that this arbitrariness is also present at the hiring stage.

Incidentally, it may be the case that the subjective factors involved in hiring and work performance are greater in the public than the private sector. According to Scoppa, this is because, ‘1) government organizations typically do not pursue profit maximization and do not face competitive market forces; 2) it is particularly hard to measure individual and aggregated performance, and multiple tasks typically are assigned to government agencies; 3) the ultimate “principals” of public sector organizations are the electorate/ citizens: they are ill-informed and have poor incentives (free riding) to monitor and discipline agents’ (Scoppa 2009, p. 167). These are probably the reasons why nepotism and favoritism have traditionally been more frowned upon in the public sector than in the private sector. If entrepreneurs want to risk their businesses by hiring a potentially incompetent relative, then they should have every right to do so. Indeed, for some people the whole purpose of starting up a small business is to provide jobs and financial security for family members (Duska 1999, p. 263).

The question remains as to what a utilitarian hiring manager should do when there are many who meet the minimum qualifications. Although it is generally not good for social utility to hire some people *just* because they need the job more than others, might one be justified in hiring one of the *sufficiently qualified* applicants who needs the job more than the other applicants? From a utilitarian perspective, we might increase happiness the most by hiring someone who has been unemployed a long time rather than someone with an uninterrupted work history who might easily get a job somewhere else (obviously it would be bad for society if this policy was always adhered to, but one might decide to use it for every third hire, or the like).

The problem can also be construed in terms of equal opportunities. If one endorses this idea – and it can be done for utilitarian reasons, but also for other moral reasons – then strict meritocracy should perhaps be preferred, at least as long as everyone has equal access to education (which is less and less the case, in light of increasing tuition fees in some countries). There nonetheless remains the question regarding jobs where objective criteria of merit are hard to establish. In those cases, should nepotism or favoritism be allowed? It would seem that it should not be allowed, since everyone has not had the opportunity to be a part of the hiring manager’s cultural group or social network. Thus, the

equal opportunity view should also demand some additional ways of hiring. One could, for instance actively *rule out* people who are in the wider social network of the hiring manager (and other people already employed by the organization in question) for a third of the vacancies, at least when there are other people to choose from who have the required basic qualifications.

In any case, it seems clear that ‘hiring by competence’ cannot be seen as a universally applicable principle of filling jobs since there are often many people to choose from who are almost equally competent. Among the minimally qualified people, the utilitarian should apply different methods of hiring, for instance assessing the applicant’s time of unemployment, economic needs, or lack of a social network and references. It could, nonetheless, be argued, and demonstrated by statistics, that even though, for instance, previous experience with specific tasks is not *terribly* important for many jobs, it is still more efficient for the organization to hire someone with more experience. Moreover, that extra efficiency adds up to a considerable difference on the societal level, compared to a policy of deliberately hiring less experienced applicants from time to time. Against this, one can argue that it is reasonable to accept *some* drop in efficiency, if that is the consequence of more equitable hiring policies (but the right of a company to make profit must still be respected, as well as the right of citizens to not have their tax money squandered). One could, for instance, claim that the presumed drop in efficiency one would get by hiring someone with somewhat less experience (but still having the basic qualifications) will be compensated by a higher quality of life for those who get the chance to earn a steady income after a significant period of unemployment. Based on statistics and anecdotal observations, unemployment is inversely related to most people’s happiness levels (this is especially true in economically affluent societies where social position and meaning is often determined by work), so policies that sacrifice *some* overall economic achievement by giving the long-term unemployed a chance to participate in the labor market could be warranted (Dluhosch et al. 2014, p. 1534ff). Although happiness research has shown that most changes in well-being are maintained over long periods of time (one usually returns to the baseline happiness once the shock has settled), according to Eichhorn this is not the case with unemployment: ‘While some adaptation occurs after the initial decrease in life-satisfaction, this adaptation tends to end at a level substantially below the level a person held before becoming unemployed’ (Eichhorn 2013, p. 1659).

One should also note that long-term unemployment has become more prevalent in recent decades, especially in Europe, but also to some extent in the US. Studies have shown that there is a stigma attached to long-term unemployment, which means that employers often avoid job seekers with such a history, whereas work experience is seen as a signal of productivity (Eriksson

& Rooth 2014). It is probably the case, however, that the stigma due to periods of unemployment can be erased by gaining new work experience – something which is most likely to occur if employers sometimes give preference to a job applicant who looks a bit less qualified on paper. Such preferential hiring will probably be more effective than other kinds of policy interventions to help the unemployed compete for jobs.

There has been an ongoing discussion for the last several decades regarding various forms of employment discrimination, but there has not been a similar discussion regarding employers' looking less favorably on applicants with poor social networking abilities or their lack of job experience, even though the important role of networks in getting jobs has been 'unambiguously and extensively documented for several countries' (Petersen et al. 2000, p. 768). The bottom line is that a utilitarian policy aiming at maximizing happiness should allow for some compassion towards those who have decent educational qualifications and adequate social skills, but have not been able to claw their way into the sphere of steady employment. Of course, more empirical research regarding the potential insignificance of specific qualifications is needed to determine whether the normative perspective I have discussed is feasible. If it is indeed the case that many jobs do not require special qualifications, then perhaps a more moral approach could be adopted in the hiring process.

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Email: [jmikaelolsson@gmail.com](mailto:jmikaelolsson@gmail.com)