

Chapter 5. Fortunes in the Organisation

- 5.1 The *lungang*—an example of sacking by lottery
 - 5.2 Discussion on the *lungang*
 - 5.3 Consequences of human judgement: discrimination and the law
 - 5.4 Information Theory: How much can an employer know?
 - 5.5 Conclusions: the case for randomisation
-

5.1 The *lungang*—an example of sacking by lottery

This chapter looks at the operations of what is usually called the Labour Market. Employing organisations can be either commercial firms or public bodies, both making selections from the Labour Force. The most significant aspects of jobs—hiring, firing and promotion—are the result, not of markets in the conventional sense, but of bureaucratic processes, where the agents doing the choosing would claim to be selecting the best person for the job.

Winning a job with an organisation, holding on to it and best of all succeeding within that organisation are the most important gateways to prosperity for most of us. A job confers status and esteem as well as a means of living and is possibly the most significant consumer good of all (a point made by Lane (1991) p246). I will try to make the very difficult case for an element of randomisation to be included in the bureaucratic processes of hiring, firing and promoting. Finding a real-life example has not been easy, and as will be seen, the details of random downsizing in China are sketchy:

The *lungang* : The random downsizing mechanism used in China

The following is an extract from **Estache, Antonio, Laffont, Jean-Jacques and Zhang, Xinzh** (2004) . ‘Downsizing with labor sharing and collusion’, *Journal of Development Economics*, vol. 73, pp. 519– 540.

In China, for example, as an overhang of the ‘low wage and high employment’ policy in the pre-reform era, its public sector is now plagued by a serious labor redundancy problem as it is making an arduous effort to build a market economy. According to the newest estimates, at least one third to one half of the workers in the state-owned enterprises are working without making any profit [.....]

Our results also shed light on the issue of random downsizing mechanisms or *lungang* that are used in some cases in China as well as other economies. [...] The Chinese government has implemented both voluntary and mandatory mechanisms to downsize its public sector. As a matter of principle, straight layoffs are rare and most downsizing is implemented in the form of *xiagang*, under which *xiagang* workers leave their jobs but are still officially employed and paid for a couple of years, then become unemployed automatically. [...]

Under the previous downsizing policies, part of the workers are able to keep their jobs only at the expense of the others who become displaced one way or another. However, *lungang* policy is designed for the whole labor force, at least as a transitional policy, to share the limited positions with nobody being completely laid off. Under this mechanism, the government sets first a downsizing target for each enterprise and the enterprise in turn allocates to each plant a downsizing target in terms of a total wage after downsizing. In other words, the firm de facto implements the allocated layoff target. Thus, it is the government which determines the scale of downsizing but the decisions on how to implement it are delegated to the managers. In practice, [...]the whole staff de facto share the required after-downsizing positions. [..]

5.2 Comment on the *lungang*

Applications of random distribution in down-sizing, hiring or promotions seem to be unusual. Another example where randomisation was used in a labour market context, again in the transition to a post-communist economy was in Poland: During the 'Mass Privatisation Programme' management boards were selected to run one of the 15 conglomerates of 444 existing state enterprises. Which manager went to which board was decided by lot. (Borger, 1995)

Using random selection to produce shortlists has been used in parts of the UK. In the case of *Isonor v Department of Social Security* (1994) it was reported that there were 500 qualified applicants for the 30 or 31 jobs to be filled. For administrative convenience about 440 of the applicants were rejected by means of a lottery. The remaining 60 were then processed in the usual way to produce the 30 winners. The administrator (a Mrs Severn) had received approval from her Directorate for the use of random selection. This was upheld by Judge Hull who commented: 'The question therefore whether a random selection is a fair or unfair system is not one that we need to consider. A random selection system by its nature is non discriminatory and therefore if it is correctly carried out it is not discrimination, racial or otherwise'.

Duxbury (1999, p86) quotes from a 1997 Northern Ireland Equal Opportunities Commission document which positively encourages the use of lotteries for short-listing in employment selection: 'Random sampling offers 'a means of reducing applicant numbers to acceptable or manageable numbers, which, when correctly carried out, does not in itself discriminate either directly or indirectly against an applicant'. There is also cited in the document a case in which an employer decided randomly to select for interview eight of the fourteen applicants who met the requirements for the post of superintendent at a neighbourhood office. One of the applicants who was not selected for interview contested the appropriateness of the method of selection for interview. The industrial tribunal found that random selection is intrinsically non-discriminatory in instances where all those within the pool from which the shortlist is drawn meet the requirements for the job. That random sampling is still acceptable in Northern

Ireland is borne out by this contemporary (August 2005) advertisement for messengers in the Courts, which states inter alia: ‘Depending on the number of applications, the NI Court Service reserves the right to use random sampling techniques to select applicants to be invited to attend for interview.’

(from a job description NI Court Service

<http://www.courtsni.gov.uk/en-GB/AboutUs/Recruitment/level4customerserviceofficermessenger.htm>)

Two other UK examples which may not count are: Slough taxi drivers deprived of their licences by lot in 1972 and a redundancy-reemployment case in Wolverhampton 1992, which were both struck out by the courts. (Details of all these examples can be found on www.conallboyle.com/lottery). Another example, perhaps only indirectly connected to dismissal from a job, is the widespread practice of randomly testing employees for drug use, especially in the US.

The paper by Estache, Laffont & Xhinzhu (ELX) gives a glimpse of the *lungang*, which is a Random Downsizing Mechanism. The process of switching from a command economy to a market one may be a once-only experience for China, but there are many individual firms which been involved in the changeover. The Random Downsizing Mechanism has been used repeatedly, and is, it seems, serving its intended purpose well. In the transition to a market economy the players involved have the following characteristics and objectives:

- The Chinese Government has a policy of avoiding ruthless sacking, so as to maintain social stability. It also wants dynamic public and private sectors, spreading the talent between both. It lacks detailed information about aptitudes of workers even in the public sector.
- The line managers in the public enterprises may have more idea about the talents of the workers they manage, but may be corrupt in two main ways: they may falsely represent the talents of their workers in order to retain the best; or they may show favouritism to friends and relatives to avoid sacking (or may be bribed to do so) .
- Individual workers have to make decisions based on what payoffs and threats are available now and in the future, and whether their talents would enable them to get a job outside. They must also be able to cope with the potential

regret of missing enrichment opportunities by leaving just before a privatised enterprise took off, as happened with China Mobile.

The actual method used—the *lungang*—is a form of randomized downsizing mechanism. It has been analysed and gets powerful theoretical support by Laffont, both in the current ELX (2004) paper, and in an earlier paper (Joel & Laffont, 1999). ‘We have given some foundations to the optimality of random downsizing mechanisms’. In particular, random downsizing can be optimal where there is asymmetrical information. In the Chinese case, the central government had little information about workers’ production potential, whereas the local managers could be expected to know something about the abilities and effort of their own workers. The extent to which the managers and workers might collude was also difficult for the central authority to ascertain. Workers may also use their own insider knowledge to enrich themselves in ways which central government do not intend. These were some of the imbalances in information which Laffont used when showing that the random mechanism could be optimal.

‘Optimal’ is a very reassuring characteristic, and bodes well for random downsizing as a preferred option. It relates to a public-interest, social welfare function, concerned with getting the best out of the productive capabilities of the workers, by ensuring they locate to the most efficient firms. But what about the workers? There are some passing references to the attitudes and feelings of the workers in the state-owned industries due to be down-sized. The need to prevent ‘social unrest’ appears in a footnote. The extent to which the workers are risk-averse is factored in to the likelihood of their accepting voluntary redundancy. Whether random downsizing is the best option for the personal welfare of the workers and their families is not a question which Laffont addresses.

5.3 Costs of human judgement: discrimination and the law

With changing social mores in western societies it is no longer acceptable to discriminate on grounds of gender or race in employment. Laws have been passed which constrain the freedom of organisations whether they be commercial firms,

government agencies or even charitable trusts and private clubs. This interference goes beyond removal of barriers to entry. It requires organisations to ensure equality of opportunity, to avoid bias in their employment decisions and even to account for inequality of outcomes. Such interference in the operation of public agencies might be understandable. Interference in the operations of commercial firms, which in an earlier age would be deemed intolerable, is now seen as perfectly acceptable, and a basic condition to allow firms to operate. In the UK two organisations have been set up to promote equality especially in employment—the Commission for Racial Equality (CRE) and the Equal Opportunities Commission (EOC). As well as pursuing and enforcing the equality agenda, both produce excellent publications, which I will be drawing on. The problems these Commissions are dealing with are both significant and pervasive: There is evidence that selection committees can be extremely biased (Morgan et al., 1982). The prejudices of individual selectors can also be significant, even where they are unintentional. In a major study Riach & Rich (2002) ‘have demonstrated pervasive and enduring discrimination against non-whites and women. Both groups risk being denied employment, housing and insurance purely because of their colour or sex.’ This is despite 30 years of anti-discrimination legislation in both the US and the UK.

Costs to businesses

Prejudice and bias can create **two** major losses for the business:

- there is the loss of talent caused by drawing on a deliberately restricted pool. (Although the argument is sometimes heard that a homogenous workforce can be more effective. This is not normally acceptable).
- there are consequences due to the workings of equal opportunity laws. Aggrieved employees can sue for compensation, which may lead to loss of reputation as well as financial costs. Action may be taken against a firm because of systematic bias: for example if it is found that women are consistently paid less than men.

How non-racist or non-sexist selection is implemented is left to the organisation. Exhortation abounds: For example, the equal opportunities policy of my former

university affirms that ‘No student or member of staff receives less favourable treatment on the grounds of *gender, race, sexual orientation, age and disability*’,* Training is given to ensure that selectors avoid bias on grounds of gender, race, sexual orientation, age or disability (the five grounds mentioned above). It has to be said that the results of equal opportunity legislation are not as significant as hoped for. Pay and promotion gaps still exist, as regularly reported by the EOC. The ‘glass ceiling’ which seems to prevent women rising to the highest ranks of organisations is commented on, for example in the Economist (2005b).

Costs to people on the receiving end of selection and rejection

Clearly being rejected because of race or gender creates a loss to the person affected. There are the well-known and recognized forms of discrimination. But the list of grounds for bias could be extended: Riach & Rich (2002) also list age discrimination which is less well researched but is a significant bar to an individual’s progress. Investigations have also uncovered many more personal attributes which may disadvantage individuals, despite having equal merits in relation to jobs or promotion:

- ‘*heightism*’, i.e. tall people are more successful than short people are (Economist, 1995, 2002a); see also Herpin (2003)
- ‘*lookism*’ i.e. selectors in interviews are biased towards prettier candidates; (Goodchild, 2005). French (2002) found that ‘significant earnings premiums were found for attractiveness for women, but not for men.’ Also (Economist, 2003).
- ‘*hairism*’ i.e. bald men are disadvantaged relative to hairy competitors (Guardian, 1995);
- ‘*weightism*’, i.e. fat people are seen as less worthy than their slender counterparts. (Economist, 1999).

* When I asked the HR department how they implemented this policy, the answer was instructive. ‘This states what we are. No formal mechanisms are needed’

– *birth order* can have a significant effect on career success (Leong, 2001).

There can be a significant gap between the achievements of only or first-born and later-born siblings.

This list could be extended, almost without limit. Readers may object that these are trivial forms of discrimination compared with racism or sexism. Investigations have shown otherwise, that real hardship is encountered by those who are perceived as less worthy.

There is even a perverse cost from these equal opportunity policies: There may sometimes remain a suspicion that ‘X was only appointed because s/he was a Y’ or tokenism as it is sometimes called. The other side of this coin is the resentment that might be felt by members of the majority or preferred group, being passed over because they did not help fill whatever quota was deemed necessary at the time.

Is randomisation a cure for discrimination?

Discrimination imposes costs on both employers and their employees. Avoiding discrimination is a particular burden for the employers. Randomisation applied to hiring, firing and promoting holds out the promise of eliminating discrimination altogether. By definition, a true random sample is one where every member of the population has an equal chance of being selected. It should be the case that if randomisation is the sole basis for selecting who gets the sack, then discrimination by human agency is impossible. This was certainly the view of the judge in the *Isonor* case quoted in 5.2 above.

I would hesitate before claiming that randomisation will cure *all* discrimination. However widely random selection would be used, there will always be some form of filtering. This may be entirely justifiable, as the next section will show. Not every employment decision can be randomised, so some form of human judgement will surely be retained. But the more selection decisions were subjected to a lottery the sooner would discrimination be squeezed out of the system. One particularly

attractive feature of random selection is that its beneficial effects apply to *all* forms of discrimination. It would certainly attenuate the effects of race and gender discrimination, which have already been legislated for. But it would also be future-proof, anticipating any other form of discrimination which might next be deemed unacceptable, such as discrimination on grounds of age, disability, sexual orientation or any of the other grounds cited above.

5.4 Theory: How much information can an employer know?

If the objective is to find people who will add the most value to the organisation, how much is it possible for an employer to learn about the candidates? This information requirement is not the same as that for the university entry process described in Chapter 3. In educational selection the objective is to find a *group* of students who have sufficient 'merit'. Most will exceed the minimum, so can be accepted without demur (or be winnowed out by means of a weighted lottery). Typically in employment the task is much more narrowly focussed. A small number of candidates are short-listed, who appear to have the appropriate merit. From these a *single* winner must be picked, because the organisation has a need for a person to fill a specific role. The informational question then is: How do you obtain enough information to discriminate reliably between a small number of candidates? Often this small number is just two, and the merits of both are nearly equal. The question then is not how much an employer can know about an employee, rather how can an employer detect a sufficient difference in merit between two candidates to say one is significantly better than the other?

Information is used in many ways in theoretical constructs of the labour market. Candidates may signal their ability by qualifications. Employers may signal what they seek by requiring specific experience. Signalling can become a battle of wits as employers try to make applicants reveal their merits (or their lack), while applicants seek to embroider their achievements. Screening, reducing the field of applicants can be achieved by the form of the offer. Sometimes, as in the case of the Chinese down-sizing exercise the information about employees is limited, although, it is assumed,

the employees know all about their own abilities and potential. This is the ‘asymmetric information’ situation as described by Laffont and others.

It is certainly true that these signals are used to make employment decisions. For that reason it is worth applicants investing in the right qualifications and experience. But is this just another example of rent-seeking? Are the extra qualifications needed to perform well on the job, or are they being used as convenient screening devices for the HR bureaucrats?

The only information that should matter is the job-related merit which the candidate might possess. Again, I will call on Young’s (1958) definition that Merit (M) could be identified as $M = f(I, E)$ where I is measured IQ(Ability) and E stands for Effort. In the next three sections I will examine the evidence for each of these elements: What job-related Ability (I) can be identified; how Effort (E) can be reliably measured, and; what indicators of overall Merit (M) can be developed. My purpose here is to show that closer examination of the known facts reveals that there is very little an employer can find out. Even employees themselves know little about their own aptitudes. The theoretical construct of an information-rich situation does not correspond with reality. This becomes crucial when advocating random distribution as between candidates who are not significantly different.

5.4.1 *Identifying Ability*

What can an employer know about ‘Ability’ related to a particular job? Can it be identified in a reliable or objective way? Intelligence testing developed within the educational sphere, but the question was soon asked: Could on-the-job performance be similarly, and successfully predicted? Kline (1991) reports a major study on 10,000 employees: This showed that the IQ score of employees correlates with job success, at an average figure of 0.3. Kline adds ‘*No other ability variable achieved an average correlation coefficient of this size*’. (my italics). Aptitude tests, which aim to measure skills directly relevant to particular occupations, were also examined. On clerical aptitude Kline quotes the view(p124): that ‘there is some evidence that tests...can

predict general occupational trainability. Tests are far less useful in the prediction of general occupational proficiency'. More on aptitude testing can be found in Ghiselli (1966).

Personality testing: Since it is personality, or more properly character traits that employers seek—assertiveness, leadership, sociability—it is not surprising that HR departments look for ways of measuring them. There are many agencies which offer to test such traits, some with scientific-seeming credentials: A brief search on the internet will reveal many of these, mostly based in the U.S. The only question to ask is: Do they work? Kline (1991) suggests not: (p10) 'most good intelligence tests have high reliabilities, but in other fields such as personality, this is not so, and great care has to be taken in interpreting any results'.

Vernon (1953) gives an example of a personality test develop by the South African air force to see if their trainees had the 'right stuff'. When scrutinised by the USAAF it gave 'very meagre correlations of 0.1 or 0.2...In fact they were scarcely superior to judgments based on appearance alone.' (p66)*

5.4.2 Identifying Effort

Effort is the second component of Young's (1958) measured of Merit. He was happy to leave the measuring of Effort to the work-study specialists, without giving this aspect the close analysis given to measures of innate ability. 'Effort', as identified by the work-study practitioners, turns out to be no more than subjective value judgement. A rating system is applied to each observation of a time element, based on how much 'effort' the worker seems to be putting in. Since piece-work payment depends on the time allowed per piece, calculated as (observed time) x (effort %), a game of ca'canny is played off between workers and the bosses.

* In Appendix A are fuller descriptions of objective testing of intellectual ability. There is also a description of how personality tests work, and how to cheat on them.

In an attempt to be more objective ‘points’ systems can be used to guide the HR selectors, and overcome some of the shortcomings of human judgement. A description of how a points system related to employment issues could be developed is given by Treble (1998). Indicators of performance need to be relevant: Output by bricklayers or coalminers would seem to be activities which can usually be measured quite easily, although factors such as the complexity and quality of work can only be judged subjectively. In the majority of jobs, the diversity of activities and measurement of performance is much more difficult. It may be possible to find some surrogate measure: Audas, Barmby & Treble (2004) gives an example related to a large bank, where employee effort was measured by the number of days they turned up for work.

5.4.3 Measuring overall Merit

The interview: The short-listed candidates are interviewed, usually by a panel of experts (in personnel selection) and interested parties (potential boss or co-workers). The winner will be chosen on the basis of judgements made by the interviewing panel, combining assessment of the candidates performance on the day, information from application forms together with the opinions (‘references’) of other people who may know something about the candidate. It is worth pointing out that members of the panel may have little stake in their decision: Their prospects within the organisation do not depend on whether their organisation gains or loses from the appointment they make.

Enough has already been said (in Chapter 3) about the difficulties encountered in the process of interviewing in the educational setting, where academic potential should be the sole criterion for acceptance or rejection. Much more difficult to predict is the outcome of the job-awarding process. On the basis of previous performance, probably in a different or lesser role, the selectors have to decide how candidates will perform in the future. Evaluating the past performance might be reliable when an internal appointment is contemplated. The difficulties multiply when the reports of strangers in the form of ‘references’ are used. Glowing references may be no more than a crafty

method for previous employers to unload a ‘lemon’. But all of this is may be no more than a dignified ritual. As the analysts such as Kline (above) point out, human judgement is very poor at separating sheep from goats. Even more scathing is Camerer (1995), who bluntly states that experts make the decision *worse* through application of their judgement. (fuller details were given at the end of chapter 3)

Yet there may still be a little room for human judgement: Cook (2003) gives the example of peer assessment of performance, where individuals in a group are ‘surprisingly good’ (in Cook’s words p74) at predicting who in the group will succeed, and surprisingly honest, too. Even when they know that such judgements will be used for promotion or selection this result remains valid. Kahneman chose the topic of ‘intuition’ for his Nobel prize-winners speech in 2002. He notes that ‘most behaviour is intuitive, skilled, unproblematic and successful’. Whether the same applies to intuitive judgements of fellow humans Kahneman does not specify, but it certainly leaves room for exploration of the value of intuition.

5.4.4 Evidence for small variation in human talent

Football management is one area where identifying ‘merit’ has yielded a wealth of research findings. Dawson & Dobson (2002) studied the available evidence and came up with some surprising results. The main determinant of managerial success is the value of players at his disposal. So it is money which explains two-thirds of the performance of managers. The rest is due to managerial skill and effort, and residual random unexplained elements, which might include luck. Even the great Alex Ferguson turns out to be ‘mediocre’. The better managers are those who can keep a team up with slender resources. Other findings explore what objective characteristics indicate better management performance. As Dawson & Dobson explain: beyond the resources at his disposal, there are some objective characteristics like background and experience that matter to a lesser extent. Beyond that—nothing. What is clear from these findings is that there are no wonder-managers possessed of exceptional talent. Some are a little better than others, but not by much. This point is made in more colourful terms by Bertrand & Mullainatan (2003) who ask if CEOs are rewarded

largely for luck? Their answer is 'yes', with pay corresponding to a skimming (rent-capture) model.

5.4.5 Ranking and league tables

It is often assumed that if it is not possible to measure individual talent in a group of employees, putting them into order is not so difficult. This, it is to be hoped, would enable managers to discriminate between two candidates to decide which one should be sacked, hired or promoted. An extreme example of this was found in the Enron company which motivated its employees by 'rank and yank (sack)' (Greenwald, 2001): Every six months the employees in a sales office were ranked according to their performance; the worst was automatically sacked. The consequences were as disastrous as they were predictable. Sales men and women were under huge pressure to make sales at any cost, to falsely report sales, to undermine their colleagues. Deming (Neave, 1990) fulminated against such procedures as enormously damaging to the company. In many seminars he demonstrated with his famous red bead experiment, that trying to identify the worst employee who could then be sacked was a dangerous delusion. Variations in employee performance arise from many causes, most of which are outside that employee's control.

As an illustration of the difficulty of ranking reliably, I turn again to Dawson & Dobson: They report a league table of 50 top managers (p 268), showing their 'win-ratios'. The differences in performance between managers in any given decile are tiny. Even more tellingly, two pages later using an 'adjusted win-ratio' the rankings change considerably: No 1 becomes No 4, No 37 becomes No 1. Even in this information-rich environment it is impossible to conclusively say who is best.

Cullen et al. (2003) report on the findings of the Chicago schools lottery voucher scheme: Their interest stemmed from the 'natural experiment' this presented. It is assumed that an under-privileged pupil who gains a place at a highly rated school will normally improve his or her performance. This has not been the experience. Average grades have remained the same overall, with no boost to the expected score of the

randomly allocated pupils. This suggests that there are no exceptional schools, no ‘super-heads’ possessed of charisma to turn a failing school into a winning one. Ranking and league tables tell parents nothing other than the socio-economic composition of the intake (which is very important for social, but not educational reasons). Sadly, random vouchers to allow access to ‘better’ schools do not even seem to reduce the educational achievement gap between the top quartile and the bottom (according to Cullen in private correspondence)

More generally, under the headline of ‘The curse of charisma’ The Economist (2002b) reports that ‘a flurry of academic research casts doubt on the value of charismatic leadership’. Firms appoint charismatic leaders in the belief that a chief executive can have an almost mystical effect on a company’s performance. Research shows that like the football managers above, most of the performance is due to outside factors (state of the economy, state of the market) which are beyond the control of the top manager. The amount paid to top executives bears no relationship to the performance of the company, but in one respect charisma paid off: The high-profile managers were paid exceptionally well for their mediocre performance.

Conclusion on information: What is clear is that ‘asymmetrical information’ exists even in what appears to be an information-rich environment. Joel & Laffont’s (1999) theoretical conclusion that in such circumstances a random downsizing mechanism is optimal seems to apply in nearly *all* circumstances. And if it applies for sacking, then a lottery as part of hiring and promoting should also in theory be ‘optimal’.

5.5 Conclusions: the case for randomisation in HR

However much private corporations claim to be subject only to the discipline of the free market, there is a long tradition of interference in their selection and allocation processes. The case for requiring specific performances in relation to selection decisions for public bodies is even more cogent. In advocating the use of randomisation in the processes of hiring, firing and promoting, there is clearly a lack of good examples to underpin the case. The one example given carries the *imprimatur*

of Laffont, who declares that where information is asymmetric, then a random downsizing process is optimal. That is encouraging, but the conclusion is a theoretical one. Further development using experiments and field trials would be needed to establish the mechanism on a sound basis.

If the validated knowledge on selecting personnel is taken into account, *all* selections are subject to uncertainty. In the typical case where a choice is being made between a handful of candidates of nearly equal merit, there is no rational or strictly fair way of accepting one and rejecting the others—and you might as well toss a coin to decide.

That is not a case that will easily be accepted by bosses, personnel officers or the employees. They retain a belief that human judgement or worse intuition must be invoked to decide difficult cases. I accept that this is an attitude that will persist, however unsupported by research or evidence. It may even be the case that well-trained and directed human judgement will, at some time in the future, be developed.

In the meantime, I would suggest a hybrid process: Firstly producing a long short-list using objective criteria, such as test results, where it can be shown that they are relevant. If necessary, reduce this to a short short-list using the now acceptable (Isonor, 1994) mechanism of a lottery. Next, go through the ritual of the interview panel with the candidates ranked from say first to sixth in order of merit. Then roll a die.... or, contrive a weighted lottery, with the first getting six chances, the second getting five, down to the sixth getting a single (1 out of 21) chance. In this way a small element of randomisation could be introduced.

There can be significant benefits for organisations that use randomisation while selecting staff: The 'agency' problems of corruption, bribery and doing favours should all be curtailed, as well as removing any suspicion of it. Personnel officers may feel downgraded, not being allowed to exercise their skilled judgement which is one of the most rewarding aspects of any job. On the other hand, their anguish of having to decide who should be made redundant will be alleviated. When the impartial mechanism of dice is used, the decision is in the lap of the gods, not the personnel staff.

For the employees, once they realise that they no longer have to engage in a silly rent-seeking game, acquiring characteristics which might or might not please the selectors, they can put their time to better use. If downsizing strikes, and their number is up, that is not a reflection on their lack of worth, but literally 'luck of the draw'. Given a universally fair and open randomised process of awarding jobs, they can be confident of getting back into a job reasonably soon. By mitigating some of the most demoralising features of the job-system, randomisation *may* be able to improve the level of subjective well-being, which has flat-lined for more than 30 years. (as reported by Layard, 2003)