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Dey, Oindrila and Das, Abhishek and Gupta, Gautam and
Banerjee, Swapnendu

Department of Economics, Jadavpur University, Kolkata, India

15 July 2017

Online at <https://mpra.ub.uni-muenchen.de/80214/>
MPRA Paper No. 80214, posted 17 Jul 2017 16:36 UTC

Favouritism Or Fairness?: A Framed Laboratory Experiment*

Oindrila Dey*

Abhishek Das[^]

Gautam Gupta[♥]

Swapnendu Banerjee[♦]

Department of Economics, Jadavpur University, India

Abstract:

This paper provides laboratory experimental evidence for prevalence of organizational favouritism. It is significantly found that when subjects were put into a situation where they can offer a job to someone then the choice criteria is based on social ties rather than efficiency. Interestingly, even when subjects had the choice of giving the job to her favourite person, she prefers to give it randomly to anyone from her favoured pool, when her group size is large. Also, socio-economic factors like family structure, family occupation, social connection, caste and political connections are among the important factors in explaining the emergence of favouritism.

Keywords: *Favouritism, group size, status, efficiency, lab experiment*

JEL Classification: *C91, C92, D03, J71, M51*

* Financial support from the CAS, Department of Economics, Jadavpur University made the study possible.

^{*} Corresponding Author, Department of Economics, Jadavpur University, Kolkata-700032, India
Email: d.oindrila@gmail.com.

[^] Email: ind.abhishek@gmail.com.

[♥] Email: gautamju@yahoo.com.

[♦] Email: swapnendu@hotmail.com.

FAVOURITISM OR FAIRNESS? A FRAMED LABORATORY EXPERIMENT

1. Introduction

A healthy business environment coupled with fair corporate management practices are keys to the growth of an organization. However, we often observe that in many situations, employees are not evaluated under a fair assessment rule for promotion or appraisals or even for recruitment of a high-valued position. The emergence of preferential bias¹ can be triggered from the fact that a manager and an employee share a strong social network which extends beyond the workplace.

This preferential bias of the manager, leading to possible inefficient decision making and the consequent loss in productivity of the agent has been a major area of concern in recent studies. But the empirical validation of the presence of organizational favouritism is limited by the fact that one needs the information about individual performance measurements together with their social tie-ups. Since it is difficult to have empirical evidences on favouritism there are not enough studies regarding job market favouritism. In this paper, we resort to laboratory experiments where we mimic a real world job market situation under which subjects were asked to express their decisions with respect to their personal preference or otherwise when they have the power of offering someone a job in his/her company. The experiment was conducted with the 240 students of Jadavpur University, Kolkata, India through twelve sessions. This exercise helped us in identifying the underlying reasons behind persistence of unfair evaluation in organizations.

Favouritism can sometimes be in the form of corruption, when relatives or friends are favoured at the cost of a third party. For example, when a public or private office is abused (Kaufmann 2004). However, it can be distinguished from other forms of corruption, such as

¹ Favouritism is a form of preferential treatment towards one's relatives, friends, or other acquaintances. These relations can be established by birth (like family and relatives) which is called nepotism, whereas the one which is established by shared experience (like school-mates, neighbours, ex-workplace colleagues) or by active social network building (virtual or otherwise) is identified as cronyism (Pope 2000). It should be noted, however, that often in literature cronyism is largely used synonymously with favouritism, and refer to nepotism as a special form of cronyism related to family members (Khatri, Tsang and Begley 2006). The other form of connection is often established by giving small gifts and favours to influential people that may be helpful in the future (Olivier de Sardan 1999; Khatri, Tsang and Begley 2006).

bribery because it does not involve a direct exchange of material favours. Rather, favouritism builds a more implicit, indirect and unspecified return obligation (Khatri et al. 2006; Tanzi 1995). Favouritism is even argued as a cancer in the organization in Alpha Review by Burke Group Minnesota, Inc. In a survey of Canadian government workers Comerford (2002) finds that favouritism is the second most important source of workplace conflict. Albright and Carr (1997) have listed favouritism as one of the top ten misconducts against workers. This prevalence of favouritism has been found both in developed and less developed countries². In spite of these facts it persists and this gives rise to the motivation for exploring the reasons behind its prevalence. Though favouritism is undesirable as it generates economic inefficiency by ignoring the deserving persons; however in some situations it can also be efficiency enhancing, depending on how people respond to favouritism (Belot and van de Ven, 2011). The emerging literature on a positive view of favouritism tries to explain the reason for its existence and finds that directly favouring an agent over others (more deserving ones) can actually evolve as an optimal decision for the manager. Prendergast and Topel (1996), in their seminal work state that favouritism generates value for those who exercise it. Again, even if the manager does not enjoy any additional utility from favouring, the favourite may reciprocate favours by exerting more work effort (Kandel and Lazear, 1992, Calvo-Armengol and Jackson, 2010). Hence, the total impact of favouritism on surplus can even be positive, if this value is sufficiently high. Kwon (2006) shows that if the cost of implementing an efficient decision is high then favouritism is an endogenous outcome and it rules over fairness. Favouritism can also be strategically used as a tool to counteract harmful impacts of collusion (Chen, 2010). It is often observed that the manager often restricts her choice of selection from a 'group' of employees with whom she has personal associations. This human behaviour³ has been widely studied in psychology and is

² In african context it has been found that the privileged can gain access to resources and contracts for dominant tribal groups (Barr and Oduro, 2002, Fisman 2003 and Collier and Vicente, 2012). A study on social favours and the terms of commercial loans in Thailand can be found in Charumilind, Kali and Wiwatankantang (2006). Evidence of favoritism in medical school admissions in the US is also studied by Lentz and Laband (1989). Bertrand et al. (2008) and Kramarz and Thesmar (2008) present empirical evidences on the exchange of favours among politicians, civil servants and corporate executives in France.

³ This is accounted due to the presence of utility that people enjoy from identifying herself as a member of the group. It may also be psychologically meaningful to view people according to their race, culture, gender or religion. Quite often it is also observed that the people are clubbed in a group due to their link with an influential network (see Pérez-González (2006), Kramarz and Skans (2007), Bennedsen et al. (2007), Bandiera et al. (2009)) or their association with big brand names as well.

referred as in-group favouritism. Tajfel et al., 1971, Turner et al., 1979, Bramoullé and Goyal, 2009 and Breuer et al., 2011 also assert that favouritism is relatively easier to sustain in smaller groups within an organization. Our paper also contributes to the positive view of favouritism as it intends to explain the economic rational of individuals in choosing the preferred person over the deserving one, sometimes in spite of knowing that it leads to inefficiency.

There are a few experimental research works exhibiting the existence of favouritism in different economic situations. Goeree et al. (2010) find that offers in a dictator game among teenagers are mainly driven by social distance between the dictator and receiver. Similar results are found for college students by Mobius et al. (2004) and Branas-Garza et al. (2006). Through a field experiment Bandiera et al. (2009) have shown that preferential treatment of friends is prevalent by managers towards workers in a fruit picking firm. Belot and Ven (2011) show the evidence of favouritism in an experimental set up with school children. This paper contributes to the existing literature by focussing on favouritism in the job market through a controlled laboratory experiment.

Though this paper essentially identifies the reasons for choosing favouritism over fairness, alongside we try to understand a situational phenomena, defined as '*random favouritism*'⁴ When the principal adopts a relatively fair assessment rule (and/or to reduce search cost), she selects an agent randomly from her peer group of agents, which we define as random favouritism. This paper intends to provide the underlying micro- economic foundation behind the decision of preferring an agent randomly out of the homogenous 'yet favoured' pool of agents even when they have the option of offering the job to their preferred person (referred to as direct favouritism). Further, to motivate the concept of 'random favouritism' we can cite a close example. Suppose that head of the human resource department of an MNC is an alumnus of an educational institution 'X' (say). It is often observed that to increase the brand value of her own institution, which (indirectly) increases her own value⁵, students are recruited from the campus of institution 'X' (which is her favoured group, in this example). It is also observed that though the students are made to go through a very nominal screening, they are recruited almost

⁴ see Dey and Banerjee (2013)

⁵ This may invite the recruiter with the opportunity of associating with academic as well as non- academic activities of the institution (say, invitation for a special lecture, chairing a session at a conference, holding an important position in the alumni association, etc.) and hence generating a feeling of 'warm glow'.

randomly; the assumption here being that the ability of students is identical, as they come from the same institute (favoured group). This can be referred to as ‘random favouritism’.

We lay down the basic objectives of this paper in three parts. First, we try to analyse the human response towards favouritism under three different situations: i. natural inclination, ii. when linked with own incentives, iii. when there is complete information regarding the competence of the chosen person. Specifically, we try to find out the existence of three specific (sometimes overlapping) behaviour of human nature, viz.; fairness, random favouritism and favouritism. Secondly, we also analyze how instrumental is the role of favoured group size and perceived valuation for social status in influencing the decision of subjects towards favouritism. Finally, we study the socioeconomic factors that determine the emergence of favouritism. Our paper suggests that there exist substantial evidence (41.67 % to 71.66 % depending on the treatment) of people being inclined towards favouritism in their final decision in our control experiment. Together with that we find that there is significant existence of random favouritism (10% to 48.33% depending on the treatment) even when the subjects had an option of exercising direct form of favouritism. Also, the experiment predicts that larger is the group size higher will be the favouritism which contradicts the predictions in the existing literature on favouritism and group size⁶. We find that subjects’ choice of random favouritism increase with the increase in favoured group size. The socioeconomic factors behind the existence of favouritism such as family structure, family occupation and social connections (both virtual and otherwise), caste, political connection play a significant role in determining the optimal decision on favouritism.

The present paper is organized as follows. The experimental design is described in section 2. Section 3 explains the analysis of experimental result in a discussion. The concluding remarks and possible future works are presented in section 4.

2. The Experiment

2.1 Design

The experiment has been conducted in Jadavpur University, Kolkata, India. In the experiment, for each session, students from the same class (stream) were asked to come to participate in the

⁶ see Tajfel et al. (1971), Turner et al. (1979)). Bramoullé and Goyal (2009) and Breuer et al. (2011)

game together so that all the subjects in a session knew each other well. Each session had twenty subjects and there were twelve sessions. Each experimental session took approximately 40 minutes.

The prime objective of the experiment was to understand subjects' inclination towards favouritism and the factors determining it. Therefore, in the experimental design we needed to ensure that the subjects know each other at a personal level, so that if they choose favouritism they actually know whom she is favouring. The subjects were asked to take decisions in stages, each stage reflecting a different situation. For all the decisions taken in this part of the game, payments were made. Since, the game involved revealing decisions on fairness versus different kinds of favouritism we had to ensure that the identity of the subjects is not disclosed. Thus, to maintain anonymity, the subjects were requested to pick a token from an urn which consisted of tokens numbering 1 to 20, at the very beginning of the second part of the experiment. They were asked to write their names and corresponding token numbers on a board and all the subjects were instructed to make a note of the same on a piece of paper and keep it with themselves. After that one of the subjects were requested to wipe off the board. All these activities took place without the presence of the experimenter inside the room. This ensured complete non-disclosure of their true identity throughout the experiment. The subjects were informed that the token numbers were their identity for the rest of the game.

Next, all the subjects were instructed to write their token number and then define a group of three (or six, depending on the treatment) close friends out of the twenty subjects in a piece of paper, with a carbon copy⁷, provided by the experimenter. Also, the subjects were asked to rank their friends from the defined group on the basis of their degree of personal association. The carbon copy of the paper was collected in an envelope.

Now, they were informed that, each of the subjects would be designated as a principal (recruiter) whose job would be to select one subject from the rest of the nineteen subjects, who acts as agents (potential job applicants) in the game. In this experiment, all the subjects performed as the principal at a single time point.

They were also informed that the principal can choose a person from the rest of the nineteen subjects in the following three ways: a) choose the most efficient one out of the nineteen subjects (efficiency would be measured through a game, which would be explained

⁷ This prevented the subjects from changing their decision, when the game unfolded.

below) or, b) choose any one randomly from her own group or, c) select the most preferred agent from the group (the friend who is ranked first in the group). They were assured that their decision choice would not be disclosed at any level of the game and hence were asked to reveal their decision. The reasons behind their decision were also specified by the subjects from the list of reasons given out in a piece of paper. For taking this decision they were paid a flat payment of Rs.50. This decision helped in understanding the subjects' behavioural nature and also their inclination towards favouritism as it is not influenced by any extrinsic incentives.

Now, the payment structure corresponding to the three different ways of selection were explained to the subjects, which are laid down as follows:

a) *For choosing the most efficient one out of the nineteen subjects:*

For this decision choice the subjects will secure their respective efficient payment (which they will generate from the game that will be explained later) which is termed as score payment in the rest of the paper. The efficiency score helped the subjects in securing a position/ rank among all the subjects participating in each session. Therefore, an equivalent payment is also given as social status. Since the subjects are taking the most efficient and unbiased decision the experimenter provided her with an additional payment of $0.5 \times$ score payment as a premium for honestly.

b) *For choosing any one randomly from their respective group:*

For choosing someone randomly the subjects were asked to transfer a portion ($\alpha \in [0,1]$) from their score earning to the randomly chosen person from her group. The experimenter would make that transferred payment twice ($2 \times \alpha \times$ score payment). A portion of this amount ($\lambda \in [0,1]$) could be returned back to the principal from that randomly chosen person. Since the principal is involved in a form of favouritism, therefore she loses a portion of her social status. Here we consider that loss to be of the fixed amount of 30%.

c) *For selecting the most preferred agent from the group (the friend who is ranked first in the group):*

For choosing the most preferred one the subjects were asked to transfer a portion ($\alpha \in [0,1]$) from their score earning to the most preferred person from her group. The experimenter made that transferred amount thrice ($3 \times \alpha \times$ score payment). A portion of this amount ($\lambda \in [0,1]$) could be returned back to the principal from that most preferred person. Since the principal is involved in a direct form of favouritism, therefore she suffers

from a proportionate loss of her social status. We measure the degree of unfair practice by $\frac{\text{Highest score} - \text{score of the most preferred person}}{\text{Highest score}}$. Higher value of this ratio indicates that the chosen person is more undeserving. Thus, the principal's social status was affected proportionately with this degree of unfair practice. Hence, by choosing a more undeserving person the principal deflated her social status more.

They were also asked to mention the amount of their earnings that they would like to share, if they prefer someone randomly or select the most preferred subject in a group.. At the same time, they were asked to reveal the amount they expect to get back for both the decision choices.

Given this situation the subjects are requested to reveal their decision. It is assured that the decision of the principal will not be disclosed. The principal was expected to specify the reason behind her choice of selection, from the reasons given in the paper.

After completing the role of principal, the subjects were asked to play the role of agents. As agents, all the subjects were asked to answer a set of ten questions in 2 minutes. Then the payoff structure of agents (details in section 2.2) was also declared. Their payment was made according to the number of correct answers given by them. For each correct answer they were paid Rs. 10. While their efficiency scores were computed, the subjects were asked to imagine themselves as the favoured person of one of the principals. Then each subject was requested to write the amount of money she would like to return to the principal, if she is chosen directly or randomly. The subjects were also asked to complete a small questionnaire to understand their socio-economic factors. Once the scores were generated it was displayed on the board corresponding to their token numbers.

Now again, the role of the subjects were reversed. They were instructed to act in the role of principal once more and mention in a new piece of paper, whether she would stick to or change her initial decision of the selection. If they decide to alter their decision then they were requested to identify the reasons behind their action, from the specified set of reasons given in the paper. At the end of the game the payment of the subjects was computed and paid out corresponding to their token number.

2.2 Payoff:

In this experiment all the subjects perform two roles: as a principal as well as an agent. For taking the initial decision choice the principal is offered a flat payment of Rs. 50. Thereafter, the payoff structure of the principal and the agent is different. The score of the game determines the level of efficiency of the subjects. All the subjects were offered a payment according to the efficiency score and decisions taken by her as well as her chosen friend. The efficiency is measured by the number of correct answers in the quiz. The payment accruing from the efficiency game is Rs. 10 for every correct answer. This part of her income is her score payment. Her level of efficiency generates a sense of social status in her. Therefore, together with this score payment, an equal amount of money (depending on treatment) was given out to the subjects as social status. The subjects were also offered payment for taking decision as a principal. The principal's payment structure corresponding to the three different ways of selection are as follows:

(a) For choosing the most efficient person out of the nineteen subjects:

Payoff = Score payment + social status + premium for being an efficient decision maker (=0.5× score payment).

(b) For choosing any one randomly from own group:

$$\text{Payoff} = (1 - \alpha) \times \text{Score payment} + \lambda \times (2 \times \alpha \times \text{score payment}) \\ - 30\% \text{ of social status.}$$

(c) For selecting the most preferred agent from the group (the friend who is ranked first in the group).

$$\text{Payoff} = (1 - \alpha) \times \text{Score payment} + \lambda \times (3 \times \alpha \times \text{score payment}) \\ - \left(\frac{\text{Highest score} - \text{score of the most preferred person}}{\text{Highest score}} \times 100 \right) \times \text{social status.}$$

This is the earning that the subjects can earn as a principal. The agent's payment structure corresponding to the three different ways of selection were as follows:

(1) For being chosen as the most efficient one out of the nineteen subjects:

$$\text{Payoff} = \text{Score payment}$$

(2) For being chosen randomly from own group:

$$\text{Payoff} = \alpha \times \text{Score payment} + (1 - \lambda) \times (2 \times \alpha \times \text{score payment})$$

(3) For being chosen as the most preferred agent from the group (the friend who is ranked first in the group).

$$\text{Payoff} = \alpha \times \text{Score payment} + (1 - \lambda) \times (3 \times \alpha \times \text{score payment}).$$

The table below provides the total payment structure for all possible combination of outcome.

Table 1: Payoff Structure

Role of the subject	Fixed payment	Decision Choice		
		Most efficient one	Any one randomly	Most preferred one
Principal	50	(a)	(b)	(c)
Agent		(1)	(2)	(3)

2.3 Treatment:

In this paper we intend to investigate human response on favouritism under different situations. For that, we consider two main arguments: change in social status and change in group size. We find in the existing literature that the group size plays a pivotal role in understanding favouritism. It has been identified that larger the group size more difficult it is to sustain favouritism (Bramoullé and Goyal, 2009 and Breuer et al., 2011). To investigate this in our experimental set-up we incorporate group –size as a treatment. To analyse how the principal’s decision on favouritism is affected with respect to change in group size, we consider two group sizes viz. a) group of 3 close friends, b) group of 6 close friends. It is widely studied in psychology, for instance, Pinel (1999), Crocker and Major(1989) among others establishing that people are conscious about how society perceives one’s own character. When the valuation of a person’s own social status is high then one might want to secure it more or may be reluctant to lose a part of it. To analyze this human behaviour we introduced the change in social status of the subjects as a treatment in the experimental design. We consider two levels of social status, which is generated as follows: a) by taking subjects’ individual score payment, b) by taking half of the subjects’ individual score payment.

Thus, across the sessions there were two treatments. Details of the treatments are as follows:

Table 2: Treatment

Treatment. no.	Session	Treatment Across Sessions	
		Group Size	Social Status
1	1-3	3	0.5
2	4-6	3	1
3	7-9	6	0.5
4	10-12	6	1

3. Results and Discussion:

3.1 Existence of Favouritism:

Table 3 provides summary statistics regarding the sample distribution across treatments regarding the decisions made by the subjects. It shows the treatment wise decisions taken, in percentage. In the experiment 240 subjects had participated, out of which 125(52%) were male and rest (48%) were female and all were within the age group of 18-22 years. In the table below, decision 1 represents the natural inclination of the subjects towards choosing their best strategy to recruit an agent. Decision 2 was made after linking the payoff of the subjects with their decision, hence indicating a decision which is incentive- driven. The final decision was made after revelation of the individual efficiency score. Therefore, decision 3 represented the choice of action taken under complete information. Thus, in each session there had been injection of information in two stages, which are the treatments within the session. The changes in valuation of status and group size are the treatments which are the being captured across different sessions.

Table 3: Effect of treatment

Decision	Preference	Treatment_1	Treatment_2	Treatment_3	Treatment_4
		Gr Size=3 SS=0.5	Gr Size=3 SS=1	Gr Size=6 SS=0.5	Gr Size=6 SS=1
Decision_1	Efficient	51.67	38.33	58.33	41.67
	Random	11.67	8.33	23.33	28.33
	Most Preferred	36.67	53.33	18.33	30.00
Decision_2	Efficient	75.00	31.67	51.67	40.00
	Random	5.00	13.33	25.00	26.67
	Most Preferred	20.00	55.00	23.33	33.33
Decision_3	Efficient	58.33	35.00	28.33	40.00
	Random	10.00	16.67	48.33	28.33
	Most Preferred	31.67	48.33	23.33	31.67

From table 3 we can show that on an average 53.9% subjects would choose some form of favouritism over ‘efficient’ decision choice, considering all the twelve sessions. We can also observe that percentage of ‘efficient’ decisions falls, whereas percentage of “most preferred” decisions rise for treatment 2 as compared with treatment 1. So, when the group size is small and valuation of status is high, then individuals are ready to forego a part of their status to select a person of her choice. One more interesting situation emerges from this table: when the size of the favoured group is large and valuation of status is low (treatment 3) then random favouritism (48.33%) rules over all other decision choices. As the group size increases, it becomes difficult/costly for the subject to evaluate the performance of each one from the group and she might risk more considering the future dynamics of their relationship (both within and outside the experiment). Moreover, as the valuation of status is already low, therefore the penalty of losing status does not restrict individuals from preferring one from the group randomly.

3.2 Effect of Group Size and Social Status:

We also intend to look into the effect of the injection of the two ‘within session’ treatments. Put differently, we try to identify whether there is any significant change in the choice of action taken by the subjects which is being induced due to a) linking their payoffs with their decision and/or b) providing complete information. We perform Wilcoxon signed rank test⁸ to determine the decisions made at different levels of the experimental session are significantly different or not.

Table 4: Effect of within session treatment

Test	Decision_1 and Decision_2	Decision_2 and Decision_3
Wilcoxon Indication	X	*

***/**/* denotes significance difference at 1/5/10 percent level. X indicates no significant change in decision

Table 4 shows that the change from Decision 1 to Decision 2 is not significantly different, indicating that the decision taken by the subjects is more intrinsically driven. Hence, the effect of incentivizing (linking decisions with money payment) does not affect the decision choice significantly. However, we observe the change in decision choice from Decision 2 to 3 is significant at 10% level of significance, indicating that the information about the true performance of the subjects influences the decision choice of the individuals.

We can also analyze whether the change in group size or status bring about a significant change in the decision taken by the subjects or not. To identify the effect of change in group size on the change in decisions, we have to control for change in status, which can be ensured by comparing the changes between treatment 1 and 3 and then by comparing between treatment 2 and 4. By controlling for the change in status, we find that the change in decision choice across the sessions is significantly affected by change in group size (see table 5). When the group size is small (=3) then due to change in valuation of status, the change in decision is significant, however, with the increase in group size, the change in status value does not have any significant effect on the change in decision choice, which helps to conclude that group effect is more strong than effect of status.

⁸ The Wilcoxon signed-rank test is a non-parametric statistical hypothesis test used for comparing two related samples or repeated measurements on a single sample to assess whether their population mean ranks differ. In other words it is a form of paired difference test. It can be used as an alternative to the paired Student's t-test, *t*-test for dependent samples when the population cannot be assumed to be normally distributed.

Table 5: Effect of treatment across sessions

		Change in Decision_1	Change in Decision_2	Change in Decision_3
Group Effect	T_1 and T_3	*	**	*
	T_2 and T_4	*	*	*
SS Effect	T_1 and T_2	*	***	***
	T_3 and T_4	**	X	X

***/**/* denotes significance difference at 1/5/10 percent level. X indicates no significant change in decision

3.3: Socio Economic Factor behind Favoritism:

Table 5, gives us the factors influencing the decision taking. To analyze the factors determining the decision taking, we perform logit regression on the following regression equations

$$D_i = \alpha + \beta_1 S + \beta_2 F + \beta_3 Sb + \beta_4 Fo + \beta_5 C + \beta_6 R + \beta_7 Pol + \beta_8 Fb + \beta_9 Cl + \beta_{10} Ph + \beta_{11} Res + \beta_{12} G + \beta_{13} St + \beta_{14} Exp R + \epsilon \quad (1)$$

where, $i = 1,2,3$.

Here, the dependent variable is transformed into a binary variable, where $D_i = 1$, indicates that the decision involves favouritism (may be random or direct, clubbed together), and $D_i = 0$ indicates fair decision. Among the independent variables Sex (S), Family Structure (F), Family Occupation (Fo), Cast (C), Religion (R), Political connection (Pol), Residence (Res), Group Size (G) and Status (St) are binary variable. Sibling (Sb), Social media (Fb) and Expected return (Exp) are non-binary variables.

Though we have run the logit regression over the decisions taken over 3 different stages, however from the perspective of analysis, the factors influencing the final decision, i.e., decision 3 carries more relevance. Thus, the explanation would mostly highlight decision 3. Since, it is a logit regression the values given within the cell of the table indicates the marginal value, the coefficient value is given within the parentheses for each cell.

We find that gender is significant (at 1%), indicating that male are more prone to indulge in favouritism. However when we consider the subjects' intrinsic behavioural response then we observe that gender does not play any significant role. Family structure and family occupation also stands out as significant determining variables, when we consider decision 2 and 3, reflecting that if subjects belong to a joint family then they tend to deviate more from fairness. The occupational structure of family show negative significance, implying that if the subject belonged from a business family then they exhibit their preference more. In line with the studies like Karla and Pandey(2004) our paper re-enforces that caste play a significantly vital role in favouritism. Community feeling leading to in-group favouritism plays a pivotal role amongst minority/ SC/ST/OBC community. Yet again, the finding of the paper asserts the fact that political connection does significantly motivate in taking inefficient decisions. Interestingly, we also find that more the subjects are socially connected both through virtual (number of friends in Facebook and monthly phone bill) and real space (membership with Clubs and NGOs) more we find in-group favouritism. The treatment induced in the experiment, viz. group size, features as a significant determinant of favouritism. Thus, when the group size increases as compared to the population size (which is 20 per session), then it strengthens the group feeling and favouritism emergence as an outcome. However the change in status does not affect the final decision taking significantly indicating that: the subjects who intend to involve in favouritism do not care about their loss of face.

Table 4: Factors influencing the decision choice

Independent Variable	Decision_1 (Preference=1, Efficient=0)	Decision_2 (Preference=1, Efficient=0)	Decision_3 (Preference=1, Efficient=0)
Sex (M=1,F=0)	0.0552 (0.0789)	0.2100*** (0.0789)	0.2271*** (0.0754)
Family Structure (Joint=1,Nuclear=0)	0.0367 (0.0859)	0.2034** (0.0870)	0.1627** (0.0785)
Sibling	0.0057 (0.0381)	0.0316 (0.0415)	0.0080 (0.0394)
Family Occupation (job=1,business=0)	-0.0051 (0.0859)	-0.1901** (0.0858)	-0.1500* (0.0801)
Residence (PG/hostel/mess=1,home=0)	-0.1426* (0.0778)	0.0975 (0.0823)	0.0485 (0.0778)
Cast (General=1,Otherwise=0)	-0.2263** (0.0949)	-0.2431** (0.1042)	-0.1717** (0.0892)
Religion	0.2700**	0.0714	0.1901

(Hindu=1, Non-hindu=0)	(0.1076)	(0.1324)	(0.1309)
Political Connection (Yes=1, No=0)	0.2830*** (0.0826)	0.2662*** (0.0940)	0.2104** (0.0853)
Virtual Social Network	0.0007*** (0.0003)	0.0007** (0.0003)	0.0009*** (0.0003)
Club/NGO member (Yes=1, No=0)	0.1264* (0.0747)	0.0902 (0.0820)	0.1713** (0.0742)
Phone Expenditure	-0.0002 (0.0003)	-0.0003 (0.0003)	0.0005* (0.0003)
Group Size (size 6=1, size 3=0)	-0.0306 (0.0806)	0.0352 (0.0892)	0.2183*** (0.0808)
Status (Status 1=1, Status .5=0)	0.1038 (0.0763)	0.2018*** (0.0801)	-0.0898 (0.0784)
Expected Return	0.0026 (0.0022)	0.0031 (0.0024)	-0.0022 (0.0022)
Chi ²	48.67	87.71	87.32
Pseudo R ²	0.1465	0.2636	0.2696
N	240	240	240

Standard errors are in parentheses. ***/**/* denotes significance at 1/5/10 percent level

4. Conclusion

Favouritism is a persistent problem within organizations and elsewhere⁹. The existence and prevalence of favouritism in spite of its undesirable consequences draws attention for the exploration of its origin. Alternately, the emerging literature on positive view of favouritism¹⁰ tries to explain the reason for existence of favouritism and finds that directly favouring an agent over others (more deserving ones) can actually evolve as an optimal decision to the manager. This paper also contributes to this positive view of favouritism by explaining the underlying reasons behind choosing the preferred one over the deserving one in spite of knowing that it may lead to inefficiency.

Due to the practical difficulty of gathering information on an individual's performance together with their social link-ups, there are hardly any empirical evidence on favouritism. Though there exists experimental studies on favouritism, there are not enough studies regarding job market favouritism. In this paper, we resort to a laboratory experiment, which was conducted

⁹ See Kaufmann 2004, Khatri et al. 2006; Tanzi 1995, Comerford (2002), Albright and Carr (1997) among others.

¹⁰ Belot and van de Ven, 2011, Prendergast and Topel (1996), Kwon (2006), (Chen, 2010).

among the students of Jadavpur University, Kolkata, India, to imitate the real job market situation. They were put into a situation where they had the power of offering a job to someone in his/her company, where they were asked to express their choice on the basis of their personal preference or otherwise. Put differently, this paper contributes to the existing literature by focussing on favouritism in job market through a controlled laboratory experiment to suggest that there exist substantial evidence (41.67 % to 71.66 % depending on the treatment) of people being inclined towards favouritism. Though this paper broadly focuses on understanding the reasons for choosing favouritism over fairness, we also try to specifically study the rationality behind prevalence of '*random favouritism*'.¹¹ By random favouritism we mean a situation when the principal selects an agent randomly from her peer group of agents. It is shown that there is significant existence of random favouritism (10% to 48.33% depending on the treatment) even when the subjects had an option of choosing the direct form of favouritism. We also find that with the increase in favoured group size subjects' choice for random favouritism increases¹². The paper throws some light in analyzing the socioeconomic factors which may drive the existence of favouritism. It suggests that factors like family structure, family occupation and social connections (both virtual and otherwise), caste, political connection play a significant role in determining the optimal decision of favouritism.

Generally, an individual involved in practicing favouritism expects something in return from the favoured one. However, expectation may not often be explicit and the favoured one may not return even the due gratitude (which one often expects) in future. Therefore, it indicates that favouritism emerges on the basis of some expected returns. Thus we analyze what factors determine the expectation formation for the degree of return from the favoured person, which motivate the optimal decision on favouritism. These are a few issues which are intended to be addressed in the future.

¹¹ see Dey and Banerjee (2013)

¹² Tajfel et al. (1971), Turner et al. (1979). Bramoullé and Goyal (2009) and Breuer et al. (2011) suggest that it is easier to involve in favouritism within a small group size.

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