"Nepo Babies" Beyond Hollywood: 4 Tips for Managing Nepotism in the Workplace

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Famous parents often smooth the road to stardom for their children — even when their kids have earned a place in Hollywood through talent and hard work. After all, getting an audition is easier for the aspiring actor whose mom knows the casting director. Indeed, most parents want their children to succeed. Even beyond teaching values like hard work and resiliency, parents will often give their children an academic and occupational boost when possible. And while last night's Academy Awards audience was filled with recognizable legacies, it works the same way outside of Hollywood: lining up an interview is easier for the applicant whose parent knows — or is — the hiring manager. Of course, making career connections through networking is generally a positive thing — but feelings of resentment toward so-called "nepo babies" can be harmful to the people who are given the label as well as their co-workers who perceive them as "getting a break." So, even if your workplace is a world away from the glamour of the silver screen, these issues could be percolating in your organization. What four steps can you take to help your business develop strong policies and combat resentment based on nepotism?

1. Set Parameters

While there's nothing inherently wrong with hiring friends and family, nepotism in the workplace is about more than simply hiring relatives: it generally occurs when an executive or manager shows ***favoritism*** toward family – and friends – over other candidates or employees.

Perhaps the marketing director's daughter was selected to cover a coveted conference in Hawaii. Or maybe the CFO's golf buddy was picked for a promotion over a more-qualified worker who doesn't partake in the sport.

This seems unfair, but is it illegal? Probably not. While some states have broad conflict-of-interest laws that may apply to nepotism in certain situations — or specific laws that limit public officials from hiring relatives — such favoritism isn't generally illegal in the private sector … at least not on its own (more on that below). But that doesn't mean you should let nepotism run rampant in your organization.

Developing clear policies can help you set healthy boundaries, build trust, increase employee morale, and limit legal risks. The details of your policy will depend on many factors, such as your business size, industry, philosophy, and culture. After all, by its very definition, a small family-owned business will approach this differently than a large corporation.

But you should consider the following questions as you write your policy:

- Will you have a strict “no hiring relatives” policy, or will you limit the ban to workers in the same department or with reporting relationships and in lines of authority?
- Will hiring relatives be completely off-limits for specific roles or departments? For example, you may not want to hire relatives of ***any*** HR employee regardless of their supervisory responsibilities if everyone in the department has access to confidential employment information and assists managers with hiring, promotion, discipline, and termination decisions. But this will depend on your organization’s structure.
- How will you define the relationships that are limited by the policy? For example, will “relative” include parents, grandparents, children, grandchildren, spouses, and siblings? Or will the coverage be broader to include more familial and non-familial relationships?
- Does your state prohibit employment discrimination based on marital status? While this may not necessarily impact your anti-nepotism rules, you’ll want to carefully craft the policy to ensure you don’t unintentionally run afoul of state law.
- Will you have a process for disclosing employment of relatives or certifying that new hires do not have any known relatives already employed by the organization?
- How will you notify employees and train managers on the policy to ensure it is consistently applied?
- What will be the consequences for failing to comply with the policy? Will you require a department transfer or supervisory change? Whatever you choose, you should apply the policy consistently. And you should consult your attorney before deciding to discipline or fire one or both employees for violating the policy.

2. Beware of Perceived Discrimination

Even if nepotism isn’t necessarily illegal, employers should note that perceived discrimination can impact employee morale and lead to legal claims. For example, consider the marketing manager who selected her daughter for the coveted assignment in Hawaii. Is it commonplace for managers and executives at the company to hire their children when they graduate from college? Are qualified older workers with significantly more experience being passed up as a result?

The Age Discrimination in Employment Act (ADEA) prohibits private employers with at least 20 employees (and public-sector employers of all sizes) from discriminating against workers aged 40 years and older ***on the basis of*** age.

While the company’s decisions may not be ***based on*** age in this scenario, workers could perceive it that way. You should note that the ADEA isn't limited to hiring and firing decisions. Rather, it applies to "any term, condition, or privilege of employment, including hiring, firing, promotion, layoff, compensation, benefits, job assignments, and training," according to the Equal Employment Opportunity Commission (EEOC).

Likewise, Title VII of the Civil Rights Act of 1964 prohibits employers with at least 15 employees from discriminating based on race, color, national origin, religion, and sex (including pregnancy, sexual orientation, and gender identity).

So, the CFO who picked his golf buddy for a promotion runs the risk of a discrimination claim, especially if he typically shows an employment preference for his friends from the course. Many women enjoy golfing, too, but what if the CFO's golf group consists of only men? A qualified female employee may claim she was consistently passed up for promotions on the basis of sex in violation of Title VII.

Thus, employers need to consider the ***disparate impact*** of their employment decisions. Employees may bring a disparate impact claim when a practice that seems neutral on the surface actually has a disproportionate impact on a protected class. So, for example, a CEO who hires many family members could face a disparate impact claim based on race or national origin, if those relatives share the same ethnicity.

How can you avoid disparate impact claims? In addition to setting clear parameters and objective standards for employment decisions, consider working with experienced legal counsel to conduct an equity audit to identify and address potential disparities in your workforce.

3. Develop Clear Performance Metrics

The best way to avoid perceptions of favoritism is to set clearly defined expectations for your employees, let them know how they will be evaluated, and give them regular performance feedback.

If an employee wasn't selected for a transfer, promotion, or exciting job assignment, let them know why — and be sure to base those decisions on objective criteria. Also, be sure to make opportunities available to all eligible employees. Maybe the director's daughter gets to go to Hawaii this year, but another star performer is selected to attend the conference next year (or another exciting opportunity this year).

Moreover, don't forget to recognize and reward employees when they meet or exceed performance goals. This can go a long way in making employees feel valued and may ease their concerns about the potential for favoritism when their co-worker is the boss's daughter.

4. Be Consistent and Fair to All Employees

Whether you decide to allow, limit, or altogether bar employees from hiring relatives or friends, the key to promoting a positive workplace culture is setting clear and consistent expectations and treating all workers fairly.

Along with developing measurable performance objectives, you should ensure that you are holding all workers accountable regardless of their relationship with other employees or senior managers and company leaders. Remember, this works both ways. Don't give employees with family relationships an unfair advantage over others — and don't be harder on them just to make a point.

Transparency is also key. Employee morale will likely be higher when workers know why certain decision were made, what is expected of them, and how everyone can work together successfully to meet their goals.

Conclusion

We will continue to monitor the latest trends that impact the workplace. Make sure you are subscribed to Fisher Phillips' Insight System to get the most up-to-date information. For further information, contact the authors of this Insight or your Fisher Phillips attorney.

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