



Episode 817: Death by HR: How Affirmative Action Cripples Organizations

Guest: Jeb Kinnison

WOODS: That is such a great title, *Death by HR*. How can you not love that? That's beautiful, beautiful. If you thought that up yourself then you are absolutely top notch. That's the kind of title the publisher would recommend to me, and I would after the fact know it was good, but I would never have been able to come up with it, so good for you.

KINNISON: Well, I was worried that it might be too extreme or push the point too hard, but it turns out there's widespread resentment against HR departments throughout our society. Essentially anyone who tries to get something done inside a company and runs into HR as a roadblock resents the way that they have power over their activities.

WOODS: Let's start right from the beginning how it is that somebody like you who's not in HR would be so interested in it. There's a particular episode in your life that occurred that got you thinking, and I think we ought to start there.

KINNISON: Okay. I was going for a mortgage a few years ago; it was about 2012. And of course the entire industry had been bombed out by the 2008 recession and the prime mortgages problem and all of that. So talking to Chase Bank, one of the biggest banks that does mortgages, I had a friend who I thought would be helpful in getting me a mortgage. And it turned out to be the worst possible decision, because they were unable to deal with the situation except for their mainstream clients.

So I ended up getting the mortgage finally after a great deal of work, going to different parts of the country to talk to the branches that were dealing with it because they had scattered it throughout the country. So I had to get on the phone many times with many different people to get the mortgage to actually happen. And I finally ended up with the executive ombudsman's office, essentially, helping me to get it to happen, and it finally did happen.

After all of that, several days after the mortgage had closed, I got a letter asking me to prove that a property was insured. Again, it had just been proved. It had just been sold to Fannie Mae. Fannie Mae had accepted it. There was no point to providing additional proof, but their process required that. So I ended up in a meeting with the ombudsman and a vice president in their servicing division, who is a woman with a sort of uncultured accent, who refused to take a position on whether anything made sense or was logical or not. She said, That's the way we do it, and I'm sorry that you're upset,

but you're going to have to provide proof or we can't continue to deal with your mortgage. We'll have insurance produced for you. You'll have to pay for it. It'll cost three or four times as much. And I said, What? I have to jump through this hoop after I've jumped through so many hoops?

And it turned out this was evidence of what I'd already observed in other large bureaucracies: that people had been moved to positions beyond their level of competence. She was not able to understand the reason for any of the rules or to waive them under obviously different circumstances where they didn't apply.

WOODS: Or even to acknowledge with you on a human level that something is screwy here.

KINNISON: Right. Normally when you're talking to someone like this, they'll say, I know this doesn't make sense.

WOODS: Right. That's all I'm looking for.

KINNISON: (laughing) And she wouldn't do that. And I thought that's really odd. And I'd seen this kind of behavior from other bureaucrats before. A thoughtful bureaucrat understands that their rules are not perfect and there are reasons why they would want to get around them once in a while. She was not thoughtful at all. And how did she get to this position where she could essentially insult a customer, tell the customer they had no reason to feel the way they felt, and attempt to get the customer to do exactly what she said, almost like a government would? And it occurred to me that the banking industry wasn't really a private industry anymore; it was a government-run, regulated entity that served only the masters in government and not their customers anymore.

So I wanted to investigate why that was the case and how that had happened. And of course I'd seen HR activities for many years, and like everyone else in Silicon Valley, thought that they were kind of useless people who were getting in the way most of the time. But how did it happen that they ended up that way? So I started to investigate and looked through the history of it, and there's an overall pattern which you begin to see after a while: that HR people are implementing government regulations protecting the enterprise, but they start to act for the government inside companies, promoting the government's line on every issue. Instead of protecting the company, they force the company to toe the government line.

WOODS: Yeah, now that's what I want to talk about. So first of all, you go into the origins of HR — if I'm remembering correctly — First of all, it sounds like something that would go back in at least its basics to the Progressive Era, the idea that we're going to scientifically manage different aspects of society, including hiring. But the really important thing about HR is how it's come to adopt what I think you've called a social work model. You could imagine HR being all about trying to bring people into the firm who are going to maximize value for the firm, be a good fit for the internal culture of the firm, and just work out, be somebody that people could stand to have as a colleague for 30 years. All these factors would come together, and you'd get your ideal candidate. Instead that doesn't seem to be exactly what HR people are being trained to look for.

KINNISON: That's right, and there are now programs in HR specifically, so you get many young people who have never worked a job in their life really that had to do with producing anything, going through college and taking an HR program to be certified as an HR professional. And what they're trained on is essentially labor law, progressive ideals of how labor should be treated, minimum wages are all good things. They don't understand accounting, business, profits, creativity, growth. The things that make the business work, that make it successful are not part of their curriculum.

And they come out thinking in terms of uplifting the social views of their fellow employees and making it a happy workplace where everyone respects each other, which is not necessarily what you want in your workplace. If you're trying to solve new and different problems, you need a diversity of thought. You need people contending over what the right thing to do is, so they'll explore the problem space and discover the new ways of doing things that will make the business successful. If everyone is trained to be nice to each other and constantly agree and see anything external as being dangerous, they won't take the risks necessary to do something new and to go out into the unknown. And that's one of the biggest problems that we have in technology, in Silicon Valley, with HR attitudes trying to reduce or eliminate new thinking.

WOODS: I want to talk about one of the key ingredients – not the only, but a key ingredient in what has made HR so frustrating, not only for – frustrating for everybody. Frustrating for applicants, frustrating for other employees, frustrating for people who run the firm. It's like it's become some kind of a fiefdom within the firm. In fact, let's talk about that.

KINNISON: Well, yes. The problem is you're running a big business – let's say you're a factory in the 1920s when this was becoming really a large issue, when HR was beginning to be developed to protect or defend the business against government regulations and against lawsuits from employees. You hire a group of people to try to tell your managers how to operate in a way that won't cause problems. And eventually those people do have a little fiefdom of their own. They begin to identify more with the progressives who are issuing all of the regulations and all the labor requirements and less with the success of the business.

Meanwhile, you as the executive who's trying to run the operation have put them there as a buffer, so you try to ignore them. You don't pay a lot of attention to what they tell you, because they're just there to keep other people from bothering you. And over time the uncontrolled growth of HR departments ends up creating an area within the company that has a different philosophy, has a different culture than the rest of your company. If you're not really careful in controlling that, you're going to end up with people who are anti what you want your company to do.

WOODS: So let's think about the sorts of things that an HR department might want to do that seem to them to make sense according to everything they learned in school. Of course we should want this. We should want to help uplift people, and we should want to help to bring diversity to the workforce, and this and that. And it turns out that actually in the workforce, what you want are just people who are really competent. It actually turns out that that's what you want.

KINNISON: Well, and people who are really competent respect each other, and they're not likely to look down on someone because of their color or sex as long as they're competent, they're carrying their share of the load, the job is getting done, everyone feels good about everyone else. That's great. That's not actually what happens, because the HR department has encouraged greater diversity, meaning people who weren't quite as competent are brought in instead of someone else.

And you get the phenomenon of the diversity hire: someone who is hired largely for their diversity component and not because of their competence. People start to joke about that, and after considering that someone who is a minority or a woman might be less competent simply because they are, you get a reputational issue. So everyone in the company who is a minority or a woman gets labeled, Oh, you were only hired because you're one of those. And this is a negative problem. It creates conflict in the workplace, because no longer is the standard simply being competent and carrying your own weight; it's the fact that you were a representative of a group that we decided to increase in this company.

I've read many HR people who were really proud because they forced the hiring of many more women and minorities in the company, and now the percentage is way up, and they're happy. They've converted some of the managers to see that as the right thing, because their view of employees is that they can be groomed and managed to be excellent no matter who they are. It's like No Child Left Behind applied to employment. You think the organization is so good that you can bring people in and make them creative and change their characteristics so that they will be a great part of the team.

That's not how any of this works. People do have characteristics that are difficult to change, and they can't be necessarily brought up to the standards of everyone else simply by being kind to them and promoting documentation that shows how accepting your organization is. There's a lot of cultural factors. There's a lot of ability and aptitude factors that are critical, and this progressive view that people can be groomed to be anything they want to be is simply wrong.

And we in the technology industry know that. We've tried as hard as we can to get women to program, and many good women programmers are there participating, but there's a limit. There's only so far that you can go beating the bushes for new women programmers. If you bring people in who are not capable, you're not doing them any favors. They begin to feel like they're not pulling their own weight. Other people look down on them, and eventually they give up and leave the industry. And that's happening now, because the efforts are so large that we're pulling in people who aren't all that motivated.

WOODS: Yeah, now let's talk about — I want to talk further about the racial element, particularly with regard to Silicon Valley, which you mentioned in the book.

KINNISON: Yeah.

WOODS: So there you've got a case where 30% of the people working in Silicon Valley in these tech companies are Asian — 30%, which is huge. Vastly out of proportion to

their representation in the population. About 60% white, which is I guess underrepresented, if you want to put it that way.

KINNISON: Exactly.

WOODS: So you would say, if you had no axe to grind, if you were from Mars and just looking at this dispassionately, you'd say, Wow, okay, I guess by that definition that's a reasonably diverse field. But no, you would be told no, it's not, even though it obviously is. But it's just because the groups that the pressure groups want to see in there aren't the ones in there.

Now, by the way, I could easily imagine if Asians were not represented well in Silicon Valley and Asians didn't have this model minority reputation, I could easily imagine the excuse factory jumping in to play and saying, Well, of course they're not going to do well on the West Coast with the history of discrimination and the internment camps during World War II and the segregated schools around the turn of the century. Of course they're going to do badly. But the thing is they did have all those obstacles, and they're doing great, so therefore we hear not a word about that, not a word about their struggle or their obstacles, because they overcame them. And we all know in this world nobody overcomes anything without a government program.

KINNISON: Well, it proves itself. They must have been privileged, because they did will.

WOODS: Yeah, you can't argue with these people.

KINNISON: Exactly. Well, Jesse Jackson, a good example of a pressure group politician, he comes in and says we need more representation of black people in all of your companies that are making lots of money, because we need to make money too. And in so doing he essentially extorts funding for his organizations from large businesses. And one of the responses from Silicon Valley has been to bow down and say yes, yes, we'll do everything we can. And they will appoint a vice president of diversity or a head of diversity, someone whose sole job is to get diversity up in the organization.

And of course none of this makes any sense, but the people who are running the Silicon Valley companies mostly understand that what they're actually doing is just holding these people off, deflecting and avoiding actually doing what they want while saying that they're going to do what they want. When you have an extortionist there's only a couple of ways of dealing with them: you throw them a few bones, and you do a little bit of what they're asking for, but you can't do it all; otherwise you'd be threatening your company.

The particular problem with blacks and Latinos being underrepresented in Silicon Valley has to do with their interest in the subject and their willingness to concentrate and focus on something mathematical, logical. Programming is an interesting skill, and it involves trying to block out the rest of the world while you do these logical or rational things to imagine what the computer is going to do. And this is not something that most women and minorities really feel like doing, because they're more

interested in the culture and the social world, and especially in women's case, the encouragement of nurturance and the togetherness that they enjoy. They enjoy social activities, and programming is essentially an isolating activity.

WOODS: I would be willing to bet — now, I haven't looked into any of the numbers, but I'd be willing to bet that actually by any reasonable standard, I would be willing to bet that women and blacks and Hispanics are actually, if we understand the word correctly, overrepresented in Silicon Valley, if we say we're going to measure it according to the indication of interest in the field by virtue of having a degree in the relevant subject. If instead of just looking at blacks as a group and saying, well, gee, they're 12 to 14% of the population; they ought to be 12 to 14% in Silicon Valley — well, how many of them percentage wise have degrees in anything having to do with computers? Then see how they are in Silicon Valley, and I bet it would turn out okay. That's my hypothesis.

KINNISON: I think you're probably right, and if you look at people in advanced PhD programs in the kind of subjects that end up doing technology, there are very few blacks and Latinos because they're just not that interested in the topic. But companies will end up hiring a large number of them in subsidiary functions; for example, HR. HR tends to be top-heavy with women, minorities, and people who are interested in social justice, which is part of the problem. Because they're so interested, they want to tell other people what to do.

And the Silicon Valley companies have tended to hire more of the minorities in those subsidiary areas, because they're not critical. They're not part of the flow of getting the product out, and so they can make their EEOC numbers look better by hiring additional numbers of people that they don't consider to be as critical or as important in minorities.

And this causes a cultural divide between the side of the company that is actually producing the product and the subsidiary functions like accounting and HR and some kinds of service functions. And so you see that issue between those two sides. They don't respect each other. They don't believe each other have the right attitudes toward things, and it causes problems within the organization unless the executive level is very careful to set the culture as being one of accomplishment.

WOODS: I want to return to something you said briefly about Jesse Jackson, because I — first of all, Jesse Jackson is a bit kind of passé these days, but I grew up with him. You know, in the 1980s everybody knew — and he ran for president. Everybody knew who Jesse Jackson was. And it really is true what you're saying. He goes around and shakes down companies, knowing perfectly well it is impossible for them to meet his demands. It can't be done. So therefore he makes impossible demands, knowing that he can destroy your reputation. Here we are supposedly living in a — If we really lived in a country of white privilege, any white-dominate company could tell Jesse Jackson to go jump in a lake. But they don't dare. Instead what they do is, when he says to them, "What would you like to donate to our annual banquet this year?" they make a vastly disproportionate donation to that banquet. I mean, an amount of money that makes no sense for a banquet, they go ahead and give it. I don't think — there are a lot of people — even my listeners, who are not naive. I don't think they realize this goes on. And the legal environment under which we all operate practically compels this.

KINNISON: Well, and yeah, he's paid off the Dane. The Danegeld keeps him off right now, but it keeps them alive to come back and ask for more and more and more. And we've empowered these people to take the moral high ground, so they think, and given them the resources to produce more and more of themselves. This becomes an issue, because they're basically parasites living on the hard work of others. And you want to do something to stop that without looking like the bad person. We have a problem in that the people who want to do the right thing are easily persuaded to go along with these ideas.

There's nothing wrong with diversity, per se. We want people of various characters and kinds and religions and ethnicities to all cooperate together and sing *Kum ba yah*, but doing that by group identification, by saying that these classes will get some better treatment than these other classes, is not helpful. You have people who are dark skinned who have basically been brought up in upper-middle or upper-class environments and have private educations like President Obama, and really never suffered anything in their life that would have been considered deprivation, and yet they get special treatment and are encouraged to apply to the best schools, because those schools want their colored skin.

This means that what we've tried to do, which is take people who are disadvantaged, who actually did not have the opportunity to achieve what others have had – but we think they have the potential, so we want to give them opportunity to show their potential. But when we set up these sets of rules, they tend to be gamed. So Harvard as an institution has gamed the rules so that it basically swallows a large number of the very best minority candidates, the people who have been brought up with lots of educational opportunities, who have been to Europe, who have high-level educations already. And of course those people do very well, and it's not fair to some poor white person from Appalachia who did not have these opportunities not to have the place that was taken by someone who's basically the child of African diplomats who grew up in the United States and went to private schools. Yet our system is set up that way.

No one examines it to see if affirmative action is actually doing good. It's doing more harm than good, and many of us know that, but yet it cannot be stopped, because there are too many people who depend on it to act the way that it does, and they defend it because they were beneficiaries themselves.

WOODS: I want to ask you about performance evaluations that I guess HR carries out. What's the problem here? This is not an affirmative action question. Why would people be upset about that? I mean, we all – if you feel like you're being fairly evaluated, nobody really should resent that, so what's being done wrong with that?

KINNISON: Well, who's doing the evaluation and what's the purpose. Well, the purpose is to defend the company against lawsuits, primarily. Because of that external legal environment, political environment with the labor laws and so forth, if a company fires someone there are any number of characteristics about that person that they can claim that they were being discriminated against. Their firing was immoral or incorrect, and they can file a lawsuit for hundreds of thousands of dollars against the company.

So performance evaluations is partly an effort by the company to determine who deserves to be promoted and who should go up by looking at everyone else's evaluation of them, but it's mostly about establishing a record so that you can eliminate people that you think are the worst performers without running into a lawsuit issue. So after several negative evaluations, which are done by this long and complicated process, you have a record showing that, oh, well, we decided that this is not a good employee, and so we fired them because of that, not because of their skin color or age or whatever.

The objection is primarily that it takes so much time. You've taken decisions out of the hands of managers who understand what their team members have done and can easily figure out how to reward them properly without the help of all of this performance evaluation, but because of the legal environment, all of the employees, the managers, and everyone else spend a great deal of time going through the motions of evaluating each individual employee. And then they get down to the meeting where they're deciding what to do about them. The manager essentially games the system to get what they wanted in the first place.

And so the entire exercise is a waste of everyone's time. No one enjoys it. And just like deciding on salaries every year or budgets every year, it's a huge part of a manager's job to spend this time doing performance evaluations. Companies who have experimented with eliminating them entirely and just letting the manager do what they think is right for their employees and for the company discovered that the result is just as good, and no one has to spend the time on it. And so the problem is the lawsuits.

WOODS: Right, so in fact, the real problem then behind all this is the government. It's not like this – although I have no reason to doubt that a lot of corporate CEOs do have some left-wing cultural attachments. All the same, this is not a spontaneously occurring phenomenon in the business world.

KINNISON: Right.

WOODS: Well, now look, there's got to be a way, if these HR departments are doing such a terrible job, there's got to be a way to do an end-run around them. I mean, it's your own company. If I'm running a company and I've got some department that keeps bringing me terrible candidates, isn't there some way I can disrupt this or intervene?

KINNISON: Exactly, of course there is. And the reason why it doesn't happen very often is that it's a long-term thing. The HR department is there; it exists; it does what it's doing. If you want to change it, it's going to be a lot of work. It's going to be a lot of political trouble with people within the company. And why would you do that when everything seems to be working and it's fine? Well, the answer is if you don't do it, in the long run your company will be hobbled. It's best if you start out with an HR head when you're growing as a company who has the attitude of getting the business going and reflects that in all of the people that he hires, so your HR department is not your internal enemy. That's the best thing.

But if you're coming in to a large organization and you discover that HR is about social-justice-warrior happy talk, and they're trying to make a social culture camp out of it,

you need to do something, and you do that by changing your head of HR, giving that person the mission of setting a new culture for your HR, and working hard to keep people who've been programmed by labor activists and diversity activists from being important. That of course is difficult. You'll get a bad reputation.

What was his name? T.J. Rodgers at Cypress Semiconductor is a fine example of someone in the '80s and '90s who resisted these efforts to make social justice the thing. And of course he got a reputation for it. He went really public with it. And it's one of the things you can do is to be a hard-nosed hard ass about certain things and just stick your ground and don't try to deflect and don't try to defend yourself from these accusations. Just say, "This is what it is. We're a company that's trying to make money doing great products for people. We do more good in the world by doing that than by grooming our employees and making it a great place to work that people are happy with but they don't actually work very hard." If you get that kind of reputation, you will be attracting the kind of employees that you want.

WOODS: It just seems like it's a risky prospect, because it's so unfashionable to say those things.

KINNISON: Right, and you will get into political trouble. You will be attacked externally –

WOODS: Because I want the very best people – I forget who it was, but you've got a lengthy quotation in the book from somebody who was defending his company against a group of left-wing nuns –

KINNISON: Yes.

WOODS: – who wanted more diversity. And he just eviscerated this. He said –

KINNISON: That was T.J. Rodgers. Yes, he's –

WOODS: Oh, it was the same guy? Okay, so then you picked the perfect person, because yeah, he basically said, Look, there aren't women who are trained – I mean, here are the qualifications these jobs need. He says, Now, normally this yields me a guy in his 50s who's white. Now, that's because 30 years ago we didn't have as many other people in school for these sorts of things. Maybe that'll change. The point is right now these are the cards I'm dealt.

KINNISON: Right.

WOODS: There's no other way I can remotely run this company. And moreover, given that people's retirements depends on the value of our stock, if you really tell me that you care about the welfare of human beings, I really don't believe you, because you're going to make our stock go way down, which is going to hurt the retirement portfolios of a whole lot of people.

So in effect he was basically saying, Go shut your mouths and stop talking about stuff you know nothing about.

KINNISON: Well, and like a lot of political government efforts, you can identify a small group of people who will benefit a great deal from your proposed new program, and that would be the people who've been affirmatively acted into jobs. Those nuns wanted, at a time where there were very few women in the industry at all, they wanted the board of directors to be half women.

This was basically – it was coming into play in Norway and places like that, and so they naturally were pushing for the same thing, even though there's no pipeline – as T.J. Rodgers said, maybe someday there'll be a lot of women who have the kind of experience and training and interest necessary that we could appoint them to our board, but right now that's not even possible. If I appoint a bunch of board members who don't understand my business, I'm going to hurt my business and hurt the people who invest in me and hurt everyone, including all of the employees, because we won't be doing as well, and we'll have to start laying them off.

If you try to micromanage someone else's business because you have certain social justice principles, you're actually creating great harm. You're creating a Soviet Union, where people are given jobs, they pretend to work, they pretend to be paid, they have no choice in life, because someone has decided for them almost everything that they do.

WOODS: I want to mention very quickly the points you make about, Doesn't diversity help companies and aren't there studies that show that diversity's been a net benefit, and even without looking into the details of these studies, I just knew, because I've been on this earth for 44 years and I know how these people operate, that the studies were probably very weak or didn't really show this or there were countervailing studies or the sort of people who would even do such a study would be people looking for a particular outcome. Somebody who wants to say diversity doesn't really help, where's he going to get the grant money for that study? It just has academic malpractice written all over it, because it just runs contrary to everything you would think. How could hiring somebody on a basis other than what's best for the culture of the company be best for the company?

KINNISON: Well, exactly, and this is a problem we have with social science research in general. It's funded for political reasons and done by mostly left-wing professors who want to prove certain points that will support progressive goals in the future. And it's exactly what happened with these studies. They're relatively small, they're relatively weak, they're not scientific, and they were picked up and promoted by huge numbers of people in the media, because they promote the narrative, which is what is required to get diversity to be valued above productivity and everything else.

What's interesting about that, it's like the left-wing version of truthiness or fake news. We get this throughout our society, people accepting and believing the common wisdom, which came out of what you might call cultural Marxist promotion. I mean, that's what's going on really, is that these academics and people who are not in business at all want to affect and change society in ways that they feel emotionally are important. And they do that by pretending to be scientists, by pretending to do studies, because we respect science, because the label of science and the study and academic who's neutral and all of that gives something a great deal of impetus.

The woman that I quote in the book traced the studies and how they were cited and repeated over and over and over again until they became truth, with less and less of the caveats that the original academics might have put into the study. It's now suddenly true that, well, every company does better if it has a more diverse workforce. And you will find no one who disagrees with that, or almost no one out in the business world, because it's not allowed to disagree with that position, because we have political correctness running the show.

WOODS: Yeah, and of course that would open up a whole other question. Is political correctness an outgrowth of government policy, or is it driving government policy, such that even if we got rid of the government policy we'd still have people pushing this sort of stuff? That's something to chew on. If people want to follow your work, give us the website.

KINNISON: That would be JebKinnison.com.

WOODS: All right, JebKinnison.com, going to link to that at TomWoods.com/817. And of course *Death by HR: How Affirmative Action Cripples Organizations*, that's also available – obviously you can get that on Amazon; I'm going to link to that also at TomWoods.com/817. Very interesting. You've written on such a variety of topics that when somebody sent me *Death by HR*, and then I went to look at your background I didn't believe it was the same person. And then I read your stuff, and you know, you're citing the Foundation for Economic Education and all these different sorts of places, and I thought, Well, how about that? This guy is one of us (laughing).

KINNISON: I am one of you, yes. The next book is going to be about – One of the key points of the next book is going to be about defunding all of the people who do these things, who promote this party line. They're in academia; they're in government. We all pay tax dollars. Many of those tax dollars are funneled off to propaganda to influence us to continue to vote for more people who will spend more tax dollars. And if this new administration does something to reform regulations and reduce the amount of funding that goes to places like NPR and academic studies of social science, which are almost always useless, that would be a great thing. I would totally support that, and the next book will cite many examples and try to get at the topic of people who are making money not by producing good things, but by producing ideas that promote more of themselves.

WOODS: Right, and we have quite a few of those. Jeb Kinnison, thanks so much for your time. Excellent book. I hope it does very well.

KINNISON: Thank you very much.