Summary: A firm selects applicants to hire based on hard information, such as a test result, and soft information, such as a manager’s evaluation of an interview. The contract that the firm offers to the manager can be thought of as a restriction on acceptance rates as a function of test results. I characterize optimal acceptance rate functions both when the firm knows the manager’s mix of information and biases and when the firm is uncertain. These contracts may admit a simple implementation in which the manager can accept any set of applicants with a sufficiently high average test score.

MSC:
91B41 Contract theory (moral hazard, adverse selection)
91B43 Principal-agent models

Keywords:
principal-agent contracting; delegation; hiring

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