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25 December 2010

Online at <https://mpra.ub.uni-muenchen.de/28668/>

MPRA Paper No. 28668, posted 10 Feb 2011 17:20 UTC

Social Exclusion and Jobs Reservation in India⁺

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November 2009

Abstract

This paper argues that social exclusion robs people of their "confidence" and this loss adversely affects their capacity to function effectively. We may not be able to define confidence precisely but we know it when we have it and also when we lack it. In a "just" society, no group should unfairly suffer from a "confidence deficit" or enjoy a "confidence surplus". However, affirmative action policies to boost a deprived group's employment rate suffer from several defects. In particular, they may have only a small effect (as with *Dalits* in India) when the group's educational base is low. Consequently, another prong of policy could, indeed should, focus on improving the educational standards of *Dalits*. The root of the problem of poor *Dalit* achievement lies in the many dysfunctional primary and secondary schools in the villages and towns of India. Admittedly, tackling the problem at its roots will only yield results after a long delay. Nor does the emphasis on effective learning at school carry the glamour associated with being a putative graduate of the Indian Institute of Technology, the Indian Institute of Management, or the All-India Medical Institute. But, before the vast mass of educationally and economically deprived children in India (many of whom are *Dalits*) can meaningfully enter the portals of Universities and Institutes of Higher Education they need to go to good schools.

⁺ An earlier version of this paper was prepared for the United Nations Department of Economic and Social Affairs, Division of Social Policy and Development for presentation at an Expert Group Meeting on Policies to Advance Social Integration UN Headquarters, New York, 2-4 November 2009. Comments from participants are gratefully acknowledged.

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1. Social Exclusion and Deprivation

The term "social exclusion" - meaning the process by which certain groups are unable to fully participate in the life of their communities and the consequences thereof - has, from its origins in the writings of René Lenoir (1974), spawned a vast and eclectic literature as the list of things that people might be excluded from has, like Topsy, just "grewed". Silver (1995), for example, itemises some of these: *inter alia* livelihood; secure, permanent employment; earnings; property; credit; land; housing; education, skills, and cultural capital; the welfare state. The basis on which people are excluded also comprises a long list (see DFID, 2005): age, caste, gender, disability, ethnic background, HIV status, migrant status, religion, sexual orientation. Such an uncontrolled proliferation of items has invited the inevitable criticism from some experts in poverty and development epitomised by Oysen's (1997) dismissal of social integration/exclusion as "an umbrella concept for which there is limited theoretical underpinning".

More recently, Sen (2000) attempted to inject some rigour into the concept of social exclusion. He began by observing that, in the tradition initiated by Aristotle, and continued by Adam Smith (1776), poverty should properly be viewed in terms of "poor living" rather than simply "low income". From the former perspective, poverty is a multi-dimensional concept, embracing: low income; bad, or no, employment; illiteracy or, at best, low levels of education; poor health and access to healthcare, and most generally, difficulty experienced in taking part in the life of the community.¹

Against this backdrop of a multi-dimensional view of poverty, Sen (2000) argued that the function of the concept of social exclusion was not to widen or otherwise alter our concept of poverty but, rather, to highlight the relational aspects

¹ Or, as Adam Smith put it, "an inability to appear in public without shame".

and processes which underpin poverty. Thus, some of the critical issues that need to be addressed before judgement can be passed on the usefulness of social exclusion as a concept are the following: (i) Does it contribute to our understanding of the nature and causes of poverty? (ii) Would our understanding be different if this concept did not exist? (iii) Does it enrich thinking about policies to alleviate poverty?

In answering this set of questions, Sen (2000) drew attention to two features of social exclusion. The first is that exclusion is a *relational* concept referring to the lack of affinity between an individual and the wider community. Second, in defining the relation between social exclusion and poverty there is a fundamental distinction to be made between exclusion being *constitutively* a part of deprivation and being *instrumental* in causing deprivation. In the "constitutive" interpretation, exclusion from some (or all) aspects of social functioning in itself, and of itself, constitutes an important aspect of deprivation. In the "instrumental" interpretation, exclusion *per se* does not constitute deprivation but it is a cause of deprivation.

Some types of exclusion may be a constitutive part of deprivation but not necessarily instrumental in causing deprivation. For example, the denial of access to the village well to some families would not have consequences for them with respect to water supply if these families had mains water supplied to their homes; however, being denied access itself might constitute deprivation by robbing such families of a sense of "belonging" to the village.² Conversely, other types of exclusion may not be a constitutive part of deprivation but, nevertheless, might be instrumental in causing deprivation: a denial of credit might not be shameful *per se* but might lead to deprivation through an inability to pursue business opportunities. More generally,

² In another example, with the social status attached to being an owner-occupier in the UK and the USA, a lack of access to the mortgage market might involve enforced living in rented accommodation and thus a "feeling of shame"; however, if the quality of owned and rented accommodation was not very different no further deprivation (in terms of low quality housing) would follow.

social exclusion might have both constitutive and instrumental importance for deprivation.

2. Social Exclusion and Confidence

So should social exclusion be regarded as constituting deprivation even if it is not instrumental in causing (or exacerbating) deprivation? This paper argues that it does: exclusion robs people of their "confidence" and this loss adversely affects their capacity to function effectively. Akerlof and Schiller (2008) define confidence as implying behaviour that goes beyond the rational; it implies behaviour based on "trust": in good times we trust that things will turn out well; in bad times, we lose that trust. The recession that affects several countries today stems from a lack of confidence: banks have lost the confidence to lend to each other, to companies, and to consumers. The result is a credit crunch which has caused the economic machine to seize up.

The same confidence that affects the world economy and causes it to boom or bust also affects the behaviour and actions of people. Two persons may value an investment opportunity (say, higher education) differently: the confident person takes an optimistic view of his future income stream and invests; the less confident person takes a pessimistic view and does not invest. The Solow (1956) growth model viewed output growth as dependent on: labour growth; investment; and innovation. His central message was that long-term output growth depended upon innovation. In the absence of innovation, diminishing returns would ultimately reduce growth to zero.

In a similar vein, one can think of a person's achievement as depending on his: effort; ability; and confidence. So, given a level of effort and ability, higher levels of confidence will be associated with higher levels of achievement. Furthermore, one

can think of a confidence-achievement spiral: increased confidence lead to greater achievement and greater achievement also leads to increased confidence.³

A Confidence Multiplier

Keynes' great contribution to macroeconomics was the theory of the multiplier: an initial increase in income would cause a multiple increase in national income, the process being a transmission of income from one person to another with consumption as the instrument of transmission. Similarly, one can propose a *confidence multiplier*. This relates to the transmission of increased confidence from a *small* number of persons in a group to a considerably *larger* number in the group. So, if there is an initial increase in confidence of one unit, the overall increase in confidence is $k \geq 1$.

The strength of the multiplier depends on the *marginal transmission rate* (MTR). The MTR, which is the proportion of the initial increase in confidence that is passed on to others, will depend on two factors: (i) the degree of interaction between group members; and (ii) The starting level of confidence of the group. When confidence within a group is very high, the MTR will be low: most of the initial increase in confidence will be "saved" with very little being passed on. In the limit, when confidence has reached saturation point, nothing will be transmitted and $k=1$. Similarly, if there is little or no interaction between members of the group - or the group consists of non-interacting subgroups - the MTR will be low. Conversely, when confidence within a group is very low, the MTR will be high.. Suppose there are K groups in society, with confidence levels: C_1, \dots, C_K . Suppose that $A=f(C)$ is the achievement function where $f(C)$ is concave (Fig. 1, below). If social achievement, W is the sum of group achievements: $W = f(C_1)+f(C_2)+\dots+f(C_K)$, then social

³ Needless to say, the process can also work in reverse.

achievement (W) is maximised when every group has the same level of confidence:

$$C_1=C_2=\dots=C_K.$$

3. Discriminatory Bias: Equal Opportunities, and Affirmative Action

There are two sources of discriminatory bias in hiring decisions. First, as Becker argues, a *taste for discrimination* makes a bigot willing to expend a cost (or forgo a benefit) to associate with his preferred group. As applied to labour markets, a bigoted employer will not employ workers from the disfavoured group even though they are of similar quality to workers from the preferred group; alternatively, he will assign desirable jobs to the preferred group leaving the disfavoured group to perform more onerous tasks. In contrast, *statistical* or *belief-based* discrimination can arise when the characteristics of an individual's group are used to evaluate his or her personal characteristics: the employer will not employ workers from the disfavoured group because he believes that, compared to the preferred group, they are inferior workers (Phelps, 1972).

Needless to say the two concepts are not independent: "taste based" discrimination discourages members of the disfavoured group from improving their employability qualities and paves the way for statistical discrimination. So, even after taste based discrimination may have been rendered illegal, discrimination based on exogenously held beliefs lingers. In practice, the two sources are often conflated as encapsulated by the phrase "he/she will fit in better with our company/organisational culture".

If candidates from certain groups face discriminatory bias in hiring, then this will erode their confidence in two ways. First, they would lose confidence in themselves and their ability to interact with society and this, on the argument made earlier, would erode their capacity to make the best of their *existing* abilities. Second,

in terms of their future development, they would lose the confidence to acquire *further* education and skills. In this section we develop the role of two different sets of policies - Equal Opportunities (EO) and Affirmative Action (AA) - in reducing discriminatory bias in hiring.

A candidate has an underlying, unobservable “quality”, denoted by θ . The greater the value of θ , the “better” the candidate. The candidate sends out a signal, \mathbf{s} , where \mathbf{s} is a N -component vector: $\mathbf{s}=(s_1\dots s_N)$ and \mathbf{s} is used to obtain an estimate of θ : $\theta^*=g(\mathbf{s})$. The quality of θ^* as an estimate of θ will depend upon the correlation between θ^* and θ . In turn, this correlation will depend upon the components of the vector \mathbf{s} . The presence of “irrelevant” components will corrupt the overall signal and weaken the correlation between θ^* and θ . However, the presence of “irrelevant” signal components is not a matter of chance: it reflects discriminatory bias. For example, questions like: What is your father’s profession? Do you expect to have more children? Who will look after your children while you are at work? all reflect a bias against particular groups of persons.

A major role of EO policies is to weed out such irrelevant and/or discriminatory components by making it *illegal* to ask such questions. The entire signal-extraction process is tightly regulated, made transparent, and placed in the public domain. There is a tightly specified procedure for recruitment, from advertisement to interview to appointment with a written record maintained at each stage. Unsuccessful candidates have the right to appeal against “unfair treatment”. Not only do EO policies attempt to eliminate discriminatory bias by making it illegal, EO builds non-discriminatory policies into the fabric of the human resource management of organisations by carrying out audits of organisations about their EO

outcomes. But, it needs to be emphasised: EO is not *affirmative action* because it does not impose quotas or require preferential treatment.

In contrast to EO, AA is concerned with outcomes, not processes. So, organisations are asked to “explain” if their employment proportions of “protected” groups differ significantly from the population proportions. In the absence of a convincing explanation, the difference is presumed to be due to bias. For example, under the US Civil Rights Act of 1991, any employment practice having a “disparate impact” upon women or minorities is unlawful unless it is predicated by “business necessity”. The most common way of escaping sanctions under this Act is by having informal quotas in hiring.⁴

The argument in favour of AA is that if there was pre-legislative bias in hiring, then, prior to legislation, groups discriminated against would lack the incentive to acquire skills. So, AA, by removing this bias, gives these groups the incentive to skill themselves. Furthermore, AA policies give protected groups a foot on the bottom rung of the ladder. The confidence that this instils creates incentives to acquire the skills to climb the rest of the ladder unaided.

4. Discriminatory Bias in Labour Markets in India

Around 18 percent of India’s population are *Dalits* and they are persons whom “caste Hindus”, i.e. Hindus within the four-*varna* caste system, regard as being *outside* the caste system. The most practical manifestation of this is the social stigma associated with being a *Dalit*: in many instances *Dalits* are those with whom physical contact is regarded by caste Hindus as “unclean”. Muslims in India are also seen as “outsiders” but in terms of being “appeased” - by being allowed to maintain their

⁴ Of course, one can also escape sanctions by showing “business necessity” or by showing an absence of “disparate effect”, the latter most usually by appealing to the skills distribution of the relevant groups.

personal law while Hindus have had to surrender theirs - by being "anti-national" and, indeed, of harbouring, abetting and, even being, "terrorists" (Shariff, 2006).

However, a major difference between Muslims and *Dalits* is protection under affirmative action: in order to foreshorten the effects of centuries of suppression, *Dalits* are protected under the Indian constitution by affirmative action policies ("reservation" policies) in public sector jobs and educational institutions and representation on elected bodies; Muslims, on the other hand, do not enjoy any such protection.⁵

A striking feature of employment patterns in India is the preponderance of Hindus in regular salaried or wage employment, Muslims in self employment, and *Dalits* in casual wage labour. The National Sample Survey (NSS) for 1999-2000 shows that of men aged between 25-45 years (i.e. prime age men): 32 percent of "forward caste" Hindus (that is, non-SC/ST/OBC Hindus - hereafter simply "Hindus") compared to 18 percent of Muslims and Dalits, were in regular employment; at the other extreme, 47 percent of *Dalits*, compared to 24 percent of Muslims and 10 percent of Hindus, worked as casual labourers. Nearly half of prime-age Muslim men, compared to 28 percent of *Dalits*, and 40 percent of Hindus, were self employed. It should be remembered that the Constitution of India allows for special provisions for *Dalits* in terms of reserving a certain proportion of government jobs for them. Notwithstanding these provisions, which have been in force for half a century, less than one in five *Dalit* men aged between 25-44 years was in regular employment.

Issues of employment cannot be separated from concerns about employability, particular those aspects of employability which are related to educational qualifications. The inter-group differences in employment patterns in India, noted

⁵ The Scheduled Tribes of India - the *Adivasis* or original inhabitants - are also protected by affirmative action; affirmative action for *Adivasis* was intended to assist groups who were traditionally isolated from the modern world and from mainstream society.

earlier, are reflected in the educational achievements of the three groups. The NSS data show that in 1999-2000, over 90 percent of prime-age Hindu men over the age of seven years were literate, compared to 67 percent of Muslims and 67 percent of *Dalits*.⁶ At the other end of the scale, 24 percent of prime-age Hindu men, compared to 6 percent of Muslims and 4 percent of *Dalits*, were graduates. Jeffery and Jeffery (1997) argued that many Muslims regarded their relative economic weakness as stemming from discriminatory practices in job-hiring. The belief that their children would not get jobs then led Muslim parents to devalue the importance of education.

Differences in educational achievement between Hindus, Muslims, and *Dalits* could be ascribed to differences between the proportions of children from these groups enrolled in school. The National Council of Economic Research (NCAER), on the basis of a 1994 Survey, showed that enrolment rates of children between the ages of 6-14 were: 84 and 68 percent for (forward caste plus OBC) Hindu boys and girls; 68 and 57 percent for Muslim boys and girls; and 70 and 55 percent for *Dalit* boys and girls. In terms of reasons for non-enrolment, 23 percent of Muslim parents (compared to 16 percent of (forward caste plus OBC) Hindus and 17 percent of *Dalits*) thought that education was not important while 34 percent of *Dalit* parents (compared to 29 percent of Muslims and 22 percent of (forward caste plus OBC) Hindus) faced financial constraints and/or wanted their child engaged in non-school activity.

A recent analysis of school enrolment rates in India (Borooah and Iyer, 2005) argued that sending children to school depended upon attitudes to education of: (i) the children; (ii) their parents; and (iii) of the communities to which they belonged. These attitudinal differences between the communities were sharpest when the parents

⁶ The advantage in literacy had a gender dimension: 63 percent of Hindu females above the age of seven were literate, compared to 56 percent of Muslim, and 41 percent of *Dalit*, females.

were illiterate but they tended to narrow substantially, if not disappear altogether, when literate parents, regardless of their religious community, appreciated the value of education.

Can we explain these outcomes in terms of the relational concept of social exclusion? Sen (2000) draws a distinction between *active* and *passive* exclusion. When exclusion is brought about through deliberate policy it is active and it is passive when it is an unintended consequence of social processes. So, for example, the deliberate exclusion of *Dalits* and Muslims from good employment represents active exclusion while their exclusion from jobs which need better educational qualifications than they possess represents passive exclusion.⁷

It is important to understand the foundations of such active exclusion or, as it is more commonly termed, "discrimination".

Thorat (2009) details many of the ways through which *Dalits* are discriminated against. In the context of the rural labour market, discrimination takes the form of denial of work as agricultural workers (36 percent of villages practiced this), no touching while paying wages (37 percent of villages), lower wages for the same work (25 percent of villages), not employed in house building (29 percent of villages); denial of access to irrigation facilities (33 percent of villages); and denial of access to grazing/fishing grounds (21 percent of villages).

The evidence of poor Muslim representation in key areas of public service is also strong: for example, the proportion of Muslims in government service in India is only about 2% today (Engineer 2002). In 1998, there were 620 candidates selected for the top civil service jobs in the country; only 13 of these were Muslims, of whom 6

⁷ Though their *current* passive exclusion might be the outcome of *past* active exclusion from education and jobs.

came from one institution, the Aligarh Muslim University (as reported in *Islamic Voice*, 1998).

The above observations beg the question of the sources of *Dalit* and Muslim "employment deprivation": how much of this is due to discrimination (through Dalits and Muslims being *actively* excluded from the labour market)? How much of this is due to employability (through *Dalits* and Muslims being *passively* excluded from the labour market by virtue of low levels of human capital)? These questions give rise to another set of related queries: How much have *Dalits* benefited from reservation policies? How much would Muslims benefit if they too were protected by such policies?

Jobs reservation cannot alter the employment-related attributes of *Dalits* but, *given those attributes*, it can raise the proportion of persons from these groups who secured good employment. An analysis of prime-aged men (Borooah *et. al.* 2007) showed that jobs reservation raised the proportion of *Dalits* in regular employment by about 5 percentage points: that is, in the *absence* of reservation - which *Dalits* have always enjoyed - the proportion of prime-aged male *Dalits* in regular employment would have fallen from its observed 18 percent to 13 percent. So, jobs reservation contributed less than one-third to the low proportion of regularly employed *Dalits*. The same analysis also argued that when job reservation was extended it should have been to Muslims rather than to the OBC since the former faced much greater discriminatory bias than the latter. These findings highlight seven flaws in affirmative action policies:

1. They are limited in their effectiveness when their *universe of application* is constrained: jobs reservation in India for *Dalits* is restricted to the public sector and does not extend to the private sector.

2. The effectiveness of jobs reservation is limited when the *educational base* of the beneficiaries is low.
3. Jobs reservation for one group (*Dalits*) triggers demands for *reservation extension* to other groups (*OBC*) and, in this competition, the winners are not necessarily the most deserving of protection.
4. There is the *creamy layer* problem: the benefits from jobs reservation (and reservations in educational institutions, particularly medical and engineering colleges) may be captured by those subgroups among the intended beneficiaries who are already quite advantaged and who use their position to effect this capture.
5. The system could establish *perverse incentives*: if jobs are available with minimal qualifications then it will be minimal qualifications that set a ceiling to one's ambitions.
6. Jobs reservation ensures getting a job; it does not ensure *career progression*. Consequently, candidates from disadvantaged groups, who enter jobs with poor qualifications, will stagnate at the bottom of the career structure with the potential of triggering a fresh set of resentments and demands.
7. There will always be the lingering suspicion that those who obtain jobs through reservation would not have got them in open competition: they will, in consequence, be stigmatised as being unworthy of the position they hold.

5. Conclusions

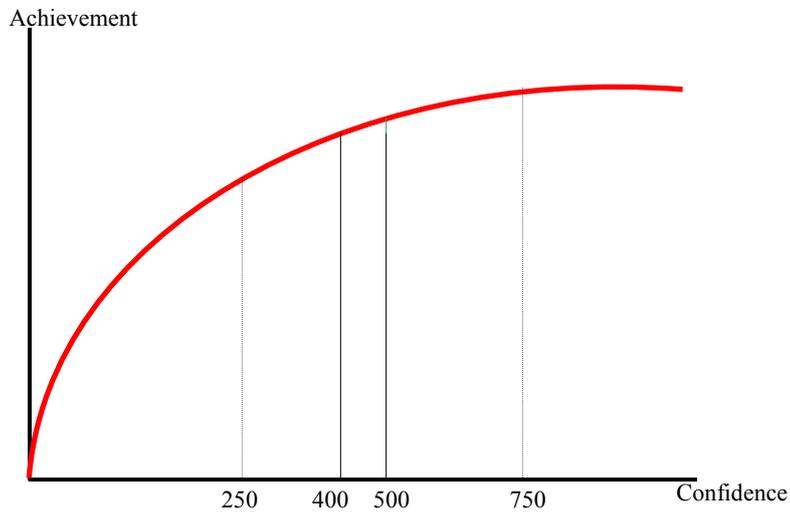
In the face of these problems that vitiate jobs reservation it would be foolish to see them as the sole policy instrument for fighting employment deprivation. Such policies place little emphasis on improving the job-related attributes of *Dalits*. Given the gulf in educational standards between Hindus and *Dalits* another prong of policy

could, indeed should, focus on improving the educational standards of *Dalits*. This needs to be more than reserving places in Management, Engineering, and Medical schools.

As this paper has emphasised, *confidence* in oneself, through one's interaction with the social environment, is central to achievement. We may not be able to define confidence precisely, but we know it when we have it and also when we lack it. In a “just” society, no group should unfairly suffer from a “confidence deficit” or enjoy a “confidence surplus”. The root of the problem of poor *Dalit* achievements lies in the many dysfunctional primary and secondary schools, in the villages and towns of India, characterised by an absence of learning materials, teachers, and, sometimes, even classrooms. It is in these schools that learning is stifled for millions of children. Compounding the problem of dysfunctional schools is the poverty of parents, many of whom are *Dalits*, who cannot afford to keep children on at school; indeed, given the poor quality of schooling that their children receive, they see no reason for making sacrifices for their children’s education.

Admittedly, tackling the problem at its roots will only yield results after a long delay. Nor does the emphasis on effective learning at school carry the glamour associated with being a putative graduate of the Indian Institute of Technology, the Indian Institute of Management, or the All-India Medical Institute. But, before the vast mass of educationally and economically deprived children in India (many of whom are *Dalits*) can meaningfully enter the portals of Universities and Institutes of Higher Education they need to go to good schools.

A Concave Achievement Function Embodying Diminishing Returns to Confidence



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