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Business and caste in India

With reservations

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India's government is threatening to make companies hire more low-caste workers

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A 23-YEAR-OLD dressed in white pyjama trousers and a black over-shirt represents two worlds in India that know almost nothing of each other. One is fast growing, but tiny: the world of business. Strolling through the Californian-style campus in Bangalore that serves as the headquarters of Infosys, a computer-services company, she grins and declares herself glad. Her brother, she adds shyly, is so proud that she is an "Infoscion".

He is in the rural world where 70% of Indians reside: cultivating the family plot in Bannahalli Hundi, a village near Mysore. Life is less delightful there. Half the 4,000 population are *brahmins*, of the Hindu priestly caste. The rest, including the software engineer and her family, are *dalits*, members of a "scheduled caste" that was once considered untouchable.

Sixty years on this is still the case in Bannahalli Hundi, says the young woman, who does not want to be named. She has never entered the house of a *brahmin* neighbour. When a *dalit* was recently hired to cook at the village school, *brahmins* withdrew their children. Has there been no weakening of caste strictures in her lifetime? "I have not seen it," she says.

The tale is in startling contrast to Infosys's modernity, and she is embarrassed by it. But it partly explains how she came to be hired by a company that is considered to be one of India's best. She is the beneficiary of a charitable training scheme for *dalit* university-leavers that Infosys launched last year.

In collaboration with the elite Bangalore-based International Institute of Information Technology (IIIT), Infosys is providing special training to low-caste engineering graduates who have failed to get a job in its industry. The training, which lasts seven months, does not promise employment. But of the 89 who

completed the first course in May, all but four have found jobs. Infosys hired 17.

The charity was born of a threat. India's Congress-led government has told companies to hire more *dalits* and members of tribal communities. Together these groups represent around a quarter of India's population and half of its poor. Manmohan Singh, the prime minister, has given warning that "strong measures" will be taken if companies do not comply. Many interpret that to mean the government will impose caste-based hiring quotas.



Quotas already apply in education and government, where since 1950 22.5% of university places and government jobs have been "reserved" for *dalits* and tribal people. In addition, since 1993, 27% of government jobs have been reserved for members of the Other Backward Classes (OBCs)—castes only slightly higher up the Hindu hierarchy.

Promoting the wretched

This is not enough for supporters of reservations. Since the introduction of liberal reforms in the early 1990s, public-sector hiring has slowed and businesses have boomed. Extending reservations to companies, they argue, would therefore safeguard an existing policy of promoting the Hindu wretched. It would almost certainly require changes to the constitution. But low-caste politicians are delighted by the prospect, so it could happen.

The chief minister of Uttar Pradesh, a *dalit* leader called Mayawati, has said 30% of company jobs should be reserved for *dalits*, members of the OBCs and high-caste and Muslim poor. Chandra Bhan Prasad, a *dalit* journalist, applauds this and argues that it would be in the interest of companies. "It is in the culture of *dalits* that they are least likely to change their employment because they are so loyal to their masters," he says. It would also help them become a "new caste [sic] of consumers".

Businessmen are unconvinced. Government, in both its intrusiveness and its incompetence, is a hindrance to them. Caste-based hiring quotas would be just another burden. People given a right to a job tend not to work very hard. So, in an effort to avert Mr Singh's threat, many companies and

organisations that represent them are launching their own affirmative-action schemes.

The Confederation of Indian Industry has introduced a package of *dalit*-friendly measures, including scholarships for bright low-caste students. The Federation of Indian Chambers of Commerce and Industry plans to support entrepreneurs in India's poorest districts. [Naukri.com](http://www.naukri.com), India's biggest online recruitment service, with over 10m subscribers, anticipates that companies will soon actively seek low-caste recruits. It has therefore started asking job-seekers to register their caste.

Basic training

Infosys's training scheme, as described by S. Sadagopan, the IIIT'S director, is a Pygmalion undertaking. Meeting the parents of his *dalit* students, he saw "almost an anger in their eyes". For the first month the students were unresponsive. Their English was dismal. Mr Sadagopan felt compelled to introduce lessons in self-presentation, including table manners.

Matters improved. The course was based on Infosys's 16-week basic training, which 31,000 Indian graduates underwent last year. The low-caste lot scored similar marks and gained confidence. At a bonding session, filled with meditation and dancing, they wrote themselves a slogan: "As good as any, better than many".

It is a moving story. But Mr Sadagopan's students were not all that deprived. In the words of three, now working for Infosys, they were "normal middle-class Indians". A third of them were the sons and daughters of professionals. The worst had grades only a little below what Infosys routinely demands of its recruits. Almost all were from urban areas, where caste discrimination is rare.

One of them, Manjunath, says the only time he was ever reminded of his low caste was when he applied for a place at university. Had it not been reserved for him, he says, he might have worked a bit harder—and so joined Infosys without any special help. As for his colleague from Bannahalli Hundi, coming from one of the richer families in the village, she is its first female university graduate—of any caste.

The most that can be said for Infosys's programme—without devaluing Mr Sadagopan's efforts—is that it is a great opportunity for a tiny number of middle-class Indians, who happen also to be low-caste. The same would be true of caste-based reservations. This is because the percentage of India's workforce employed in the "organised" private sector (made up of firms that declare they have ten or more employees), where reservations might be applied, is also tiny: around 2%. And as far as anyone can tell (companies do not ask the caste of their employees), members of low castes are already well represented in low-skilled jobs there. Much of India's heavy industry, such as steelmaking, is located where the low-caste population is high. Tata Steel, which employs around 40,000 people in India, has its main operations in Jamshedpur, in the eastern "tribal belt".

Membership of a caste, as of a guild or a church, provides businessmen with a useful network. In the informal economy, where banks fear to tread, caste bonds tend to be affirmed through business. The fact that most Indian companies are family-owned exaggerates this: to prevent wealth being diluted, it encourages marriages not only within the same caste, but also within the same family. A sugar baroness of south India's *kamma* caste, Rajshree Pathy, recently explained this practice to an Indian newspaper, the *Business Standard*: "The PSG family produces girls, the Lakshmi Mills family produces boys, they marry each other and live happily ever after."

The modernisation of India's economy has brought more dynamic change. Among educated, urban Indians caste identity is fading. Inter-caste marriages are increasing. According to [Jeevansathi.com](http://www.jeevansathi.com), a matchmaking (or, as Indians say, "matrimonial") website, 58% of its online matches involved inter-caste couples. Meanwhile, in rural India—where unions are not fixed online—intra-caste marriages remain the norm.

Business has to some degree been a laggard in this process. Caste bonds rooted in expediency, not tradition, allow businessmen to borrow and lend money with a degree of accountability, which helps to minimise risk. They are not an affirmation of a vocational hierarchy within the Hindu universe.

Nonetheless, in north India, where business is to this day dominated by members of ancient trading castes, like *marwaris* (whose famous names include Birla, Bajaj and Mittal) and *bania* (Ambani), it can look pretty traditional.

Rites of passage

Harish Damodaran investigated the caste origins of many of India's industrialists in a forthcoming book*. He identified three main trends. The first, which he calls a "bazaar to factory" route, is the passage of hereditary traders into industry. In northern India, some castes' monopolies have discouraged them from leaving their traditionally prescribed employment. So members of north India's farming castes—for example, *jats* and *yadavs*—rarely own a sugar or flour mill.

The second trend, "office to factory", describes a recent movement of well-educated high-caste Hindus, including *brahmins*, into business. Lacking capital, these sophisticates tended to enter the services sector, where start-up costs are relatively low. India's world-class computer-services industry, including companies like Infosys, is the result.

The third trajectory, "field to factory", is the transition into the business world of members of India's middle and lower-peasant castes. This must be the path of India's *dalits*, too. But they have not trodden it yet: across India, Mr Damodaran could not find a significant *dalit* industrialist.

There is no strong evidence that companies discriminate against low-caste job applicants. Upper-class Indians, who tend also to be high-caste Hindus, can be disparaging about their low-caste compatriots. "Once a thicky, always a thicky," is how a rich businessman describes Ms Mayawati. Yet this at least partly reflects the fact that low-caste Hindus tend also to be low class; and in India, as in many countries, class prejudice is profound.

There is, on the other hand, plenty of evidence that few able low-caste graduates are emerging from India's universities. Since it began registering the caste of its subscribers—almost by definition computer-literate and English-speaking—[Naukri.com](http://www.naukri.com) has added 38,000 young *dalit* and tribal job-seekers to its books. That represents 1% of the total who have registered in that time.

For reservationists, this confirms the need for quotas. Others interpret the facts differently: reservations don't seem to work. And statistics support this view. Reservations notwithstanding, low-caste Indians are getting less poor at almost the same rate as the general population. Between 1983 and 2004, their spending power increased by 26.7%, compared with 27.7% for the average Indian, according to the National Sample Survey Organisation, a government body.

Low-caste students struggle in schools without special help, which is rarely available. Their English—the language of India's middle class—tends to be poor. Many drop out. Up to half of university places reserved for low-caste students are left vacant. So, too, are many of the university posts reserved for low-caste teachers. Most Indians emerge from this system with an abysmal education. Low-caste Indians perhaps almost invariably do.

A measure of this fiasco can be found at the political-science department of one of India's prestigious post-graduate universities. Each year it chooses 50 students, from 1,500 applications, for its master's degree. Successful applicants will average no less than 55% in their undergraduate exams. *Dalit* applicants scrape in with as little as 30%. Nonetheless, practically every student will be awarded a first-class degree.

India is failing to equip its young, of whatever caste or religion, with the skills that its companies need. This is one of the biggest threats to sustaining high economic growth. India's outstanding computer-services companies—which will account for around a quarter of overall growth in the next few years—intend to hire over 1m engineering graduates in the next two years. It will be tough. To recruit 31,000 graduates last year, Infosys considered 1.3m applicants; only 65,000 passed a basic test. To address the skills shortage, the company is investing a whopping \$450m in training. "We are building India's human resources," says Mohandas Pai, Infosys's chief of human resources.

Alas, reservationists have other concerns. Caste politics are pervasive. On August 28th the Supreme Court struck down an effort by Andhra Pradesh's government to reserve 4% of government jobs and education places for poor Muslims. The court is meanwhile weighing a more dramatic measure announced by the government last year: to reserve 27% of university places for the OBCs. To placate irate students, many of them high-caste, the government promises to increase the number of university places accordingly. Education standards would no doubt fall further.

Even so, the policy may be unstoppable. Since reservations for the OBCs were introduced in the early 1990s the rise of political parties dedicated to these groups has been inexorable. So has the proliferation of the OBCs, to around 3,000 castes. They include millions who are not poor at all.

"A massive deliberate confusion" is how Surjit Bhalla, an economist at Oxus Investments, a hedge fund, characterises reservations for the OBCs. When they were awarded reservations, the OBCs were estimated to make up 53% of India's total population. More recent counting suggests they are only about one-third of the population, although their 27% reservation remains unchanged. Moreover, by most measures, the average OBC member is no poorer than the average Indian. "How can you discriminate against the average?" asks Mr Bhalla, despairingly.

There by mistake

And despair he may. Practically no politician dares speak out against this caste-based racket for fear of being labelled an apologist for the caste system. Rather like guests at the Hotel California, those that join the list never leave—even one or two castes that were allegedly included by mistake. The surpassing example is Tamil Nadu, which reserves a total of 69% of government jobs: 1% for tribal people, 18% for *dalits*, 30% for the OBCs and 20% for a subset of them—members of castes once categorised by British colonisers as "criminal tribes" and now known more delicately as "de-notified communities".

There is little opposition to this policy in Tamil Nadu, for two reasons. It is one of India's more literate and prosperous states. And low-caste Hindus are unusually prominent in Tamil Nadu, which suggests to reservationists that the policy is working well. Textiles companies in Tirupur, a T-shirt hub, for example, are mostly owned by *gounders*, members of a peasant caste that is officially listed as an OBC.

One defender of the policy is N. Vasudevan, chief official of the Kafkaesque vision of bureaucratic hell that is the Backward Classes, Most Backward Classes and Minorities Welfare Department in Chennai, where workers languish behind mountains of never-opened files. Asked when it might end he replies: "When everyone becomes equal."

There is an alternative view: that Tamil Nadu is more equal than most states not because it has lots of reservations but because, overall, it has been run less badly. It has therefore delivered above-average economic growth, from which low-caste Tamils have benefited.

In addition, low-caste businessmen in Tamil Nadu have had opportunities that have nothing to do with government policy. In contrast to north India, where commerce is dominated by members of a few business castes, south India's business community has been more open to members of non-business castes. According to Raman Mahadevan, a business historian, this is partly because members of the south's main trading caste, the *chettiers*, chose to concentrate their investments outside India during the 19th century, in Malaya and Singapore.

Partly as a result, little large-scale industry emerged in southern India until the 1930s. Around the same time, a popular movement against *brahmins*—especially lordly in the south—emboldened members of the lower and middle castes, including *gounders*, who were quick to convert their new assertiveness into business.

The Hindu caste system has never been rigid. Low-caste Hindus do not accept their lumpen position in the hierarchy. Indeed, like middle-class English families, they tend to cherish a myth of their former greatness. By imitating the habits of a more prestigious neighbour, in dress or ritual, some low castes have sneaked a rung or two up the ladder. More recently, in an effort to be classified as an OBC or a

dalit caste, some middle-ranking castes have tried to climb a rung or two down.

Meanwhile, on the lowest rung of the ladder, *dalit* businessmen can be found operating in the informal economy, perhaps as small traders. They must be especially reliant on caste as a business network. But that reliance will change if they can expand into the organised sector. Where businessmen can gain access to credit without having to claim kinship, caste affiliations wither. As Mr Damodaran writes: "A *kamma* sugar magnate ultimately identifies his interests with other mill-owners and not with fellow *kamma* cane growers or workers." And his business may flourish, unfettered.

* "India's New Capitalists: Caste, Business and Industry in a Modern Nation-State." By Harish Damodaran. Permanent Black/Palgrave Macmillan.

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