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Devoted to Studies on Social Exclusion, Marginalised Groups and Inclusive Policies

Discriminatory Behaviour: Theories Methods and Policies

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Foreword

The Indian Institute of Dalit Studies (IIDS) is among the few research organizations in India to have pioneered exclusive research on development concerns of marginalized groups and socially excluded communities. Over the last 12 years, IIDS has carried out several studies on different aspects of social exclusion and discrimination of the historically marginalized social groups, such as the Scheduled Castes, Scheduled Tribes and Religious Minorities in India and other parts of the sub-continent. The Working Paper Series disseminates empirical findings of on-going research and conceptual development on issues pertaining to the forms and nature of social exclusion and discrimination. Some of our papers also critically examine inclusive policies for such marginalized social groups.

This working paper, 'Discriminatory Behaviour: Theories, Methods and Policies' is based on IIDS research which focuses on conceptual issues and theories related to social exclusion and marginalisation. In this paper, the authors have analysed different dimensions of social exclusion that lead to various forms of discrimination. It also highlights methodological issues in measuring discrimination. The paper also attempts to analyse how the concept and theories of social exclusion help in understanding the nature and causes of poverty. It also seeks to help enrich and enhance thinking about policies to alleviate poverty. The authors opine that social exclusion leads to discrimination, which is measurable through various statistical techniques like regression analysis, decomposition methods, audit studies and modelling. At the end of the paper, some examples are given from previous IIDS studies, where these methods were applied to find out caste based discrimination in labour markets, employment in terms of hiring, wage and working conditions. Similar methods are used to measure discriminations in accessing public health care facilities.

This working paper deals with conceptual and methodological issues in the field of social exclusion study. We hope that it will be helpful to academicians, students, activists, civil society organisations and policymakers.

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Discriminatory Behaviour: Theories Methods and Policies

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"The existing village system has the effect of making the Scheduled Castes in the village slaves of the caste Hindus . . . Under the village system the Scheduled Castes are not allowed to live inside the village. They have to live on the outskirts . . . They have no independent means of livelihood. They own no land . . . They have to do forced labour day in and day out on pain of being driven away from their quarters by the Hindu landlords . . . They have to live a life of degradation, dishonour and ignominy from generation to generation. It is a state of eternal perdition."

Dr Ambedkar commented in the Constituent Assembly in 1947 on the 'Status of the Untouchable Castes in the Indian Village'.

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1. INTRODUCTION

The term 'social exclusion' means the process by which certain groups are unable to fully participate in the life of their communities and the consequences thereof. The term has its origins in the writings of René Lenoir (1974) which spawned a vast and eclectic literature as the list of things that people might be excluded from has like: 'Topsy, I just grewed'. Silver (1995), for example, itemises some of these, such as inter alia livelihood; secure, permanent employment; earnings; property; credit; land; housing; education, skills, and cultural capital; and the welfare state. The basis on which people are excluded comprises a long list (DFID, 2005). The list includes age, caste, gender, disability, ethnic background, HIV status, migrant status, religion, and sexual orientation. Such an uncontrolled proliferation of items has invited the inevitable criticism from some experts in poverty and development epitomised by Oyen'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 (1976), 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 alter our concept of poverty but to highlight the relational aspects and processes which underpin poverty. Thus, some of the critical issues which 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?

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

Some types of social 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 any consequences for them with respect to water supply if these families had piped water supplied to their homes. However, being denied access might constitute deprivation by robbing such families of a sense of 'belonging' to the village.² Conversely, other types of social exclusion may not be a constitutive part of deprivation but might be instrumental in causing deprivation. For example, a denial of credit might not be shameful per se but might lead to deprivation through an inability to pursue business opportunities. More generally, social exclusion might have both constitutive and instrumental importance for deprivation.

Thorat and Sabharwal (2010) draws attention to two other dimensions which involve the notion of social exclusion-it involves 'societal institutions' of exclusion (which operate through inter-social relations) and also involves their 'outcome' in terms of deprivation. In order to understand the dimensions of social exclusion, it is necessary to understand the societal interrelations and institutions which are instrumental to bring about exclusion of certain groups into multiple spheres, such as civic, cultural, political and economic. Thus, insights into the societal processes (rules and customs governing social relations) are as important as the outcome in terms of deprivation for groups which face social exclusion.

This concept of social exclusion clearly distinguishes between group exclusion and exclusion of an individual. In 'group exclusion', all persons who belong to a particular social/cultural group are excluded based on their group identity and

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not their individual attributes. On the other hand, 'exclusion of an individual' is fundamentally different from exclusion of a 'social group'. Individuals (both from excluded and non-excluded groups) often get excluded from access to economic and social opportunities for various reasons specific to them (and not because of their group, social or cultural identity). For instance, individuals may be excluded from employment due to their lack of requisite education and skills; they may face exclusion in access to education because of lack of requisite minimum qualification or merit or high education costs; and they may get excluded from access to input and consumer markets because of lack of income and purchasing power. It is important to note that conceptually speaking, exclusion of an individual has necessarily no connection with the social and cultural identities of a person. On the other hand, in the exclusion of a social group, variables associated with social and cultural identities, such as caste, ethnicity, religion, gender, colour and race become important and result in exclusion of all persons who belong to specific social groups. Thus, the group characteristics of exclusion are based on social and cultural identities and not on individual attributes.

A major instrument of social exclusion is through discriminatory behaviour when persons are excluded from important activities by virtue of their belonging to certain groups which, for whatever reason, are 'unfavourably' regarded. Even when inclusion occurs it is on unequal terms and conditions which affect groups' ability to interact freely and productively with others and to take full part in the social, economic, and political life of a community. Unequal terms of inclusion affect the level of inclusion and more importantly it erodes self-respect and dignity. In practical terms, discrimination may take many forms and encompass several areas of life including public goods and services. In the Indian context, Thorat et al (2010) detail many of the ways through which the Scheduled Castes are discriminated against. In the context of the rural labour market, discrimination takes the form of denial of work as agricultural workers (in 36 per cent villages such practice is followed), not touching the workers while paying them wages (in 37 per cent villages such practice is followed), lower wages paid for the same work (in 25 per cent villages such practice is followed), not employed in building houses (in 29 per cent villages such practice is followed), denial of access to irrigation facilities (in 33 per cent villages such practice is followed), and denial of access to grazing/fishing grounds (in 21 per cent villages such practice is followed).

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2. CONCEPTS OF DISCRIMINATION

Whatever forms discrimination takes, its central form is the act of making a distinction between persons categorically rather than individually. This means that any difference in the treatment between persons is based on their group membership rather than on their relevant personal characteristics. Therefore, such difference in treatment constitutes discriminatory behaviour. This is the conventional definition of discrimination which is adopted in this paper.

2.1 Legal View of Discrimination

Under the law, discrimination has two aspects. They are as follows:

1. The first relates to the identification of the groups which are to be 'protected' against unequal treatment. The unequal treatment of equals is 'discrimination' only if the aggrieved party belongs to a 'protected' group, gender, race, caste and religion. Otherwise, it is not considered discrimination.
2. The second relates to the issue of what constitutes unequal treatment? Here, we have to distinguish between disparate treatment and disparate impact. A particular action may treat persons from different groups differently (disparate treatment) or it may treat them equally but have a disparate impact on people from different groups. A related question is business necessity: is an organisation's action which is allegedly discriminatory, essential for its functioning or is it of no relevance? In legal terms, a particular treatment qualifies as discrimination if it involves the following.
 - a. Disparate treatment of persons in protected groups regardless of whether or not there is business necessity.
 - b. Adverse impact on persons in protected groups without business necessity.

2.2 Economists' View of Discrimination

The economists follow the lead of Becker (1971) when they define discrimination. According to him, "discrimination in the market place consists of voluntarily relinquishing profits in order to cater to prejudice." Defined in

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this sense, discrimination is the 'price' of prejudice. It is the price paid by those who indulge in their 'taste for discrimination' in terms of foregone profits. Some examples of the 'price of prejudice' are as follows:

1. A less qualified White person is chosen for a job over a more qualified Black person so that the employer forgoes the higher profit from employing the more qualified Black person.
2. A house owner rents his property at a lower rent to a White tenant in preference to a higher rent from a Black tenant.
3. A bank gives loan to a less credit-worthy White customer but turns down a more credit-worthy Black person with the result that, compared to a Black customer, the bank is prepared to accept a higher risk of default from a White customer.

If we accept Becker's view of discrimination as forgone profits to satisfy a 'taste for prejudice', then a consequence of discrimination is that a better qualified Black applicant is turned down in favour of a less qualified White applicant. So, the successful Black applicants, on an average, are 'better' than successful White applicants because they have had to meet a higher standard of compliance.

The implication of this is that if there is discriminatory practice in markets then *inter alia*

1. the Black employees will be more productive than the White employees.
2. the Black tenants will pay a higher rent than the White tenants.
3. the Black borrowers will have a lower rate of default than the White borrowers.

If we do not observe these differences in outcomes between the groups then there cannot be discrimination in that market. This means the decision making agent is accepting the same standard of compliance (qualifications, rent, credit risk) from the Black and the White employees.

2.3 Statistical Discrimination

Statistical or belief-based discrimination arises when prior belief (or knowledge) about the characteristics of the group to which an individual belongs are used to make inferences about the individual's characteristics.³

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1. For example, if it is an employer's belief that on an average the Black employees are less punctual than the White employees, she/he may take this fact into account when choosing between a Black and a White job applicant.
2. If it is a renter's belief that the average Black tenant is more troublesome than the average White tenant, she/he may take this fact into account when choosing between a Black and a White tenant.
3. If it is a bank manager's belief that the average default rates are higher for the Black as compared to the White borrowers, she/he may take this fact into account when choosing between a Black and a White applicant for loan.

Beliefs can also reflect prejudice through negative stereotypes of certain groups. Under a negative stereotype, a prior negative belief about a group's average value of some relevant characteristic is used to assess the ability of all individuals who belong to this group. So, the fact that on an average a group scores poorly on a test is used to conclude that every member of that group would score poorly on that test or, more accurately, the likelihood of a member of that group scoring poorly is greater than the corresponding likelihood for a person who belong to a group with a higher average score.

Negative stereotypes about groups are a different type of prejudice from Becker's distaste for all individuals who belong to a certain group regardless of their or their group's 'quality'. Under this proposition, assessment is only with respect to the relevant task and does not imply any further prejudice against the group. So, belief-based discrimination is a market-based explanation for discrimination which does not require a taste for discrimination. Also, unlike taste-based discrimination, it does not require a sacrifice of profits. Indeed, if the prior belief is true, profits are expected to go up as a result of discrimination.

Belief-based discrimination about the average performance of a group penalises talented individuals from that group by ascribing to them the average quality of their group. Consequently, such discrimination can change the behaviour of a group. If the employer judges by means of a negative group stereotype, then there is no point in making human capital investments (education, study, diligence, work habits, attitudes to work) since they will carry low (if not zero) rates of return. This argument is evident in the words of Elmslie and Sedo

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(1996: 474): “One initial bout of unemployment that is not productivity based can lay the foundation for continued future unemployment and persistently lower job status even if no future discrimination occurs.”

More recently, the social scientists have expressed interest in a phenomenon referred to as the ‘stereotype threat’. This threat is characterised by persistent discrimination that reduces the confidence of the victims and undermines their self-esteem as they begin to believe that they are of low worth. This is what Bertrand et al (2005) call ‘implicit discrimination’. In the context of experimental economics, Hoff and Pandey (2006) conducted an experiment in North India where children were asked to solve problems. When the children’s castes were not revealed to the other participants, performance by low caste children was not very different from that of higher caste children. Yet, when castes were publicly announced, the performance by lower caste children significantly dropped. This suggests that a loss of self-confidence may have played a role in the decline of their performance.

The view that statistical discrimination based on negative stereotypes can discourage the motivation to equip oneself for advancement is also consistent with evidence from India. For example, Jeffery and Jeffery (1997) in their study of the Muslims in Bijnor argued that many Muslims regarded that their relative economic weakness stems from their being excluded from jobs due to discriminatory practices in hiring. The belief that their sons would not get jobs then led the Muslim parents to devalue the importance of education as an instrument of upward economic mobility. It was with these considerations in mind that Myrdal (1944) spoke of the ‘vicious circles of cumulative causation’. The failure of the discriminated groups to make progress justifies the prejudicial attitudes of the dominant groups.

3. THE PERSISTENCE OF DISCRIMINATION

The market-based theories of discrimination are unable to explain the persistence of discrimination. The taste-based discrimination cannot explain why arbitrage does not eliminate discrimination: employers without discriminatory tastes can have higher profits than those with discriminatory tastes by simply hiring high productivity labour from the discriminated against group. The belief-based discrimination cannot explain why through a Bayesian updating process, posterior experience does not erode prior beliefs and

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eliminate such discrimination. To explain persistence, it is necessary to turn to non-market reasons for discrimination. Market discrimination views discrimination as the result of an impersonal relation between market participants, whereas non-market discrimination emphasises the social nature of transactions.

One form of non-market discrimination is the role of friends and acquaintances in securing a 'favourable outcome', such as a job, a loan, a tenant, admission into an educational institution or hospital, etc. This is the network concept of allocation. Under this concept, who you know determines the chance of a 'favourable outcome'.⁴ Applying this to discrimination, 'who you know' (the density of one's network) depends critically on one's group identity. Strong group identity leads to social segregation and social segregation leads to segregation in economic outcomes. If the groups differ in social and economic strengths, then they differ in terms of their network density and hence in terms of their chance of a 'favourable outcome'. The main point is that personal interactions occur throughout the search process and these are as important, if not more, than impersonal market relationships. Discrimination offers social rewards to the discriminator, the returns on which can be realised in some later reciprocal transaction.

Another reason for the persistence of discriminatory behaviour is the stigma attached to the 'victim' group. The key concept here is the virtual social identity based on easily identifiable markings (race, gender and caste). It is 'virtual' because it can differ from a person's actual identity and 'social' because the imputation occurs within a social context. This virtual identity may differ from the person's actual identity which is based on his personal characteristics. Stigma occurs when the imputed virtual identity is dishonourable, i.e. persons who belong to a particular group are seen as 'flawed' or 'damaged'. Stigmatisation is more than doubting a person's productivity for it doubts a person's humanity by regarding her/him as a lesser human being.

The origins of stigmatisation often lie in a history of dishonour. The stigmatisation of the Blacks in the USA has its origins in slavery which represented the violent domination of 'naturally inferior' persons. So, under this scenario, emancipation through legislation is not enough to overcome the burden of history.⁵ Similarly, in the Indian traditional caste system, the untouchables who are at the bottom of the caste hierarchy suffered from the

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notion of 'untouchability' which is unique to their caste (the other lower castes do not suffer from untouchability). Due to this stigma of untouchability, the untouchables are considered impure and polluting. Hence, they are considered unfit for social association and interrelation with castes above them. Such practices have led to their physical and social segregations and isolation. This in turn has led to their denial of freedom; equal opportunities; equal civil, social, cultural, religious and economic rights; and restriction on their physical and social mobility. This has further resulted in denial of their equal access in various spheres of society, culture and economy. Thus, lack of participation in communal life of the society which resulted from the notion of untouchability is far more comprehensive and widespread in so far as it involves restrictions on physical and social mobility which take various forms and dimensions (Thorat and Sabharwal, 2010).

4. DETECTION OF DISCRIMINATION

There are two main ways to detect the existence of discrimination. They are regression analysis and audit studies.

4.1 Regression Analysis

In the regression analysis, the dependent variable is usually the outcome for persons and the regression equation is 'controlled' by a number of personal characteristic variables unrelated to group membership, plus a group membership variable. If the coefficient group on the group variable is significant after controlling for the other non-group variables, discrimination is said to exist.

However, the regression analysis has pitfalls mainly connected with the equation specification. They are:

1. If the equation is underspecified (relevant variables are omitted), the extent of discrimination will be overstated.
2. If the equation is over specified (irrelevant variables are included), the extent of discrimination will be overstated.
3. It is only if one is certain that the equation is exactly specified (which one can never be) that one can be sure that discrimination has been correctly identified and measured.

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In the regression-based method, a single regression was estimated over all persons regardless of the group to which they belonged. The implicit assumption was that all persons (say, Black or White) faced the same regression coefficients in the evaluation of their attributes and the only coefficient that distinguished between the Blacks and the Whites was that on the race variable. This assumption is relaxed by estimating separate equations between the two groups and allowing the coefficients to be different between them. This raises the following questions.

When we observe a difference in mean achievement between the Whites and the Blacks what is it due to?

1. Is it the result of the superior attributes of the White as manifested in relatively more favourable values of the explanatory variables for the Whites as compared to the Blacks?
2. Or, is it due to the superior treatment of the Whites as manifested in relatively more favourable coefficients for the Whites as compared to the Blacks?
3. Or, is it due to some combination of superior attributes and favourable treatment and, if so, can we quantify how much is due to the former and how much to the latter?

Decomposition analysis allows us to answer Question 3, that is to say how much of the overall difference in outcomes between the Whites and the Blacks is due to Question 1 and how much is due to Question 2.

4.2 HOW DECOMPOSITION WORKS

The problem with the detection of discrimination is that the Blacks and the Whites differ both in terms of attributes and coefficients. So, the first step is to ask what the Black-White difference would have been if both sets of attributes were evaluated at a common coefficient vector. This difference could then be entirely ascribed to the difference in attributes since coefficient differences would have been neutralised. We call this the difference due to attributes.

The observed difference which is less than the difference due to attributes is the residual or unexplained difference. It is this residual difference that can, subject to several caveats set out below, be interpreted as due to discrimination.⁶



A recent formal exposition of the Blinder-Oaxaca decomposition method (named after Blinder, 1973 and Oaxaca, 1973) for linear regression models is to be found in Jann (2008). Suppose there are two groups, W and B with Y as an outcome variable such that $E(Y_W)$ and $E(Y_B)$ are the expected values of the outcome variable for groups W and B respectively. Then,

$$Y_k = X_k' \beta_k + \varepsilon_k, k = W, B \quad (1)$$

Where, Y_k is the vector of outcomes, X_k is the matrix of observations, ε_k is the vector of error terms for persons in group k.

Since, by assumption $E(\varepsilon_k) = 0$, we have: $E(Y_W) = E(X_W')\beta_W$ and $E(Y_B) = E(X_B')\beta_B$ which implies:

$$\begin{aligned} E(Y_W) - E(Y_B) &= E(X_W')\beta_W - E(X_B')\beta_B \\ &= E(X_W')\beta_W - E(X_B')\beta_B + E(X_B')\beta_B - E(X_B')\beta_W \\ &= E(X_W - X_B)' \beta_W + E(X_B')(\beta_W - \beta_B) \\ &= E(X_W - X_B)' \beta_W + E(X_W - X_B)' \beta_B - E(X_W - X_B)' \beta_B + E(X_B')(\beta_W - \beta_B) \quad (2) \\ &= E(X_W - X_B)' \beta_B + E(X_B')(\beta_W - \beta_B) + E(X_W - X_B)'(\beta_W - \beta_B) \\ &= P + Q + R \end{aligned}$$

As Jann (2008) points out: the term $P = E(X_W - X_B)' \beta_B$ in Equation (2), mentioned above, amounts to the difference in mean outcomes that is due to the inter-group differences in the predictors (the attributes effect); the term $Q = E(X_B')(\beta_W - \beta_B)$ in Equation (2), mentioned above, amounts to the difference in mean outcomes that is due to the inter-group differences in the coefficients (the coefficients effect); the term, $R = E(X_W - X_B)'(\beta_W - \beta_B)$ amounts to the difference in mean outcomes that is due to an interaction term representing the fact that differences in attributes and coefficients exist simultaneously between the two groups.

The decomposition represented in Equation (2) is formulated from the perspective of Group B because the inter-group difference in predictors is weighed by the coefficients of Group B to determine the attributes effect, P. The P component measures the expected change in Group B's mean outcome if it had Group W's attributes. Similarly, the Q component measures the expected change in Group B's mean outcome if Group B had Group W's coefficients.

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Needless to say, the decomposition in Equation (2) can also be represented from the perspective of Group Was:

$$E(X_W - X_B)' \beta_W + E(X_A)' (\beta_W - \beta_B) + E(X_W - X_B)' (\beta_W - \beta_B) = P' + Q' + R' \quad (3)$$

Now the endowment effect P' measures the expected change in Group A's mean outcome if it had Group B's attributes and the Q' component measures the expected change in Group W's mean outcome if Group W had Group B's coefficients.

As Jann (2008) points out, an alternative decomposition to equations (2) and (3) is to assume that there is some non-discriminatory coefficient vector, β^* , which should be used to evaluate the contribution of the difference in attributes. Then the outcome difference can be written as:

$$\begin{aligned} E(Y_W) - E(Y_B) &= E(X_W)' \beta_W - E(X_B)' \beta_B \\ E(X_W)' \beta_W - E(X_B)' \beta_B &+ E(X_W)' \beta^* - E(X_W)' \beta^* + E(X_B)' \beta^* - E(X_B)' \beta^* \\ E(X_W - X_B)' \beta^* &+ \left[E(X_W)' (\beta_W - \beta^*) + E(X_B)' (\beta^* - \beta_B) \right] \\ &= U + V \end{aligned} \quad (4)$$

Equation (4) yields a twofold decomposition in which the term $U = E(X_W - X_B)' \beta^*$ is the part of the outcome difference that can be explained by the difference in attributes, and the term $V = E(X_W)' (\beta_W - \beta^*) + E(X_B)' (\beta^* - \beta_B)$ is the unexplained part. The latter is usually ascribed to discrimination.

There are two possible variations on Equation (4). First, suppose $\beta^* = \beta_W$, that is the non-discriminatory coefficient vector is identified as that associated with Group W. Then Equation (4) becomes:

$$R = E(X_W - X_B)' \beta_W + E(X_B)' (\beta_W - \beta_B) \quad (5)$$

Second and alternatively, suppose $\beta^* = \beta_B$, that is the non-discriminatory coefficient vector is identified as that associated with Group B. Then Equation (4) becomes:

$$R = E(X_W - X_B)' \beta_W + E(X_A)' (\beta_W - \beta_B) \quad (6)$$

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In Equation (5), the difference in attributes between groups W and B are evaluated at the Group W's coefficients. In Equation (6), the difference in attributes between groups W and B are evaluated at the Group B's coefficients.

In general, the problem of defining β^* , the non-discriminatory coefficient vector, is a big issue in the decomposition literature on discrimination. One possibility {equations (5) and (6) mentioned above} is to identify β^* with the coefficients of one of the groups. Another is to regard it as the average of the two group coefficients (Reimers, 1983): $\beta^* = 0.5 \times \beta_W + 0.5 \times \beta_B$. Yet another (Cotton, 1988) is to weight the coefficients by the size of the groups: $\beta^* = n_W \times \beta_W + n_B \times \beta_B$ where n_W and n_B are the proportions in groups W and B.

The analysis of decomposition in linear models can also be extended to non-linear models when a favourable outcome either occurs or does not occur (Borooah and Iyer, 2005). Suppose there are N persons (indexed, $i = 1 \dots N$) who can be placed in K mutually exclusive and collectively exhaustive groups, $k = 1 \dots K$, each group containing N_k persons. Define the variable ENR_i such that $ENR_i = 1$, if the favourable outcome occurs; $ENR_i = 0$, if it does not. Then, under a logit model, the likelihood of a favourable outcome for a person from Group k is:

$$(ENR_i = 1) = \frac{\exp(X_i^k \beta^k)}{1 + \exp(X_i^k \beta^k)} = F(X_i^k \hat{\beta}^k) \quad (7)$$

where,

$X_i^k = \{X_{ij}, j=1 \dots J\}$ represents the vector of observations for person i of Group k , on J variables which determine the likelihood of the favourable outcome.

$\hat{\beta}^k = \{\beta_j^k, j=1 \dots J\}$ is the associated vector of coefficient estimates for persons who belong to Group k .

The average probability of a favourable outcome for a person from Group k is:

$$\overline{ENR}^k = P(X_i^k, \hat{\beta}^k) = N_k^{-1} \sum_{i=1}^{N_k} F(X_i^k \hat{\beta}^k) \quad (8)$$

Now for any two groups, say the Hindu ($k = H$) and the Muslim ($k = M$):

$$\overline{ENR}^H - \overline{ENR}^M = \left[\overline{P}(X_i^M, \hat{\beta}^H) - \overline{P}(X_i^M, \hat{\beta}^M) \right] + \left[\overline{P}(X_i^H, \hat{\beta}^H) - \overline{P}(X_i^M, \hat{\beta}^H) \right] \quad (9)$$

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Alternatively:

$$E\bar{NR}^H - E\bar{NR}^M = \left[\bar{P}(X_i^H, \hat{\beta}^H) - \bar{P}(X_i^H, \hat{\beta}^M) \right] + \left[\bar{P}(X_i^H, \hat{\beta}^M) - \bar{P}(X_i^M, \hat{\beta}^M) \right] \quad (10)$$

The first term in square brackets in equations (9) and (10) represents the 'response effect'. It is the difference in average favourable outcome rates between the Hindus and the Muslims that result from inter-community differences in responses (as exemplified by differences in the coefficient vectors) to a given vector of attribute values. The second term in square brackets in equations (9) and (10) represents the 'attributes effect'. It is the difference in average favourable outcome rates between the Hindus and the Muslims that results from inter-community differences in attributes when these attributes are evaluated using a common coefficient vector.

For example, in Equation (9) the difference in sample means is decomposed by asking what the average favourable outcome rates for the Muslims would have been had they been treated as the Hindus. In Equation (10), it is decomposed by asking what the average favourable outcome rates for the Hindus would have been had they been treated as the Muslims. In other words, the common coefficient vector used to compute the attribute effect is for Equation (9), the Hindu vector; and for Equation (10), the Muslim vector.

4.3 Audit Studies

An audit is a matched-pair survey technique that allows researchers to observe how the economic agents behave. In an audit study, two equally matched candidates from different groups are sent to accomplish a particular task with respect to a sample of agents whose behaviour towards the candidates is then observed.

The audit studies avoid many of the pitfalls of regression analysis by equalising many essential characteristics between the candidates. But they pose their own problems.⁷

1. There are challenges of both design and management. The unobserved variables mean that all the relevant variables will not be matched.⁸ The audit refers to a particular stage of the transaction and not to the entire transaction.⁹ It refers to the sample of firms and not to the entire market.¹⁰
2. There are problems in interpreting the results in the context of measuring discrimination.

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The majority of the audit studies use one of the two measures.¹¹ They are:

1. The gross incidence of unfavourable treatment which is the share of audits in which the protected group is treated less favourably.
2. The net incidence of unfavourable treatment which is the share of audits in which the protected group is treated less favourably, and less the share of audits in which the protected group is treated more favourably.

The problem is that the gross and net measures can be far apart. Also, there are problems regarding the net measure as lower bound. Lastly, there is the problem of interpreting the net measure. The net measure shows that protected group members are more likely to encounter unfavourable treatment than members from the dominant group. However, that is not the same as discrimination.¹² In many cases, audit studies show symmetrical treatments, i.e. both are successful or both are unsuccessful. So, it is difficult to know how to interpret the small differences in preferences.

4.4 Modelling Discrimination

The model in this section is adapted from Longhofer and Peters (1998). Suppose that the set of candidates who are looking for a 'favourable outcome' (a job, a loan, a house to rent) is represented by Ω where this set can be divided into two mutually exclusive subsets: the set of Black candidates (Ω_B) and the set of White candidates (Ω_W). Suppose that $\theta \in [0, 1]$ is a measure of candidate 'quality' and $f(\theta)$ is the density function of θ across Ω with the cumulative density function. Then,

$$F(Z) = \Pr(\theta \leq Z) = \int_0^Z f(\theta) d\theta \quad (11)$$

θ^* is the threshold level of quality such that the candidate is awarded the outcome if and only if $\theta \geq \theta^*$. Unfortunately, θ is unobservable and is proxied by an observable signal ρ where $g(\rho | \theta)$ is the conditional density of ρ . If $w(\rho, \theta)$ is the joint density of ρ and θ , then, applying Bayes' Theorem, the unconditional density of ρ is:

$$h(\rho) = \int_{\Omega} w(\rho, \theta) d\theta = \int_{\Omega} g(\rho, \theta) f(\theta) d\theta \quad (12)$$

Let, $v(\rho | \theta)$ be the conditional density of θ where (again by Bayes' Theorem):

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$$v(\theta|\rho) = \frac{w(\rho, \theta)}{h(\rho)} = \frac{g(\rho|\theta) \int f(\theta)}{h(\rho)} \quad (13)$$

Then, $v(\theta|\rho)$ is the **posterior** density of θ and this is arrived at through a **Bayesian updating** of the **prior** density $f(\theta)$. Then the expected value of θ , for a person who emits a signal ρ , is:

$$E(\theta|\rho) = \hat{\theta}(\rho) = \int_{\Omega} \theta v(\theta|\rho) d\theta = \int_{\Omega} \theta \left[\frac{g(\rho|\theta) \int f(\theta)}{h(\rho)} \right] d\theta \quad (14)$$

The agent then decides to bestow the favourable outcome if $\hat{\theta}(\rho) > \theta^*$.

It is important to stress that the agent is not concerned with the value of ρ per se but what this value implies for the candidate's expected quality, $\hat{\theta}(\rho)$.

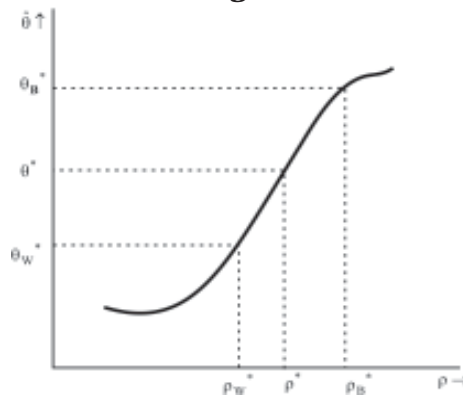
Two assumptions are crucial to the model. They are:

1. $\frac{\partial \hat{\theta}(\rho)}{\partial \rho} > 0$

2. The inverse function: $\rho = \rho(\hat{\theta})$ exists

In the Fig. 1, the Blacks are held to a greater threshold standard of compliance (higher) and have to send a stronger threshold signal (higher). This is the Becker's model. The underlying assumption is that the density $f(\theta)$ is the same for the Blacks and the Whites but it is the Blacks who are discriminated against.

Fig. 1



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In the belief-based model as shown in Fig. 2, the agents are neutral in their preferences between the Blacks and the Whites; but they believe $f_B(\theta)$ and $f_W(\theta)$ are different so that the average quality is lower for the Blacks than for the Whites. In other words,

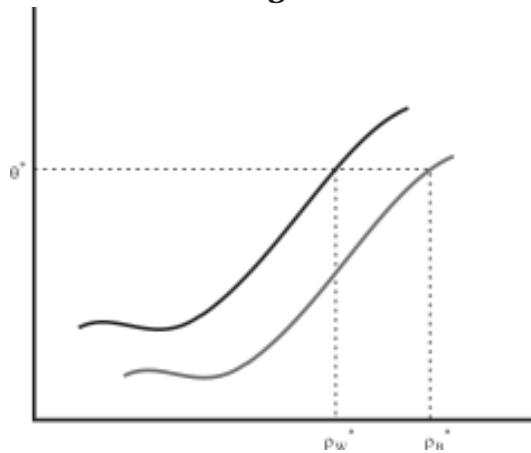
$$E(\theta_B) = \int_{\Omega_B} \theta f_B(\theta) d\theta < \int_{\Omega_W} \theta f_W(\theta) d\theta = E(\theta_W)$$

So, if the same signal was applied to the White and the Black applicants, it could yield a lower expected quality for the Blacks than for the Whites:

$$E(\theta_B|\rho) = \hat{\theta}_B(\rho) < \hat{\theta}_W(\rho) = E(\theta_W|\rho)$$

In Fig. 2, the Blacks and the Whites are on the same compliance standard (θ^*) but have to send different signals to meet this standard. The Blacks have to send a stronger signal.

Fig 2



5. EQUAL OPPORTUNITIES VERSUS AFFIRMATIVE ACTION POLICIES

There are two different sets of policies—Equal Opportunities and Affirmative Action—to reduce discriminatory bias in hiring. The model developed in the previous section pointed to the fact that a candidate has an underlying, unobservable ‘quality’ denoted by θ . The greater the value of θ , the ‘better’ is 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 depends upon the correlation between θ^* and θ . In turn, this correlation depends upon the components of the vector \mathbf{s} .

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The presence of 'irrelevant' components corrupts the overall signal and weakens 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?—reflect a bias against particular groups of persons.

A major role of Equal Opportunities policy 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 does this policy attempt to eliminate discriminatory bias by making it illegal to ask irrelevant questions, it also builds non-discriminatory policies into the fabric of the human resource management of organisations by carrying out audits of organisations about their equal opportunities outcomes. But, it needs to be emphasised that equal opportunities is not affirmative action because it does not impose quotas or require preferential treatment.

In contrast to the Equal Opportunities policy, the Affirmative Action policy is concerned with the outcomes and not the 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 which has a 'disparate impact' upon women or minorities is unlawful unless it is predicated by 'business necessity'. The most common way to escape sanctions under this Act is to have informal quotas in hiring.¹³

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



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Sowell (2004) observes that while the Affirmative Action policy exists in several countries of the world, in practically every country it is justified as representing a situation that is unique to that particular country inter alia the special situation of the Maoris in New Zealand, the Scheduled Castes and the Scheduled Tribes in India, and the Blacks in the USA. Another feature of the affirmative action programmes across the world is that they are purely temporary, that is—as soon as the inequality which they address has been righted, these policies will be dismantled.

The third feature of the Affirmative Action policy is that the distinction between protected and non-protected groups leads to perverse incentives as some members of non-protected groups seek re-designation as members of the protected groups. In India, the Gujjars of Rajasthan have sought their reclassification as members of the Scheduled Tribes from their current classification as Other Backward Classes. As part of the Other Backward Classes group, the Gujjars have to compete for jobs and preferment with strong well-established groups like the Meenas and the Jats for jobs, while as part of the Scheduled Tribes they would compete with considerably weaker groups. In the USA, several persons have claimed or tried to claim that they were American Indians, while in Australia there has been a rush to claim the Aboriginal ancestry.¹⁴

As Sowell (2004) noted, “re-designations of individuals and groups take preferential policies further away from the initial rationales on which they were based. The painful history and continuing oppression of the untouchables in India can hardly justify preferential benefits to local majorities in particular states, such as Assam, Maharashtra and Andhra Pradesh.” The big danger with the Affirmative Action policy is that it can easily deviate from its original justification which is to correct the historical wrongs, to embrace a ‘sons of the soil’ argument which allows local majorities to claim jobs which should have gone to those who had genuinely suffered.

The fourth feature of the Affirmative Action policy is the attempt to expand affirmative action to embrace those groups who, in the original formulation of this policy, were excluded from its purview. The argument put forward is that the original formulation of this policy was too exiguous to identify those groups who had a history of oppression and hardship. Therefore, the ambit of this policy should be expanded to include those groups who were wrongly excluded in the first time. The case of the Other Backward Classes in India is a case in

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point. This policy which was originally restricted to the Scheduled Castes and the Scheduled Tribes is now extended to include the members of the Other Backward Classes. The Mandal Commission which recommended the extension expressed it in the following words.

“It may appear the upliftment of Other Backward Classes is part of the larger national problem of the removal of mass poverty. This is only partially correct. The deprivation of Other Backward Classes is a very special case of the larger national issue: here the basic question is that of social and educational backwardness and poverty is only a direct consequence of these two crippling caste-based handicaps. As these handicaps are embedded in our social structure, their removal will require far reaching structural changes. No less important will be changes in the perception of the problems of Other Backward Classes by the ruling classes of the country.”¹⁵

Earlier, reference was made to the fact that persistent discrimination could erode the self-esteem of victims and cause them to doubt their worth. There is also a similar problem associated with obtaining jobs or preferment through the Affirmative Action policy and that is the issue of quality. Persons who obtain their positions through affirmative action (say, enter medical schools and become doctors) may be regarded as being of lesser quality than persons who have obtained their positions through open competition. Precisely for this reason the Affirmative Action beneficiaries may be stigmatised relative to those who succeeded without the aid of such policies.¹⁶

6. AFFIRMATIVE ACTION POLICIES IN INDIA

In India, social exclusion revolves round the social interrelations and institutions which exclude, discriminate, isolate, and deprive some groups on the basis of their group identity like caste, ethnic, and religious identity. Historically, the caste system has regulated the social, economic, and political life of not only the Hindu society, but also the non-Hindu societies through a spill-over effect of the caste system. Around 18 per cent of India's population are the Scheduled Castes and they are persons whom the 'caste Hindus', i.e. the 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 the caste Hindus as 'unclean'.



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In order to foreshorten the effects of centuries of suppression and violation of human and citizenship rights, particularly of low-caste untouchables (Scheduled Castes or Dalits), this group is protected under the Indian Constitution by Affirmative Action policies (reservation policies) in public sector jobs, educational institutions and representation in elected bodies.¹⁷

6.1 Affirmative Action Policies for the Scheduled Castes and the Scheduled Tribes

The Affirmative Action policies for the Scheduled Castes is operative mainly in three spheres, namely government jobs; admission in public educational institutions; and seats in central, state and local legislature and bodies. It must be mentioned that in the case of services and education this policy is confined to government employment, government-aided services and public educational institutions, while the private job market and educational institutions are excluded from the purview of this policy. Over a period of time the government spheres have expanded and so has the scope of reservations. The newer spheres include government housing, government spaces for shops and commercial activities and number of other small spheres. However, recently (2007) the government has developed an Affirmative Action policy which is 'voluntary and self-regulatory' in nature without any legal provision. These policies include self-accepted codes which the three main private sector associations— Association of Industries (Associated Chamber of Commerce, Indian Chamber of Commerce and Associated Chamber of Commerce)—have accepted under which the members promised to develop policies for 'four Es', namely to enhance employability, education, self-employment, and employment of Scheduled Castes and Scheduled Tribes. This policy has been in operation since 2007.

The most important aspect of the Affirmative Action policy is the reservation in government services. Article 16(A) permits reservation in favour of the Other Backward Classes and in pursuance of this provision the government made reservations for the Scheduled Castes and the Scheduled Tribes in proportion to their share in population. There are also reservations in promotion of employed persons. The government services generally include the government civil service, public sector undertakings, statutory and semi-government bodies, voluntary agencies, etc., which are under the control of the government or receive grant-in-aid. At the central level some of the services are excluded from the reservation and these prominently include defence and judiciary.

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Reservations are accompanied by an array of other special provisions designed to facilitate and improve the ability of these groups to compete for government jobs. These include relaxation of minimum age for entry into the service, relaxation in minimum standard of suitability within reasonable limit (subject to required minimum qualification), relaxation in fees, provision for pre-examination training, separate interview for the Scheduled Castes and the Scheduled Tribes persons, provision of experts from the Scheduled Castes and the Scheduled Tribes backgrounds on selection committee and others.

The second important sphere in which affirmative action plays an important role is the education sector. Article 15(4) empowers the state to make special provision for the advancement of the Scheduled Castes and the Scheduled Tribes. Under this provision the state has reserved seats for the Scheduled Castes and the Scheduled Tribes students in educational institutions which include colleges (technical, engineering and medical colleges) and universities run by the central and state governments, and the government-aided educational institutions. These provisions are supported by a number of financial schemes. Among the educational schemes are scholarships, special hostels for the Scheduled Castes and the Scheduled Tribes students, concession in fees, grants for books, remedial coaching, etc.

The third most important sphere of reservation is the representation in Central and State Legislatures. A legislative reservation is one of the specific and mandatory constitutional provisions for the Scheduled Castes and the Scheduled Tribes. Under Articles 330, 332 and 334 of the Indian Constitution, seats are reserved for the Scheduled Castes and the Scheduled Tribes in the Central Legislature and the State Legislature in proportion to the population share. Similar reservation is provided in local level bodies at district, taluk and village levels. The constituencies (for the seat in the Parliament and State Assemblies) are reserved for the Scheduled Castes and the Scheduled Tribes in proportion to their share in the population. Thus, at the all India level, of the total Members of Parliament, about 14 per cent and seven per cent constituencies (or seats) are earmarked for the Scheduled Castes and the Scheduled Tribes respectively. Only the Scheduled Castes and the Scheduled Tribes can contest from these reserved constituencies. For example, in 2004, of the total 543 constituencies (or seats) in the Parliament, 75 were reserved for the Scheduled Castes and 41 for the Scheduled Tribes. The numbers of seats are based on the population census conducted every ten years. The same method is followed at the individual

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state and sub-state levels. Those constituencies are identified as reserved where the population share of the Scheduled Castes and the Scheduled Tribes to the total population is comparatively high. The constitutional provision of reserved seats is complemented by statutory provisions to enhance the political participation of the Scheduled Castes and the Scheduled Tribes. Smaller election deposits are required from members of these groups. It may be mentioned that there is a time limit for political reservation. To begin with it was provided for ten years with a provision for extension for every ten years. Since the initiation of reservation for the first time in 1937, it has been extended after every ten years.

It may also be mentioned that the ten years limit is not applicable to reservations in government services and government educational institutions. While the Constitution made a general provision for adequate share of the Scheduled Castes and the Scheduled Tribes on these institutions, it is left to the government to follow the policy of reservation up to a point when it considers that discrimination against the Scheduled Castes and the Scheduled Tribes may not be a major problem; that they are adequately empowered and received due representation and participation in the normal course. The same criterion may be used for extension of reservation in legislature after every ten years.

6.2 Affirmative Action Policy for the Other Backward Classes

In addition to the Scheduled Castes and the Scheduled Tribes, there is another group for whom the Affirmative Action policy has been developed under the constitutional provision. They are the Other Backward Classes. They do not suffer from the issue of untouchability, but historically they too have faced exclusion in education, employment, and certain other spheres which are reflected in their lower education levels and quality employment. The National Sample Survey conducted during 2004–05 (61st Round) estimated that the Other Backward Classes population constituted 41 per cent of the total population. The state has developed Affirmative Action policy in higher education and government employment for the Other Backward Classes in 2008. Article 16(4) empowers the state to make provisions for reservations in appointments in favour of any backward class citizens which in the opinion of the states is not adequately represented in the services under the state. Unlike the Scheduled Castes and the Scheduled Tribes, in the case of the Other Backward Classes, reservations are confined to the 'economically weaker'

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sections amongst the group which amounts to 27 per cent of the total population. In addition to reservations in government services and education institutions, the state also has certain policies of social and economic empowerment for the Other Backward Classes which are like the anti-poverty measures for all poor.

For the educational development, the state provides scholarships (pre-matric and post matric) to Other Backward Classes students from economically weaker families, hostel facilities to girls and boys to continue their studies and thus ensure their retention and prevent dropouts. With respect to economic development of the Other Backward Classes, the state has set up the National Backward Classes Finance and Development Corporation (NBCFDC) which provides additional channels of finance to the backward classes for economically and financially viable schemes and projects to upgrade the technological and entrepreneurial skills of individuals or groups who belong to Other Backward Classes. NBCFDC assists a wide range of income generating activities which include agricultural and allied activities, artisan and traditional occupations, technical trades, small scale and tiny industries, transport services and so on. Entrepreneurs with an annual income less than double the poverty line are provided concessional finance. The major focus of the NBCFDC is also to address the skill requirement needs of the Other Backward Classes youths.

6.3 Affirmative Action Policies for Religious Minorities—the Muslims

In addition to the Scheduled Castes, the Scheduled Tribes and the Other Backward Classes for whom there is the Affirmative Action policy which is based on the provision in the Constitution, the government has also developed Affirmative Action policies which are not based on the constitutional provision but on the administrative decision of the government. The groups targeted in these policies include religious minorities like the Muslims, and women. The Muslims account for about 13 per cent of the total population and studies have found that they generally lag behind the majority of the Hindus with respect to relevant human development indicators.

The state has mostly followed social and economic empowerment policies for the Muslims which are similar to pro-poor policies or anti-poverty measures undertaken by the state for the general poor. The economic empowerment

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policies for the Muslims include allocating 15 per cent of the specified Centrally Sponsored Schemes for Minorities; the Multi-Sectoral Development Programme (MsDP); and the formulation of 90 Minority Concentration Districts (MCDs) so as to address the 'development deficits' of these districts and bring them at par with the national average. The projects taken up under MsDP mainly involve activities like the construction of polytechnic buildings, industrial training institutes, hostels, inter-colleges, residential schools, additional classrooms, health centres, water supply facilities, anganwadi centres, and rural housing. Besides, a scheme for the Computerisation of Records of the State/Union Territories Wakf Boards is also introduced in order to streamline record keeping, introduce transparency, computerise the various functions/processes of the Waqf Boards and develop a single web-based centralised application. Policies for the educational development of the Muslims include pre-matric and post matric scholarships, scholarship for students pursuing technical and professional courses at the undergraduate and post graduate levels, fellowship to pursue MPhil and PhD degrees in the universities, grant-in-aid to the Maulana Azad Education Foundation for infrastructure development of institutes/colleges/schools and scholarships to meritorious girl students. Moreover, free coaching and an allied scheme for minorities was also launched to assist students through coaching institutions to enhance their skills and capabilities to make them employable in different sectors.

The experience of half century of the government programmes and general policies on the empowerment of the Scheduled Castes are symptomatic of the fact that there has indeed been some improvement in their status. Presently, about 20 per cent of them cultivate land; about 13 per cent in rural areas and 29 per cent in urban areas are in business (though petty and small); their literacy rates have gone up to 62 per cent; their unemployment has reduced; and their share in government services has also improved. As a consequence of all these positive changes, their poverty has also declined. Thus, there has been an improvement in the status of the Scheduled Castes.¹⁸

7. 'DISCRIMINATION INDUCED UNDERUTILISATION' AFFECTING ECONOMIC, EDUCATION AND HEALTH STATUSES: THE UNEXPLORED LINK IN SOCIAL SCIENCES AND GOVERNMENT PROGRAMMES

The government programmes, which try to tackle issues of risks and vulnerabilities related to the protected groups, have given more importance to

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the creation of opportunities for income generation, and securing education opportunities, health, sanitation and nutrition. The gaps in schemes appear more in terms of a deficiency in addressing segregation/exclusion, and stigma and discrimination at the household and societal levels. All these ultimately result in the denial of access of essential goods and services; and prevent protection against various risks and vulnerabilities which stall the creation of opportunities to 'break out of the vicious cycles of deprivation'. The effect of discrimination on access to essential goods and services, and factors of poverty and human development are under-researched areas in social sciences. The lack of research has mainly resulted in the lack of evidence to inform the government's strategies to address discrimination at the point of delivery. However, there is some limited evidence in literature based on primary surveys on the mechanics of social exclusion and discrimination and how it works in market and non-market transactions.

7.1 Caste-based Discrimination in Market Transactions: Insights from Primary Studies

Economic discrimination associated with the institution of caste and untouchability is something which has been grossly neglected in the Indian mainstream literature. However, there are limited studies which bring out the nature and forms of discrimination faced by the Scheduled Castes in various markets. We present the evidence from these studies below.

The empirical evidence from the limited studies indicate that discrimination associated with caste and untouchability faced by the Scheduled Castes takes various forms at the time of their involvement in different markets, namely in seeking employment in farm and non-farm operations, in seeking inputs and services necessary to undertake farm and non-farm production including business, and in sale and purchase of products and consumer goods. This indicates that although the Scheduled Castes have access to various markets, it is characterised by restrictions and discriminatory behaviour on the part of the higher caste persons (Shah et al, 2006; ILO–IIDS, 2004; IIDS, 2013).

Rural labour market discrimination: The study covering 555 vil-lages in 11 states across India, study by Indian Institute of Dalit Studies (IIDS) of three villages, and more recently an IIDS' study based on the sample of about 2020 households from seven states of India bring out the nature of discrimination

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faced by the Scheduled Castes in employment in rural areas of India. It emerged that the 'untouchable' casual labour faces discrimination in accessing employment in farm and non-farm activities in various forms and spheres. The discrimination takes the form of denial of employment in some types of work. Panel A presents a description of the spheres and the forms of discrimination experienced by the Scheduled Castes labour in hiring, wages and work relations. In the farm sector, they tend to face selective exclusion particularly in harvesting of fruits and vegetables. In the non-farm work, exclusion is fairly common in case of various types of household work because of the notion of impurity and pollution associated with the status of untouchables. The 'untouchable' women are rarely employed for cooking, cleaning of foodgrains and other eatables, and milking of milch animals. The untouchables from the scavenging community face exclusion because of their occupation—manual scavenging—which is considered unclean and polluting.

The employment in schemes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is not immune from discrimination. It emerged that the Scheduled Castes workers faced delays in issuing job cards and other difficulties which result in lower public employment and wage earning. More than 60 per cent Scheduled Castes respondents reported discriminatory behaviour of officials and heads of panchayat as the reason for few days of employment under MGNREGA. Furthermore, 18 per cent Scheduled Castes workers reported that the Sarpanch favoured workers from his/her own caste and another 18 per cent mentioned that the Sarpanch failed to tell them about the timing of MGNREGA work. The average wages earning of the Scheduled Castes was lower than that of higher caste labour, although the number of days of public employment in some cases was slightly higher for the Scheduled Castes workers as compared to the higher caste workers. The discriminatory behaviour by the higher caste officials and heads of the panchyat takes various indirect and subtle forms which ultimately result in low earning for the Scheduled Castes workers. The Scheduled Castes workers also faced discriminatory practices at the workplace which include prohibition to take drinking water from the common water source; higher caste serving drinking water from a distance, separate eating and drinking arrangements for the Scheduled Castes and higher caste workers at MGNREGA work site.

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Discrimination in Other Markets in Rural Areas

Agricultural land market: In case of agricultural land market, although the sale and purchase is fairly open to everybody including the Scheduled Castes and land transactions are governed by market forces, still 'untouchable' buyers often confront restrictions of various kinds (Shah et al, 2006; ILO–IIDS, 2004; IIDS, 2013). Land sales seem to be generally confined to persons of the sellers' caste or of a higher caste, and this provides restricted entry to the untouchable buyers. In the event of purchase, the latter face various constraints which involve refusal by higher caste to sell them land; refusal to sell good quality land; land purchase at prices higher than the market price; refusal to sale land that is adjacent to the farms of higher castes, near to the village, and/or adjacent to an irrigation project command area. With these caste constrains, the untouchables end up buying inferior quality land; and land away from village, irrigation canal, and bordering higher caste land.

Agriculture input markets for farmers: The Scheduled Castes farmers faced discrimination in purchase of inputs which take the form of higher price for manure, private irrigation water, agricultural implements, and upper caste human and bullock labour; untimely supply of inputs by higher caste; and paying of more than the prevailing market price for the inputs. It also emerged that the higher caste wage labourers considered it below their dignity to work on the farms of the Scheduled Castes cultivators. As a result, the Scheduled Castes farmers are required to depend more on the wage labour from their own caste. They also faced difficulties in supply of implements and transport equipment which they hire from higher caste persons. This in turn affects their income.

Sale of farm products: Studies also provided evidence on discrimination in sale and purchase of farm products. The discrimination is generally in the form of getting lower price for their goods as sellers, and higher price for purchases of some inputs. It emerged that the Scheduled Castes farmers had limited access to market inside the village. Therefore, they relied mostly on local agents and markets outside the village. They faced denial by higher caste in sale of consumable items, such as milk and vegetable, to them. Faced with selective restrictions on the sale of consumable goods due to the perceived notion of polluting status of the Scheduled Castes, they try to use the alternative market avenues to sell their products, such as sale in outside markets. This involves travelling for distances which ranges from a few kilometres to over 100

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kilometres. This further increase the transaction cost and reduces profit and earning.

Empirical evidences from these studies thus provide some insights on the discriminatory working of the markets in labour, and farm input and output with respect to the Scheduled Castes. It points towards caste-based discrimination in the Indian market in selective spheres, if not all. There has been a positive change in the traditional restrictions on the lower caste with respect to their participation in economic activities through markets. However, the traditional caste relations have not disappeared altogether. They continued as remnants of the past and affect the access of the untouchables to employment and of farmers to rural markets in purchase of agricultural land, taking land on lease, buying various inputs and services necessary in production process, and

Panel A: Caste-based discrimination in wage labour

Spheres of Exclusion Wage Labour- Farm	Nature and Forms of Discrimination (Identifier)	Consequences of Discrimination
1. Hiring: Employment	Complete denial in hiring, exclusion of low caste from certain types of jobs, selective inclusion with unequal hiring terms and conditions with respect to hours of works and other terms, hiring for work which is outside the house, denial of work inside the house, compulsive and forced work governed by traditional caste related obligations which involve loss of freedom	Less employment days, loss of freedom which leads to bondage, attachment of family and child labour, income loss, high poverty
2. Wages	Complete denial (wages not paid), unfair inclusion: unequal treatment reflected in lower wages (lower than market wages), irregular interval of payment	Low wages, inequality in wages, income loss, high poverty
3. Work conditions (employer-labour/ between labourers)	Discriminatory or differential behaviour towards Scheduled Castes in workplace	Loss of dignity, human rights and high poverty

Source: Nidhi Sadana Sabharwal (2011), Dalit Women in Political Space: Status and Issues Related to their Participation, in Voices for Equity Minority and Majority in South Asia, Rindas International Symposium Series 1, The Centre for the Study of Contemporary India, Ryukoku University, p. 159.

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also sale of various goods. Studies show that discrimination takes various forms in the markets. First, it operates through denial or exclusion in the supply of the factors inputs and services necessary in farm production to the Scheduled Castes farmers by higher caste. This affects their input use and farm output. Secondly, it operates in the form of access with differential terms and conditions which are different from the higher caste farmers. The access with differential treatment involves conditions under which the Scheduled Castes farmers are required to pay higher prices for factor inputs, low price for their farm outputs, leasing of land on unfavourable terms and conditions, and untimely supply of input and services of modern implements by higher caste farmers.

The discriminatory working of market for the Scheduled Castes farmers has consequences on productivity and profitability. The restrictions on the supply of factors inputs (such as higher caste labour, bullocks, modern machinery, tubewell irrigation and others) affect the input use and productivity. The higher prices for inputs as compared to higher caste farmers increase the cost of cultivation of the Scheduled Castes farmers and reduce their net income. The differential treatment in sale of farm output also reduces the sale which affects their income as they are then required to sale at lower prices. The sale of farm outputs at long distant markets due to restriction of sale in village markets also increase the transaction and labour costs which further increase the cost and ultimately reduce net income and profitability. This limited empirical evidence shows that the discrimination that the Scheduled Castes farmers face in input and product markets affect their input use and cost which ultimately affect the yield rate and net income. The discrimination in employment and wage rate reduce wage earning and aggravate poverty.

Urban labour market discrimination: There are few studies which have examined the discrimination faced by the Scheduled Castes in employment and wage earning in urban settings. These are based on both National Sample Survey (NSS) and primary data. The studies based on NSS data mainly look into the discrimination in employment and wage earning using indirect method to measure discrimination. Banerjee and Knight (1985), and Madheswaran and Attewell (2010) have used NSS data and provided evidence on discrimination in hiring and wage earning in urban labour market. Madheswaran and Attewell have used 1983, 1993-94 and 1999-2002 NSS data and have observed the differences in wage earning between the Scheduled Castes and higher caste

during the three periods. According to them, part of the wage gap is attributed to differences in endowments and part of the differences in rewards (discrimination) in the earning function. The discrimination partially operates through occupational segregation. In a decomposition exercise where wage and job discrimination are combined, the study found that of the gross wage differences, about 21 per cent are explained by wage discrimination and 34 per cent by occupation discrimination. Thus, discrimination accounts for large part of the gross earning differences with job discrimination (access to certain occupations) being considerably more important than wage discrimination. In an additional exercise for regular /salaried urban labour market, the study found that the major share of the earning differential between the Scheduled Castes and the Scheduled Tribes and others is due to difference in human capital endowments but 15 per cent is due to discrimination in market. Between the private and public sectors, both wage and employment discrimination was found to be more in private sector as compared to public sector. The correspondence study by Thorat and Newman (2010) found that the Scheduled Castes had 65 per cent less probability of receiving a call for an interview as compared to higher caste of comparable education.

7.2 Caste-based Discrimination in Non-market Transactions: Government Agencies and Schemes

Empirical studies also provide selective evidence on discrimination in non-market transactions, that is goods and services supplied by government or government-approved agencies and the schemes run by the government. We discuss the discrimination in government schemes related to food and nutrition, school education, and health services. The services related to food, nutrition, health and education are supplied at fixed prices and/or without any fee.

Discrimination in schemes related to food security: Empirical studies show evidence of denial of access and/or access to the Scheduled Castes and the Scheduled Tribes with differential treatment in food security programmes like Mid Day Meal Scheme, anganwadi centres, and public distribution system (PDS). Discrimination in mid-day meals in schools and anganwadi centres takes the form of selective denial of meals to the Scheduled Castes children, not being served sufficient quantity of food to them, serving them after serving higher caste children, serving them from a distance, humiliating them when

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they asked for second serving, separate seating arrangement for them, not appointing the Scheduled Castes as cooks and helpers, higher castes' refusal to eat if food is cooked by Scheduled Castes cooks, asking Scheduled Castes children to bring their own plate, refusing to clean their plates, serving them on plates made of leaves, forcing them to sweep and do sanitary work in schools. These forms of discrimination are not universal and uniform across the states, but are experienced by the Scheduled Castes children in pre-primary schools and schools in direct and indirect ways and in varied forms. Nevertheless, all of them have impact on quantity and quality of food and the dignity which ultimately affect the nutrition and hunger (IIDS, 2013; Thorat and Lee, 2010; Jansahas, 2009; Dreze and Goyal, 2003).

The studies also provide evidence on discriminatory treatment in the working of PDS (Thorat and Lee, 2004). It emerged from the studies that most of the government approved agents who run PDS shops were from higher caste and they indulged in discriminatory treatment in the distribution of goods. The differential treatment include preferential service to the higher caste card holders, segregated timings for higher caste and lower caste customers, less supply of food and other services to the Scheduled Castes, and discrimination in rendering the services. While the problem is nationwide, the practices vary considerably across the states. It was observed that where the owners of PDS shops were Scheduled Castes or self group of Scheduled Castes women (such as in Andhra Pradesh) the access of the Scheduled Castes to PDS was satisfactory and non-discriminatory in its functioning as compared to the situation where the owners happen to be from higher caste (such as in Rajasthan, Uttar Pradesh and Bihar).

Discrimination in institutions and schemes related to public health services: Although there are limited studies on this theme, some of them do provide evidence on unequal access of the Scheduled Castes to public health services. A study of primary health centres which served rural areas in Gujarat and Rajasthan brings out the nature and forms of discrimination faced by the Scheduled Castes women and children in accessing health services (Acharya, 2010). Developing an index on 1 to 5 scale for the degree of discrimination, the author found that the highest degree of discrimination in the treatment is during dispensing of medicine followed by diagnostic visit to the doctor (in Rajasthan) and conduct of pathological tests (in Gujarat). Consultation for referral treatment was reported as the area of least discrimination in a scale of 1 to 5.

Discrimination is most prevalent in access to information. The Scheduled Castes suffered from lack of information which affected their health seeking and health status. The higher caste health personnel avoid visiting the Scheduled Castes habitations and families and when they do visit, they express discomfort and disrespect for the clients. Further, most healthcare camps are held in the dominant caste habitations which restricts the use by the Scheduled Castes due to constraints faced by them on physical mobility in higher caste localities. Responses from the Scheduled Castes children indicate that they would like the healthcare provider to speak gently using respectful words and should spend adequate time, which often is not the case.

Panel B: Spheres and indicators of caste-based discrimination faced by Dalit women in public health services

Spheres of Discrimination	Identifiers of Discrimination	Consequences of Discrimination
Treatment at the time of antenatal check-up	Face rude verbal response from health workers, without check-up the nurses give medicines and send away	Lack of care leads to requirement of private medical attention
Treatment by auxiliary nurse midwife for family planning operations	Indifferent verbal response and coerced into taking decisions, e.g. prospect of ration card being withdrawn if refused to have tubectomy, do not receive appropriate post operative care	Lack of post operative care leads to requirement of private medical attention
Treatment at the time of delivery	Ignored and kept waiting for long, the staff directs to go to a distant district headquarter hospital for the delivery	The delay complicates delivery which leads to the requirement of private medical attention. Take loan for delivery in private hospital.
Treatment after assault by men in authority (police and dominant caste landlord-employe	Refusal of treatment by doctors in the local government hospital in order to avoid becoming involved in a police cas	Lack of care leads to requirement of private medical attention

Source: Nidhi Sadana Sabharwal (2011), Dalit Women in Political Space: Status and Issues Related to their Participation, in Voices for Equity Minority and Majority in South Asia, Rindas International Symposium Series 1, The Centre for the Study of Contemporary India, Ryukoku University, Japan, p. 159

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Another study based on sample from seven states revealed the nature of discrimination faced by them women in use of government hospitals. Panel 2 captures the forms and spheres of discrimination faced by the Scheduled Castes women from the doctors, nurses and village health workers in the government hospital and outside the hospital.

In another study by IIDS (2013) on the nature of access and utilisation of the Janani Suraksha Yojana covering 112 villages in seven states (Uttar Pradesh, Bihar, West Bengal, Jharkhand, Odisha, Chhattisgarh and Madhya Pradesh) found the following difficulties experienced by the Scheduled Castes mothers. They reported the following hurdles in access to government benefits.

- ◆ Health link workers did not visit their neighbourhoods.
- ◆ They were not informed or were unaware of the auxiliary nurse midwives' timings, and village and health nutrition (VHN) meetings.
- ◆ Often, meetings on health and nutrition in villages were conducted in higher caste neighbourhoods, and the lower castes were reluctant to attend these meetings.
- ◆ Healthcare services which required contact between the medical professional and the patients/recipients had a negative impact as tablets are dropped into the hands of a lower caste person from a 'contact-safe distance'. The Scheduled Castes mothers indicated that they received less post natal check-ups and advice; anganwadi workers avoided holding their newborn children to weigh them and instead asked the mothers to do it themselves; the auxiliary nurse midwives avoided holding children's hands for immunisation and in the process hurt the children or else they ask someone from the Scheduled Castes community to dispense polio drops to the Scheduled Castes children.

The discrimination which the Scheduled Castes face when the health workers visit their houses include the health workers reluctance to enter their house; avoid touching the users; avoid sitting, drinking and eating in the user's house; and not giving them medicine and information regarding health camps/programmes. It also takes the form of selective dissemination of information regarding health camps and programmes; and exclusion of untouchables in access to certain types of services where touch is involved (such as vaccination). Discrimination also gets reflected in the use of indifferent verbal response or



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coercing the Scheduled Castes women to take decisions on family planning operations, and then denying them the required post operative care.

These studies revealed the different forms of discrimination practised by different service providers in various spheres which have consequences on the utilisation of health services and dignity. The studies indicate that due to frequently received rude responses from staff and refusal of medical treatment, many Scheduled Castes women remained untreated. Discriminatory access has consequences in the form of reduced access to government health services which also increased their dependence on private health providers with expensive medical treatment. This results in borrowing money for treatment which in turn leads to high debt and poverty.

8. CONCLUSION

Notwithstanding the gains in the last sixty-six years, the gap between the Scheduled Castes and higher caste still continues as the Scheduled Castes lag behind with respect to a number of development related indicators. In 2009, 33 per cent Scheduled Castes households had acquired access to capital assets as compared to 64 per cent higher caste households. About 62 per cent Scheduled Castes households still have to depend on wage labour as compared to 28 per cent higher caste households which is indicative of a much higher level of dependence on wage employment. A lower proportion of Scheduled Castes and Scheduled Tribes workers are engaged in the formal sector as compared to higher caste (4.4 per cent for the Scheduled Tribes, 5.8 per cent for the Scheduled Castes as compared to 15 per cent for the higher caste). Majority of the socially excluded groups working in the informal economy are engaged as wage labourers, marginal and small farmers, and in small self-employed household enterprises in rural and urban areas. Each of the protected groups scores lower than the general population against a wide range of socio-economic indicators.

Issues of employment cannot be separated from concerns about employability, particularly those aspects of employability which are related to educational qualifications. The inter-group differences in employment patterns in India, noted earlier, are reflected in the educational achievements of the three groups. The NSS data shows that in 1999-2000, over 90 per cent prime aged Hindu men over the age of seven years were literate as compared to 67 per cent Muslims and 67 per cent Scheduled Castes.¹⁹ On the other hand, 24 per cent of

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the prime aged Hindu men as compared to six per cent Muslims and four per cent Scheduled Castes were graduates. Jeffery and Jeffery (1997) argued that many Muslims attributed their relative economic weakness to discriminatory practices in job hiring. The belief that their children would not get jobs then led Muslim parents to devalue the importance 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** exclusions. When exclusion is brought about through deliberate policy it is active and when it is an unintended consequence of social processes it is passive. For example, the deliberate exclusion of the Scheduled Castes and the Muslims from good employment represents active exclusion while their exclusion from jobs which need better educational qualifications than they possess represents passive exclusion.²⁰

The evidence of poor Muslim representation in key areas of public service is also strong. For example, the proportion of the Muslims in government service in India at present is only about two per cent (Engineer, 2002). In 1998, there were 620 candidates selected for the top civil services jobs in the country. Of them, only 13 were Muslims, and among these 13 Muslims six came from the Aligarh Muslim University (as reported in *Islamic Voice*, 1998).

The above observations beg the question of the sources of the Scheduled Castes and the Muslim 'employment deprivation': How much of this is due to discrimination (through the Scheduled Castes and the 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 the Dalits benefited from reservation policies? How much would the Muslims benefit if they too were protected by such policies?

All these questions are largely unexplored in the social science literature. Thus, there is a need to undertake deeper analysis on the multiple reasons of deprivations which include the link between discrimination, lack of opportunities and poverty.

Whatever the answers may be, it is possible that a significant part of the under performance of the Scheduled Castes, the Scheduled Tribes, and the Muslims

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is due to their experience of schools and schooling. Thrown in as a minority group with children from the higher social groups they face discrimination, exclusion and humiliation. Nambissan (2010: 282) in her study of the experiences of Dalit children in schools in Jaipur district of Rajasthan concluded that “social relations and the pedagogic processes fail to ensure full participation of the Dalit children and they are subject to discriminatory and unequal treatment in relation to their peers.” This sense of exclusion is compounded when on returning from school with homework, many find that their poorly educated, and often illiterate, parents are unable to help them. Overlying this is the fact that most teachers are likely to be non-Scheduled Castes/Scheduled Tribes or non-Muslims and, therefore, not understanding of, and perhaps unsympathetic to, the feelings of the minority group children.

The role of social identity in shaping outcomes in work and education has been extensively discussed by Akerlof and Kranton (2010). They argued that the traditional economic model in which students, as rational decision makers, weighed the economic costs and benefits of schooling was flawed because it took no account of the constraints imposed by the social identities of the children. Using examples from the USA, they showed that the social burden of being Black or Hispanic led many children from such groups to underperform relative to their White peers even within the same school. Consequently, relative to social pressures, the economic return to education in terms of more pleasant and better paid jobs could be a weak determinant of children’s efforts at school. The solution for such ‘identity-based’ problems is to view schools not just as platforms to impart skills but also to teach norms of behaviour and, by doing so, they become a sanctuary from the dysfunctional world outside its walls.

Endnotes

1. Or, as Adam Smith puts it: “an inability to appear in public without shame.”
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.
3. Arrow (1972a, 1972b, 1973); Phelps (1972); Lundberg and Startz (2007).
4. See Granovetter (1995), White (1995).

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5. Loury (2002), Goffman (1959), Patterson (1982).
6. See Oaxaca (1973), Blinder (1973).
7. See Yinger (1998) and Heckman (1998).
8. See Heckman and Siegelman (1993).
9. Yinger (1998).
10. Heckman (1998).
11. Wienk et. al. (1979).
12. Yinger (1998).
13. Of course, one can also escape sanctions by showing 'business necessity' or an absence of 'disparate effect'. The latter most usually appeals to the skills distribution of the relevant groups.
14. So much so that there was a 42 per cent increase in the size of the Aboriginal population between the 1981 and 1986 Censuses (Sowell, 2004).
15. Mandal Commission Report, Vol. I, Chapter XIII, Recommendations, pp. 57–60.
16. See D'Souza (1991) for a discussion of the consequences of Affirmative Action on the US campuses.
17. The Scheduled Tribes of India—the *Adivasis* or the original inhabitants—are also protected by the affirmative action. The Affirmative Action for the *Adivasis* was intended to assist groups who were traditionally isolated from the modern world and from mainstream society.
18. Policies for the empowerment of Other Backward Classes and the Muslims have only been recently institutionalised (2008), and thus it is too early to measure their impact on the groups with any degree of accuracy.
19. The advantage in literacy had a gender dimension as 63 per cent Hindu women above the age of seven were literate as compared to 56 per cent Muslim, and 41 per cent of Scheduled Castes women.
20. Though their current passive exclusion might be the outcome of past active exclusion from education and jobs.

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