The Economics of Caste in India

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Today we usually hear about caste in India through news reports of horrific cases of violence or rape perpetrated against those regarded as inferior and segregated as ‘untouchables’ -- the so-called ‘Dalits’. Such shocking acts are taken as signs of the lawlessness and incivility in the remoter parts of this diverse country reached by modern development and democracy, education and economic opportunity. Surely casteism will be consigned to the feudal past as market forces and mobility free people from caste-bound occupations and as antagonisms of caste are replaced with those of class.

Hereditary caste is something of an embarrassment in modern India, readily brushed aside. Protective legislation and affirmative action are in place for those treated badly by history, but caste is removed from thinking about modern forces of inequality or injustice. As Balmurli Natarajan points out, many people -- including sociologists -- have concluded that what remains of caste is benign or beneficial: caste provides networks of trust for business; caste is community or cultural identity, and part of the vitality of Indian democracy. Caste is anyway a private and domestic matter (and the Indian government strenuously resists policy attention to caste beyond its shores, especially at the United Nations).

But, while those most concerned with poverty in India, whether official UN agencies or NGOs, no longer pay much attention to caste, economists have begun to realise the importance of caste in determining life chances. Those who analyse big data sets have discovered new facts that call into question declarations of the end of caste.

In her recent book *The Grammar of Caste*, economics professor Ashwini Deshpande looked at occupation, education and wealth and found that inequality between castes accounts for 13 per cent of overall wealth inequality in India. The country’s impressive economic growth has created many new jobs, but it has not broken the association of ‘upper’ castes with higher status professions, and Dalits with manual and casual labour. Moreover, there is just as much caste inequality in India’s fast-growing and wealthier regions as in the poorer ones. In education, fewer Dalits go to college, and even when they do fewer of them secure prized professional jobs.

Research shows that persistent poor life chances and occupational segregation are not just the result of differences in education, skills and assets; these outcomes are because of discrimination: in recruitment, in wages, and in the allocation of workers to jobs. As one reviewed study concluded: “An employer would have no aversion to employing an untouchable provided that he worked in an untouchable job.”

Researchers who sent fake job applications matched for all qualifications but with names identifying caste, found statistically significant levels of discrimination in private-sector recruitment (more so when recruiters were male and Hindu). College-to-work studies reveal the advantages of caste networks for upper caste youth, and the equivalent disadvantages for Dalits. This research shows how the ordeal of recruitment, and the experience of discrimination and humiliation, affects Dalits’ expectations, especially for careers in the private sector.

Caste codes in employment are hidden, unconscious and masked by ideals of ‘merit.’ It is true that not all sectors or industries discriminate to the same degree, but the overall pattern of economic discrimination is clear. Modern India is a land of opportunities, but those opportunities are structured, or to coin the title of another set of studies, *Blocked by Caste*. 
It might be thought that self-employment offers Dalits a way out. India has seen a massive two-thirds increase in private enterprise since 1990, and by 2005 more than half its workforce was self-employed. We might expect enterprise to be a dissolver of caste. But as recent research by Oxford professor Barbara Harriss-White and others in *Dalits and Adivasis in India’s Business Economy* shows, Dalits who enter the business economy (as a first generation) do so only at the bottom – running petty shops, working as dealers, agents and the like, reliant on family labour and without formal credit. Larger businesses and those in sectors such as health and education, food, hospitality and the service sectors are dominated by other castes.

Dalit entrepreneurs find it hard to secure finance or business premises. Many try to hide their caste identity, especially if running service businesses. Others gravitate towards niche areas such as the stigmatised leather industry, sanitation work or recycling; and even here there is marked caste segregation. The lower status the goods, the market and the spaces in which trade occurs, the more deeply associated with lower caste business owners and workers.

In general, research shows that in India today caste operates in subtle and often hidden ways as a regulator of the economy, as Hariss-White puts it, not through old forms of ritual hierarchy or untouchability (although these too persist), but as a basis for connections, marriage networks, mutual insurance and risk-sharing, caste-based labour markets, systems of recruitment, the caste-typing of trades and markets, and other judgments about worth and value. Economists such as Kaivan Munshi and Mark Rosenzweig have modelled the ways in which caste restricts or shapes occupational and rural/urban mobility. Dalits find themselves surrounded by ‘glass walls’, stuck in occupational traps, or locked into low-end service trades.

Caste then has adapted and reproduced itself within the fastest growing sectors of a modern capitalist economy. Neither political change nor rapid development have broken the barriers Dalits face in business, despite the handful of celebrated Dalit billionaires. Barbara Harriss-White concludes that, ‘as fewer Indians remain poor, more and more of those that remain poor are Dalits and Adivasis [tribal groups]’.

This is the context in which Dalits have themselves sought to mobilise politically, to form associations, to connect internationally, and to lobby for recognition of their specific economic disadvantages, for policy change and government spending. Without losing sight of the struggles against practices of untouchability, for justice and for land, in the last decade Dalit organisations have made demands for the means to participate in the economy without discrimination. But support for Dalits nationally or internationally is hindered by way caste and its effects are ignored.

Justice for those excluded, discriminated and treated unequally because of their ascribed caste, requires putting caste back into public and international debate as a form of discrimination that is fundamental in maintaining the poverty of tens of millions of people. We need a new commitment to face the pervasive effects of caste on life chances within and beyond India in the organisation of our modern world and its economic systems.