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CONTENTS

Preface

7

Introduction: Caste, Class and Consumption

PRATAP BHANU MEHTA

11

CHAPTER 1

Not Caste in Stone

21

CHAPTER 2

Income

45

CHAPTER 3

Expenditure

70

CHAPTER 4

Savings

121

CHAPTER 5

State Profiles

153

Annexure 1: Concepts, Definitions and Survey Methodology

184

Annexure 2: Demographic Profile of Indian Households

195

Annexure 3: Validation of Choices and Reliability of Estimates

208

About the Authors

216

INTRODUCTION: CASTE, CLASS AND CONSUMPTION

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This book brings together original, rich and nuanced data on the relationship between caste and economic patterns. It looks at the relationship between caste and a whole range of variables: education, income, consumption and savings. It provides a much more sophisticated way of looking at different dimensions of inequality than is current in the literature. I will not spoil the reader's sense of surprise by reiterating the rich statistics that follow. What I propose to do instead is explain why some of these findings may be of interest to those who are concerned about some big debates in India: the relationship between caste and inequality, appropriate development strategies, the consequences of private versus public expenditure on health and education and so forth. As such, this book provides a valuable starting point for a range of important discussions in contemporary India.

One of the central insights of this book is that if you control for variables such as income, occupation and education, then caste seems to matter less for determining life chances. It is important to be precise about this claim. The study in no way claims that India is not, in many ways, marked by deep inequalities along caste lines. Indeed, if anything, the data in this volume provide pretty good evidence that scheduled castes (SCs) and scheduled tribes (STs) are still particularly disadvantaged in many extraordinary ways. What the numbers do seem to imply are: first, there is a good deal of truth in the old-fashioned story that economic and educational opportunities, more than caste identities, are determinants of access to various goods of modernity. Now, of course, this argument can itself be turned around on its head. It is often said that access to education and employment is itself a function of caste, and therefore there is no point addressing the economic dimensions of deprivation until one has addressed the issue of caste. A lot hangs on identifying precisely why access to education, social services and all those goods that make participation in a modern economy easy has been held back from

dalits in particular. While this study will not decisively answer this *causal* question of what sustains and reproduces dalit deprivation, it does seem to suggest that economic well being and opportunities are structured by a range of things from education, to healthcare, to geography. We need to think systematically about just what structures opportunity in a way that goes beyond caste.

Second, this book gives a more variegated picture of that strange caste category we call other backward classes (OBCs), a perfect case of a state classification creating its own social reality if there was one. One of the oddities of the discourse of modern India is this. There was a great deal of consensus that dalits were so oppressively marginalised in India across multiple dimensions that they deserved some kind of special consideration in public policy. It is still something of a scandal, as evidenced even in this book, that years of state policy have not made as much of an impact on the well being of dalits as one would have hoped. Indeed, if anything, this study suggests that any strategy of dalit upliftment that ignores basic economics and concentrates on caste at the expense of other things was bound to be ineffective. But the strange fact about modern India is that the discourse that could be legitimised in the context of dalits was hijacked by a whole series of OBCs. Anthropologically speaking, it is hard to argue that OBCs suffer the same degree of social restriction and discrimination that dalits do. The data presented here provides economic justification for a well-known sociological argument. It is difficult to argue that the OBCs, taken as one undifferentiated category, should be in the same category as dalits as far as public policy is concerned. On a whole range of measures, from their share of consumption, to the structure of employment, they are actually more like what you would expect 'middle castes' to be, though, in some instances, there is a degree of educational backwardness. But taken as a whole, it would be hard to argue that they are the objects of systematic discrimination, or deprived of access to resources in the way dalits are. The study also provides evidence for another interesting aspect of the relationship between caste and class: intra-caste variation amongst OBCs on everything from landholding to spending patterns is very high, certainly considerably higher than among dalits. This raises the interesting question of whether OBCs should be treated as an undifferentiated category for public policy purposes.

The data in the book is bound to generate interesting discussion on caste and deprivation. There is no doubt that in a society like India, some strong form of affirmative action is required. But whom should

affirmative action target, why should they target them, and how they should target them requires more disciplined discussion than public discourse allows. In an understated way, for instance, this book provides yet more evidence that Muslims are falling behind in modern India as measured by access to education and ability to command higher wages. Indeed, consumption and income data show that they are worse off compared to OBCs and are not far behind SCs. Again, the causes of this phenomenon are debatable, as are the remedies. The authors are rightly reluctant to engage in deep causal analysis entailed by their findings, but they are right to suggest again that even in the case of Muslims, once one controls for education, occupation and place of living, the impact of socio-religious categorisation diminishes. The authors have done great public service by putting forth new data that might prompt a new set of questions.

But the real importance of the book lies not in its consideration of the politically-charged issue of caste and deprivation, but elsewhere. To put it schematically, it provides a rich set of stories about the relationship between caste and a range of other important economic variables: consumption, employment, savings, and access to health, education and so forth. I am not in a position to comment on the technical details of data collection. The authors and the institution under whose auspices the study was conducted, National Council of Applied Economic Research, have impressive credentials on this score. But there is something of an excitement in carefully studying these numbers. For, in obvious and not-so-obvious ways, so many of the big questions that animate us are illuminated by the study. It provides incredibly rich evidence to show that India's drive to modernity is the function of fundamental links, often somewhat unexpected, between the three big 'C's'—caste, class and consumption. As such it will provide a veritable gold mine for scholars and practitioners interested in the behaviour of Indians as economic agents across castes. It gives a rather more variegated picture of different castes as economic agents, and their potential sources of strength and vulnerability.

It is interesting to note, just to take a random example, that, on average, Indians still invest more in financial assets than physical ones, even amongst the very poor. While the wristwatch seems to be the most ubiquitous item of ownership, the proportion of households with ceiling fans seems remarkably high. According to this data, close to one in every second SC household in urban India, and one in every three in rural India owns a ceiling fan. Although it is lower than the ownership

pattern for ceiling fans amongst the upper castes, it still seems a high number. This number is interesting because it is often said that one in three households in India does not have access to electricity in any form. Indeed, one of the exercises this data ought to prompt is cross-checking with other sources of data that impinge on the numbers collected here. For instance, credit seems to be available to more than 85 per cent households. What does this say about financial inclusion? In short, this data will be an important ingredient in assembling a picture of what Indians have across different castes.

What people will make of this data will depend upon their normative orientation and comparative benchmarks. For instance, it is clear that the SCs share of consumption is lower than their population share, while that of the OBCs is about the same in proportion to their population. And the share of upper castes is higher. In a way this finding is not surprising. That is what you would expect. But frankly, I was a bit surprised that the share of SC income as a proportion of total income was not lower. Given that there is a great overlap between caste and class, you would naturally expect the income of the bottom quintile of the population, which is where SC/STs are, to be incredibly low. To put it in perspective, in the United States, the share of income of the lowest quintile had fallen to as low as 3.3 per cent. Compare this to the data presented that SCs have 11 per cent of the income even though they are 16 per cent of the population. This does not, as a measure of income inequality, look nearly as appalling, viewed strictly from the point of view of income inequality. In fact, while there is a palpable degree of inequality, I was surprised that income and consumption inequality was not greater. This inequality looks much greater when one examines the data on ownership of consumer goods. But the kind of granular data presented in this book will contribute a good deal to nuance debates over the extent and dimensions of inequality in India.

But what makes these numbers really interesting is that there is also an underlying public policy story that jumps at you. The authors of this study may not agree with my interpretation, but implicit in their story is a larger story about the successes and failures of India's development policies. To me a striking feature of this study is the story it tells about education. It is commonplace that education is perhaps the central axis around which modernity is constructed. Almost all the central values of modernity, democracy, equality, mobility and the ability to define oneself depend upon access to education. Since access to opportunities is, in theory, structured through education, it is also an object of great

political contention. What exactly does equal opportunity in education mean? How much does access to education determine life chances? What explains our abysmal failures at providing education? If this book has one central message it is this. Education centrally determines life chances in modern India. It presents copious evidence in favour of the following propositions.

First, that there are immense returns to education. Although somewhat differentially for different castes, income levels rise significantly with access to education. In retrospect, it is astonishing that just a few years ago Indian educationists used to debate whether there was a demand for education amongst the poor. The argument used to be that one of the reasons the poor do not demand education is that they do not see the returns to education. Although evidence against this proposition has been building for a while, this book convincingly rubbishes that proposition, establishing that there are immense returns to education, at all levels of society. There is no shortage of demand for education. The proportion that even the poorest of the poor SCs and STs are spending on education is remarkably high: over 5 per cent of income even in rural areas. In urban areas, this expenditure is over 8 per cent. In both rural and urban India upper castes spend almost 60 per cent more than SCs on education. But while this disparity is deep and pronounced, there is little doubt that Indians are literally selling their shirt to strive for education. The shocking thing about the data presented here is not the disparity in expenditure amongst the different castes; that is what you would expect if you account for income differentials. The shocking thing is how much the poor are being forced to spend out of pocket for education, often over Rs 5,000 annually in urban areas! In fact, these expenditure levels are a great indictment of the state in its inability to provide free quality education to India's poor. The Right to Education Act may remedy these lacunae. But there is some evidence to suggest that part of the high expenditure amongst the poor is driven not by lack of access to free public schools, but because of greater concerns about quality. In some ways the test of a good public system of education should be that private expenditure on education should diminish. This study suggests that there are inequalities in private expenditure on education. But more importantly these inequalities signal a failure of public education. The real issue is supply bottlenecks in providing quality education.

The public policy implication of this story is not just that education matters. But it is also that there will be greater inequalities if education relies on private expenditure. It could be argued that more than income

inequality, educational inequality in India is staggering. Educational inequality has become to India what income inequality used to be to Brazil—the single-most sobering measure of how unequal our society is. And it is astonishing that this is despite the immense private recognition and expenditure on education. That education correlates with higher income is very powerfully demonstrated in the numbers in this book and in comparative evidence. But whether access to education mitigates inequality is another matter. One of the most depressing aspects of comparative economic policy has been that education alone does not seem to reduce inequality. Even when access to good public education is greatly expanded, those with wealth can retain educational advantages by using private wealth. Even in economies with good public systems, private expenditure on education seems to help reproduce some inequalities. Second, even when all sections of the population are seemingly better off, the prospects for mobility across classes are not thereby made higher. Indeed, even in societies which pride themselves on equality of opportunity, where there is little discrimination, few formal barriers, a great deal of public support for education, class remains very *sticky*; it seems hard to remove the effects of class inequality and produce social mobility. In short, while education is important for intrinsic reasons, while it does expand economic opportunities, global evidence suggests that we should be a little cautious in assuming a link between education and equality. Indeed, most of the gains in inequality in advanced countries seem a product of two things other than education. War is often a great leveller, in part because it forces society to expand the state and redistribute. It is perhaps no accident that the great expansion in welfare states often happens in the aftermath of war. War often directly creates the conditions for a new social contract (think of GI Bill in the United States), and often allows the state to expand its taxation base in ways that are important for redistribution. The other mechanism for producing equality is often centralised wage bargaining as happened in the Scandinavian countries. The point is not to necessarily suggest these policies. The point is rather to argue that if we are interested in equality, we will need to look at a wider canvas than simply education. If what we are interested in is equality, then we will have to bring back debates about wage inequality and income inequality. If one of the messages of this book is that income matters, then it will matter all the way. It will matter not just for determining absolute levels of well being, but will also determine the prospects for inequalities being reproduced. Particularly

in a context of greater private spending on education, the prospect that inequality will be reproduced remains high.

In a way, the lack of public expenditure has had an even more pronounced impact on inequality in the field of health. This study documents how health expenditures rise as education levels rise. But it also documents, very startlingly, that the proportion of expenditure on health actually falls with rising income. In many ways, poor and illiterate citizens spend a higher proportion of their income on health than more privileged citizens. But it is important to grasp the deep public policy implications of this finding. First, as the authors themselves suggest, the decrease in the proportion spent on health may in part be attributed to the better availability of public facilities for the more literate living in urban areas. But perhaps more importantly, this finding suggests what we have known intuitively for a long time. Since health expenditures amongst the poor are high as a proportion of their income, morbidity is as likely as anything else to push them back into poverty. To put it somewhat provocatively, the absence of a strong public health system is as much a likely cause of people not emerging out of poverty or falling back into it. Arguably, significant income gains by poor people can be neutralised by illness. For example, there is some anecdotal evidence that suggests that farmer suicides in impoverished areas are not just a function of indebtedness, as indebtedness has been part of the rural existential condition for a long time. It is often the fact that indebtedness combines with morbidity to produce a situation of hopelessness. In fact, the message is loud and clear. Unless India's public health system improves dramatically, our fight against poverty will remain very weak.

The data on expenditure in this volume also suggests another significant implication for the way we think about poverty and inflation. There is a standard joke that India obsesses more with poverty lines than with combating poverty. Very recently, the Tendulkar Committee recommended that the way we measure poverty be modified to include a wider basket of goods including health and education. In a way, the data in this book provide compelling evidence for why that would be a good move. It does so for two reasons. First, access to health and education determine life chances. Second, these two baskets of goods are central to the expenditures of the poor. In fact, it is very clear that fluctuations in the cost of health and education directly impact the well being of the poor and their ability to lift themselves out of poverty. If health and education taken together constitute over 12–15 per cent of expenditure even for illiterate SC and ST households, then access to these goods

will significantly affect poverty. Parenthetically, this data also raises important questions about what we should measure in inflation. If health and education services are now being consumed even by the poor, then changes in the cost of health and education are also significant determinants of how poor households experience inflation.

A second big take-away from the data is that location matters, and matters a great deal. The story told in the following pages is interesting on the location argument for two different reasons. First is the most conventional story that the more better-off a state, the better the condition of the more marginalised populations within it (compared to their counterparts elsewhere). So, for SCs and STs, the worst state turns out to be Orissa, while their counterparts in Karnataka, Maharashtra and Gujarat do considerably better. In short, the overall growth story of a state has huge implications for what marginalised groups like SCs and STs have access to: everything from durables, credit, to health and education. A rising state does lift all boats.

In this picture, however, there is one story that still needs to be told, and will perhaps be the object of a future study of this kind. While it is clear that in absolute terms even marginalised communities fare better in better-off states, the picture on social mobility, understood as the ability to climb out of your class, is less clear. Is it the case that while all castes and classes are faring better, there is still very little social mobility across caste and class? If we are truly going to answer the questions about how opportunities are structured in India, then we need better data on mobility. While we do not have systematic data on social mobility, available evidence suggests that the boundaries between caste and class are still less permeable than they should be. It is quite possible that even if improvement in well being is being shared by all classes and castes, the *structure* of the hierarchy is still pretty frozen. So, for example, the employment data in this book suggest that there is still a great deal of caste segregation by employment type, particularly at the lower end of the ladder. So 50 per cent of SCs are still employed as casual labour, compared to 16 per cent of the upper castes. While there is some evidence of shifting occupational patterns, everything from the rise of dalit landowners to entrepreneurs, this shift seems depressingly small.

But the most important way in which location matters is this. It could be argued that almost all lines of India's future will pass through the shape and pattern of urbanisation. Apart from education, the most dramatic impact on incomes in this study is access to urban centres. Average incomes for upper castes, for example, rise by more than a

third as we move from rural areas to even the smallest towns; and they also rise significantly, if less dramatically, if one moves to bigger towns. Most importantly, income levels rise considerably as citizens begin to access a density of modern services. The link between urbanisation and education is also palpable in several directions. Education seems to facilitate a transition to urbanisation. Indeed, if what we are concerned with is the ability to raise incomes, then it is clear that we will need some strategy to equip people to get access to, and take advantage of, urban environments. Indeed, one key question that will be raised by this study is this. Given that the state has finite resources, should it be investing them in regional equalisation both within and across states, or should it be investing them in giving people the ability to move, in a manner of speaking, from urban to rural, from poor to rich states? If urbanisation has such an impact on growth and incomes, should that now not be a self-conscious part of our development and growth strategy?

The authors have done a splendid job of opening up a series of important questions with really interesting data. It is often said that if you torture statistics enough, they will confess. Though this data-set will by no means settle policy debates in India, it will force us to raise our game and ask more sophisticated questions about inequality, in all its dimensions.