

# Meritocracy and Affirmative Action in India

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## Abstract

This document contains some discussion points for the Shanghai workshop addressing the ways in which “merit” is perceived in the Indian discourse. The question of merit is typically brought up only in the context of caste based affirmative action, and never in the context of access to premier positions based on hereditary privilege and/or donations. This document presents evidence of discrimination in labour markets where identically qualified individuals are rewarded differentially based on their caste. It also presents evidence that busts the popular myth that affirmative action would necessarily be anti-meritocratic. Despite a lip service to “merit” by employers, they remain convinced that merit is produced in the crucible of the family. Thus, “family background”, a catch-all phrase designed to capture the intertwined effect of class, caste, parental background and social networks, remains the most crucial indicator of *individual* merit, making the idea of equality of opportunity or establishment of a level-playing field - basic preconditions of meritocracy - very difficult to achieve.

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## 1 Introduction

In 1990, large parts of India, particularly north India, were thrown in turmoil. The central government had announced the implementation of the Mandal Commission Report, which extended quotas from the pre-existing 22.5 percent for Scheduled Castes and Tribes (SC and ST) by another 27 percent for "Other Backward Classes" (OBCs), and thousands of students were on the streets for weeks demanding a reversal of this apparently retrograde move. As one commentator put it: *"Brilliant minds, young, eager and keen to make a mark in the world, if pushed to a corner by apparent injustice can only spark off one thing – rebellion."* As the agitation gathered strength, it was widely supported by the mainstream media, and sparked off a massive debate on a set of questions raised by the agitating students: *"Why should an essentially divisive element and a carry over of the traditional society be a factor in determining something as modern as jobs? Why should people be divided on the basis of surnames? And why, oh why, should merit be not the first, foremost and the only factor in determining who stood face in job race?"*

Interestingly, these same students, who were asking very germane questions about why (something as modern as) occupation should be linked to (an antiquated system such as) caste did not see the irony in their mode of protest. Protesting students (and their parents) sat on the streets of Connaught Place in New Delhi, some shining shoes, others with brooms in their hands, sweeping the streets, some even going around with begging bowls, with associated slogans suggesting this is what *they* would be reduced to doing, if additional quotas in higher education were introduced. This was accompanied by a wide-spread lampooning of Prime Minister V. P. Singh for having introduced the demon of reservations: one evocative cartoon showed him in a ship with three flags - SC, ST and OBC - and with some people, presumably belonging to these groups happy in the ship, while other students, presumably upper castes, all around the ship were sinking in the sea with degrees in their hands. While the debate was sparked off by an extension of reservations to OBCs, impassioned pleas were made not only for a reversal of the recently introduced reservations, but of all quotas. For instance, the Class I employees association, which at the time had only about 6 percent reserved category officers (thus was overwhelmingly non-reserved), demanded a roll-back of all reservations, claiming that quotas were adversely affecting efficiency of administration.

The protestors and their supporters did not see any incongruity between the central question they were asking – about why caste should matter in job markets, and their pejorative portrayal of certain traditional caste occupations. Clearly, the implication was that all was well with a world in which these occupations were performed by "them", and not by "us". Colleges, universities, and prestigious jobs, should rightfully belong to "us", while sweeping, cleaning and mending shoes are "their" jobs. Ironically, the status quo was not seen as casteist or ridden with caste divisions, but the proposed remedy was widely criticised as introducing caste divisions. To be fair, there was a section among the opponents to quotas, who recognised the problem of caste divisions, but argued that this particular remedy was ill suited.

If the protestors had read the writings of Dr. Bhim Rao Ambedkar, the chief architect of the Indian constitution, who was instrumental in making preferential policies a part of the constitutional mandate, they would have been struck by the overlap in the questions they were asking, and the

questions that Ambedkar raised, sharply and eloquently, through his writings, speeches and actions. He believed, for instance, that the caste system was not a benign division of labour, but a “division of labourers”. Additionally, he argued, it is a “hierarchy in which the division of labourers are graded one above the other”. This division is “not spontaneous, it is not based on natural aptitudes ... [the caste system] is an attempt to assign tasks to individuals in advance, *selected not on the basis of trained original capacities, but on that of the social status of the parents ... this stratification of occupations which is the result of the caste system* is positively pernicious” (emphasis added).<sup>1</sup>

A juxtaposition of Ambedkar’s characterisation of the occupational division produced by the caste system and the protestors’ belief that caste quotas will produce hierarchies and divisions, based not on merit but birth, should compel us to think hard about cause and effect: are quotas promoting caste divisions or redressing them? The protestors were mourning the death of “merit” due to the introduction of quotas; Ambedkar, and others before him, had pointed out how precisely the existence of the caste system did not recognise individual merit, but assigned jobs by birth into this caste or another. By this logic, quotas were not killing merit, the caste system was.

## 2 Labour Market Discrimination: Is “Merit” Rewarded Equally?

There is sufficient evidence to indicate that caste disparities in economic outcomes, for instance, in occupational attainment are neither mainly a hangover from the past, nor are they mainly a result of educational or skill gaps. Thus, members of SC-ST communities will face worse employment outcomes even if they were similarly qualified as the upper-castes, given discrimination in labour (job) markets.

Average wages for SCs and Upper castes differ across all occupation categories. The question is whether this difference in average wages simply reflects the differences in education and skill levels between the two groups, or whether the wage gap persists even after human capital or endowment differences have been accounted for. There are studies (Madheswaran and Attewell, 2007 and Deshpande and Ramachandran, 2016) that have decomposed the wage gap into two components: “explained” (by wage earning characteristics, which include human capital and skill characteristics) and “unexplained” or “discriminatory”: that part of the wage gap which remains even after all possible wage earning characteristics are accounted for.

In the first major correspondence study for India, Thorat and Attewell (2007) sent out exactly identical resumes to private companies, both domestic and MNCs, in response to newspaper advertisements in New Delhi during 2005-06. The only difference in the resumes were the easily identifiable names of three categories of applicants: Hindu upper caste, Hindu Dalit, Muslims. So for each job advertisement, several sets (of three identically matched resumes) were sent to check for differences in call-back rates. The study revealed significant differences in call-backs between Hindu upper castes and the other two categories. Dalit applicants’ chances of a call-back were 0.67 that of Hindu upper castes, whereas Muslims fared even worse with their chances of call-back being

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<sup>1</sup>From the “Annihilation of Caste” (1936).

0.33 that of the Hindu upper castes.

## 2.1 Creation of "Merit" in Early Childhood

It is important to note that the so-called "explained" or non-discriminatory part already contains a discriminatory component. The fact that the two groups enter the labour market with substantial differences in "ability" or "merit" indicates "pre-market discrimination", which means that there are discriminatory factors at work in early childhood development (ECD). There is plenty of evidence which documents the substantial gaps between SCs and Upper-castes in access to education, quality of education, attitude of teachers, access to resources that could enhance learning. There is also evidence of active discrimination inside schools (Nambissan, 2010). Deshpande and Ramachandran (2018) explore factors that account for caste gaps in ECD indicators, and find that difference in parental education accounts for the largest part of the caste gaps in childhood health and learning indicators. This suggests a vicious intergenerational cycle of disadvantage. Hanna and Linden (2012) conducted an experiment to measure discrimination in educational contexts. They ran an exam competition in which children competed for a financial prize. They then changed the cover sheet of the exam randomly and assigned to each sheet "child characteristics" (age, gender and caste), such that there was no systematic relationship between actual performance and characteristics of the child. With these new cover sheets, they gave the exam scripts to school teachers to grade. They found that teachers tended to give scripts marked low-caste and female lower scores compared to those marked high caste and male.

## 3 Markets and Merit

Both international evidence as well as economic theory suggests that discrimination is compatible with a market economy. There are studies of hiring practices which emphasise the role of networks and that of informal and personalised recruitment, where "who you know" is often more important than "what you know" (Royster 2003, Deshpande and Newman, 2007). In a college-to-work study, which tried to uncover the exact pathways through which discrimination manifests itself, Deshpande and Newman (2007) tracked a group of students from the three premier Indian universities in Delhi for two years trying to understand what jobs they got, how they got them and what their interview experiences were. It turned out that employers actively probed into applicants' "family background", all the while professing deep allegiance only to the "merit" of the candidate.

There is widespread prevalence of personalized recruitment in the private sector. Employers find this convenient and "efficient": for them, it minimises recruitment costs, ensures commitment and loyalty, minimises transaction costs of disciplining workers and handling disputes and grievances. Jodhka and Newman (2007), in an employer attitude survey, find that employers, including MNCs, universally use the language of merit. However, managers are blind to the unequal playing field which produces "merit". Commitment to merit is voiced alongside convictions that merit is distributed by caste and region. Thus, qualities of individuals replaced by stereotypes that at best, will make it harder for a highly qualified job applicant to gain recognition for his/her skills and

accomplishments.

## 4 Affirmative Action and the "Death of Merit"

In every country with affirmative action, the opposition to AA in principle is essentially based on meritocratic principles, with the implicit belief that labour markets and other social institutions reward merit and efficiency, if allowed to function without hindrance in the form of affirmative action. The most common criticism of AA is that it goes against the consideration of merit and efficiency by allowing otherwise ineligible candidates access to preferred positions in higher education and public sector jobs. The latter part of this statement defines precisely the nature of affirmative action. The first part of the statement can actually be verified empirically.

It should be noted as a general point, though, that the discussion on merit is conducted as if merit is a neutral, objective characteristic, independent of the standard used to measure it, similar to height or weight or the number of teeth. The reality is that "merit" is extremely hard to measure in a standardized way, and examination results, while widely used as a proxy for merit, are often not good measures of true underlying ability or talent. Nussbaum (2012) points out how the US debate over race and intelligence quotient (IQ), "if it has achieved nothing else, has at least made virtually everyone aware that even a test that purports to be a neutral measure of intelligence is full of pitfalls for the child of a minority or immigrant culture or of a less than stimulating home environment." (p. 81)

Exam scores are seen as a relatively non-controversial instrument for allocating scarce seats in institutions of higher education, for providing a cut-off mark. But whether every percentage difference in exam scores reflects a qualitative difference in "merit" is a moot point: does someone who gets 85 percent in annual, standard examinations, which encourage learning by rote and formulaic answers, necessarily more meritorious than another person who scores 80 percent? Maybe or maybe not. The argument is not that intrinsic differences in quality don't exist, but that examination scores might not be the best way to gauge them. On a personal note, as a teacher in Delhi University, I see that each successive batch of my students enters with higher qualifying grades than the earlier batch. The escalation in students' entry grades over a decade is striking (over 10 percentage points at least); yet, it is difficult for me to claim that present batches of students are visibly brighter than batches I taught 10 years back.

Of course, it can be argued with reasonable validity that within a given cohort of students, the distribution of scores gives a good enough indication of the underlying distribution of merit. Again, subject to some caveats, this would be valid for large differences in grades (say, 80 percent versus 60 percent), but it is not immediately obvious what magnitude of gap between grades signals "real" or "true" differences in underlying quality. Just as it is argued that caste-based quotas are an imprecise or rough measure to target "true" deprivation, exam scores could be seen as an imprecise or rough measure of the underlying "merit".

Finally, what is missed in the debate over lower entry scores for SC-ST students is the value

addition that takes place due to being admitted to a prestigious institution of learning. The focus on drop-outs of quota students detracts from the success stories - those who are successfully able to complete the programme (Deshpande, 2017). Bowen and Bok (2000) document the long term positive impact of AA on the lives of beneficiaries who successfully graduate from elite universities in USA, even if they do so with grades lower than their white counterparts. For successful blacks, the transformation in their life chances because of AA is tremendous and the benefits go beyond the final grade they obtained at graduation.

#### 4.1 Efficiency Impact of Affirmative Action

In the first study to empirically study the effects of AA in the labor market, we chose to focus on the Indian Railways to assess if AA, i.e. the presence of SC-ST employees who have gained entry through quotas, has impacted productivity negatively (Deshpande and Weisskopf, 2014). The study covers the period from 1980 to 2002 for eight of the nine railway zones in existence during the period and uses a variety of econometric techniques to examine the impact of AA on total output and on total factor productivity.

Analyzing an extensive data set on the operations of one of the largest employers in the public sector in India, the Indian Railways, the study found no evidence whatsoever to support the claim of critics of affirmative action that increasing the proportion of SC and ST employees will adversely impact productivity or productivity growth. On the contrary, some of the results of the analysis suggest that the proportion of SC and ST employees in the upper (A+B) job categories is positively associated with productivity and productivity growth.

The finding of such positive associations in the case of managerial and top-level decision making jobs is especially relevant to debates about the effects of AA on behalf of members of SC and ST communities, for two reasons. First, the impact of AA on productivity is likely to be much more affected by the efficacy with which high-level managerial and decision-making jobs are carried out, than the efficacy with which lower-level semi-skilled and unskilled jobs are fulfilled. Thus, critics of reservations are likely to be, and indeed are, much more concerned about the potentially adverse effects of reservations at the highest decision making levels than at lower levels. Second, it is precisely in the A and B jobs - far more than in the lower ranked C and D type jobs - that the proportions of SC-ST employees would not have risen had it not been for quotas.

These findings are echoed in the very recent Bhavnani and Lee (2018) study. Using detailed data on the recruitment, background and careers of IAS officers in India, they find that officers recruited via AA perform no worse than others; SC-ST officers recruited outside of AA perform slightly better than others. Thus, equity does not lower merit and does not come at the cost of efficiency.

## 4.2 The Mismatch Hypothesis

In the context of AA in education, there is an argument that AA actually harms beneficiaries by placing them in programmes for which they are academically unsuited. This is because of supposed mismatch between the academic preparedness of the students and the scholastic demands of the college. Bertrand, Hanna and Mullainathan (2010) analyze data on individuals applying to engineering colleges, via a competitive entrance examination, in one Indian state in 1996. Engineering colleges are among the most prestigious educational institutions in India. Their data show that the qualifying scores for admission were roughly 480/900 for upper caste individuals, 419 for OBC and 182 for SC. These score disparities provide elementary support for the hypothesis that lower-caste students would not be able to perform in colleges and will not benefit from AA because of the mismatch between their basic skill levels and the skill requirements of engineering education. This could lead to wastage and drop-outs. To better understand the outcomes across caste groups, the authors then interviewed about 700 households from the census of all applicants between 2004-2006 (approximately 8-10 years after the entrance examination). They surveyed both the applicant and their parents to gauge life outcomes including income and occupation, job satisfaction, social networks, and caste identity.

They find that despite much lower basic skills (as measured by scores on the entrance exam), those who are admitted through AA economically benefit from attending engineering college. Depending on the specifications, attending engineering college increases lower-caste members' monthly income by 40 to 70 percent. In other words, they find no evidence of the "mismatch hypothesis". In addition to improving earning potential, they find that AA could also increase access to more satisfying careers, measured in terms of job quality and satisfaction. These two findings (of higher earnings and better job quality) resonate with the findings contained in Bowen and Bok's (2000) seminal study of long term benefits of AA in the US context.

## 5 The Stigma of Incompetence

While AA policies increase access of beneficiary groups to preferred jobs or seats in educational institutions to which they would not have had access without AA, an unintended consequence might be that it harms beneficiaries by further stigmatizing them as incompetent (Leslie et al, 2014). The consequence of additional stigmatization could be serious, potentially undermining the very purpose of AA, as peers and colleagues might discount achievements of beneficiaries. This undervaluation by peers (the 'externalization' mechanism) could increase the academic burden on AA beneficiaries, with possible adverse consequences for their performance. Alternatively, or additionally, the performance of beneficiaries might be affected (lowered) as a result of self-doubt due to stereotype threat (the 'internalization' mechanism).

I have explored this phenomenon in two recent papers based on data from primary surveys in the city of Delhi (Deshpande, 2017 & 2018). I find that the uptake of AA is not negatively affected by fear of added stigmatization. Stigmatization by peers and teachers is real, often expressed through micro-aggressions, but AA beneficiaries do not necessarily internalise labels of low ability that are

heaped on them. The successful graduates from amongst the beneficiary groups consolidate the growing Dalit and Adivasi middle class that helps break the presumed association between lower-caste status and “merit”.

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