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ECONOMIC EXCLUSION AND POVERTY IN ASIA

The Example of Castes in India

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Exclusion on the basis of race, religion, and ethnicity exists in many nations under diverse social, economic, and political systems. Such exclusion is a problem in several countries in Asia. And while many Asian countries—such as China, India, Japan, Malaysia, Nepal, and Pakistan—have developed equal opportunity policies to overcome economic discrimination, the nature of both market and nonmarket discrimination is still not well-understood, and neither are its direct and indirect effects on poverty. The limited number of studies on exclusion in Asia has affected the development of appropriate policies to overcome discrimination and its impact on poverty.

This brief presents the argument that market- and nonmarket-related forms of discrimination directly affect poverty but also exacerbate it indirectly by reducing growth. The brief highlights the need for socially inclusive policies; offers an analysis of the consequences of discrimination through the historical example of scheduled castes in India; and indicates potential policy options to redress exclusion and its effects.

The Concept of Economic Exclusion and Its Relationship to Poverty

Broadly speaking, social exclusion can be defined as “the process through which individuals or groups are wholly or partially excluded from full participation in the society within which they live.” The concept rightly focuses on both the processes by which social and economic institutions exclude groups, and the multidimensional nature of the adverse consequences experienced by those who are excluded.

Social exclusion is group-based in nature. Economic exclusion or discrimination affects whole groups in a society, independent of the income, productivity, or merit of individuals within the group. Anyone can be excluded from access to markets because of lack of income, or from employment on the grounds of low productivity, or from admission to educational institutions on the basis of low merit. In the case of group-based exclusion, however, the basis for exclusion is group identity and not the economic or productive characteristics of the specific individual. While exclusion does result in the denial of economic opportunities—such as access to capital assets, development of skills, and education—the originating cause is not lack of income, productivity, or merit but rather the individual's group identity.

It is quite clear that in so far as exclusion and discrimination involve the denial of access to resources, employment, education, and public services, they certainly impoverish the lives of excluded individuals. Economic theory also implies that such discrimination can hamper economic growth by reducing efficiency. Labor market discrimination causes less than optimal allocation of labor among firms and sectors (given that those who are discriminated against receive a lower wage than their marginal product), and it reduces the effort expended by workers who perceive themselves to be discriminated against. Discrimination also results in inefficiency by reducing the magnitude of investments in human capital by discriminated groups and by reducing the return to any human capital investments made. Discrimination is thus a concern not only for equity but also for economic growth, and in this way it affects poverty both directly by adversely affecting the income distribution and indirectly by affecting economic growth. Moreover, discrimination can also lead to intergroup conflict by exacerbating existing inequality and contributing to its perpetuation from one generation to the next.

The Need for Socially Inclusive Policies

Conclusions regarding the consequences of market discrimination on economic growth and income distribution are derived from mainstream economic theory of discrimination, which also predicts that in highly competitive markets, discrimination will prove to be a transitory, self-correcting phenomenon because market discrimination comes at a cost to employers and firms, which erodes their profits and acts as a deterrent.

The free-market solution is not, however, a final and practical remedy for a number of reasons. For example, market discrimination is a competitive equilibrium if social norms ensure that all the employers are discriminators. This is the likely reality, as the persistence of labor market discrimination in high-income countries over decades attests. In the absence of interventions, markets will continue to operate imperfectly, and discrimination will persist. Interventions are thus called for in the form of legal safeguards and policies that ensure fair and equal access and redress longstanding inequities through affirmative action and other measures. Given that excluded groups face discrimination through many market and nonmarket channels, policy interventions are

Table 1. The Incidence of Poverty and Access to Markets among Scheduled Castes

Indicator	Scheduled Castes	Other
Poverty incidence		
Average monthly per capita consumption expenditure of rural households (rupees)	418.51	577.22 ^a
Average monthly per capita consumption expenditure of urban households (rupees)	608.79	1,004.74
Landownership		
Landless (% of rural households)	10.00	not available
Owning land, but less than half an acre (% of rural households)	65.00	not available
Employment		
Self-employed in agriculture (% of rural households)	16.40	41.10
Regular wage/salary (% of urban households)	27.30	35.50
Agricultural wage labor (% of rural households)	51.40	19.00
Casual labor (% of urban households)	26.50	7.40
Unemployment rates based on the current daily status (%)	5.00	3.50
Average weekly wage earning (rupees per week in 1993–94 prices)	174.50 ^b	197.05 ^b

Sources: Employment/Unemployment Survey, 1999–2000, and Consumption Expenditure Survey, 55th Round (National Sample Survey Organisation, Central Statistical Office, New Delhi).

Notes: "Other" refers to nonscheduled castes and tribes. Scheduled tribes, though not considered here, are found in certain regions of India and often face greater poverty than scheduled castes.

^a Excludes those castes classified as "backward."

^b Estimates are based on 1999–2000 National Sample Survey employment data, calculated by A. Dubey, Note and statistical tables on social groups prepared for the U.K. Department for International Development (New Delhi, 2003).

required in the provision of social services and in various markets, such as for land, labor, capital, and produce.

A Focus on Castes in India

While exclusionary practices are evident throughout Asia—for example, ethnic minorities in Laos and Vietnam, and religious minorities in Central Asia—this brief focuses on one example of exclusion, the case of scheduled castes in India. This is a useful example because the Indian government has taken significant action to reduce the incidence and impact of exclusionary policies against scheduled castes, so a discussion of the policies introduced in India provides some indication of the type of interventions that can be used to combat social exclusion.

Present Social and Economic Conditions of Scheduled Castes

The caste system is based on the division of people into social groups, whereby each group's occupations and property rights are inherited. The assignment or division of occupations and property rights across castes is unequal and hierarchal, with some occupations considered socially inferior. Castes at the top of the order enjoy more rights at the expense of those located at the bottom. The caste hierarchy is maintained through a system of social and economic penalties that are philosophically justified and supported by elements of the Hindu religion.

It is important to recognize the uniqueness of caste discrimination. The caste system involves exclusion and discrimination in multiple market and nonmarket transactions and societal interactions. Exclusion for scheduled castes (those at the very bottom of the caste hierarchy) may involve

1. limited access to markets such as land, inputs, consumer goods, and social services;
2. differences between prices charged or received and market prices;

3. exclusion from participating in certain categories of jobs and sale of certain consumer goods such as vegetables or milk because the occupational and physical touch of individuals from scheduled castes is considered "polluting";
4. discrimination in the use of public services such as roads, temples, and water bodies; and
5. physical or residential exclusion that prevents contact with community members and full participation in community life.

Some statistics illustrate the multifaceted nature of this discrimination and its impact (Tables 1 and 2). Those in scheduled castes (SCs) have a lower average level of expenditure than those in other castes, resulting in a rural poverty rate of 35 percent among SCs compared with 21 percent among other castes, and an urban poverty rate of 39 percent among SCs compared with 15 percent among other castes (Table 1). Individuals from scheduled castes are less likely to own land or any productive assets to enable self-employment; they are more likely to depend on casual wage labor for income, resulting in higher levels of underemployment; and, when they are employed, they receive lower average wages than their non-SC counterparts.

Historically, in addition to being excluded from property rights, SCs have also been denied rights to education. High dropout rates, poor-quality education, and discrimination in education are some of the problems children from scheduled castes have faced. As a result, there are large gaps in literacy rates and education levels between children of SCs and those of other castes. In 1991 (the last census year for which data are available), the literacy rate among children of SCs was 37 percent, whereas among children of other castes it was 58 percent.

Data from the 1998–99 National Family Health Survey also reveal a wide gap between SCs and other castes in

health status and access to public services (Table 2). Infant and child mortality is much higher in SC households than in others, and women's health and childbearing are much worse (perhaps a contributing factor). The extent of malnutrition and undernutrition among children of SCs is also much higher than among children of other castes.

Table 2. Health Indicators for Women and Children

Indicator	Scheduled	
	Castes	Other
Infant mortality (per 1,000)	83.0	62.0
Under-five mortality (per 1,000)	119.0	82.0
Proportion below 3 standard deviations of the average weight for age (%)	21.2	13.8
Proportion below 2 standard deviations of the average weight for age (%)	53.5	41.1
Women with anemia (%)	56.0	48.0
Women with antenatal checkup (%)	61.8	72.1
Home-delivered births (%)	72.1	59.0

Source: National Family Health Survey, 1998–99 (Central Statistical Office, New Delhi).

Note: "Other" refers to nonscheduled/nonbackward castes and nonscheduled tribes.

Policies and Strategies for Combating Exclusion

Despite the continued exclusion of individuals from scheduled castes, the level of discrimination they face has in fact reduced over time. Self-employment rates among SCs suggest that about one-third of SC households in rural and urban areas have acquired access to capital assets from which they were traditionally prohibited. The literacy rate improved threefold from 1961 to 1991, rising from 10 to 37 percent. Assessed against the background of the traditional restrictions facing SCs in the ownership of capital assets and education, these are gains indeed. The cumulative impact of this and other improvements is reflected in the decline in rural poverty among SCs, from 59 percent in 1983/84 to 35 percent in 1999/2000.

The Government of India has been proactive in addressing exclusion and undertaking policies to foster social and economic empowerment among SCs. These efforts have had some success, but, as previously suggested, they have not fully addressed exclusion. Although the caste economy has undergone changes, some of its traditions persist. In order to reduce the disparities between SCs and other castes, improvements in asset and income levels need to be faster among SCs. This, however, is not the case: calculations by both Dubey and de Haan indicate that although poverty fell among SCs between 1983 and 2000, the rate of reduction was lower for SCs than for other castes (–2.50 percent per year compared with –3.02 percent per year).

With this in mind, it is instructive to consider the policies implemented in India. The government's approach draws mainly from provisions of equality for SCs laid out in the constitution and is influenced by two considerations: to overcome the multiple deprivations that SCs inherited from their past exclusion, and to provide protection against ongoing exclusion and discrimination.

The result is a twofold strategy as follows:

1. Anti-discriminatory or protective measures. The Protection of Civil Rights Act (1955) and Prevention of Atrocities Act (1989) outlawed "untouchability" and other forms of discrimination in public places or in the provision of public services and provided legal protection to SCs in the event of acts perpetrated against them by higher castes. The practice of reservations in government services, state-supported educational institutions, and various democratic bodies also falls under this category. Reservations are used by the government to ensure proportional participation of SCs in public spheres.
2. Developmental and empowerment measures. In the absence of legal affirmative action policy in the private sector, the State has used general programs to promote economic, educational, and social empowerment for SCs. These programs have been primarily undertaken as a part of anti-poverty programs that target or fix specific quotas for SCs where possible, as follows:

- Measures for economic empowerment include improving the ownership of capital assets; enhancing the business capabilities and skills of SC members; distributing surplus land to landless households; subsidizing credit and input provision to SC households; providing employment generation schemes to address the lack of employment opportunities in the lean season; and providing programs to support the release and rehabilitation of bonded laborers, given that SCs constitute about 61 percent of bonded laborers in India.
- Educational development programs comprise about half of the central government's spending on SCs. These programs include improvements in educational infrastructure in areas predominantly populated by SCs; admission to educational institutions through quotas and other measures; financial support for education at various levels; remedial coaching; and special hostels for boys and girls from SCs. Under all of these schemes, girls are given particular attention.
- Additional schemes focus on improving SC access to civic amenities like drinking water, housing, sanitation, electricity, roads, and public food distribution, since SCs often live in segregated residential areas with unequal access to these civic amenities.

While SCs are represented in parliament through reserved seats, it is perceived that they have not been able to effectively participate, contribute to decisionmaking processes, or monitor program implementation. The paucity of the studies on the role of government representatives from SCs makes it difficult to understand the reasons behind this. Isolated research indicates that problems stem in part from the presence of numerous, fragmented political groups; limited

understanding of the complexity of the issue and its required policy response; and the absence of institutional support to enhance the capacity of representatives to effectively participate in political decisionmaking.

Similar constraints to effective participation are also observed in civil society. While many civil society initiatives targeting SCs exist, many of them having rich grassroots knowledge (and some even receiving selective support from the government), their effectiveness in bringing about change is limited by their lack of access to resources, knowledge of appropriate working methods, and connections to those with influence.

A Call for Research to Develop Inclusive Policies

Given the importance of exclusion in aggravating persistent poverty, the need for action in this area, and the lack of clear insight on how to do this (particularly in the Asian context), research on these issues needs to be undertaken. Systematic studies would support the development of appropriate policies. In particular, research should be undertaken on the following:

1. *The structural context of exclusion.* Further theoretical research is needed on the institutionalization of exclusion associated with caste, ethnicity, religion, color, and other forms of group identity; the effects of such forms of discrimination on economic growth, poverty, and governance; and the remedies against discrimination and deprivation.
2. *The nature and dynamics of exclusion.* A gap exists in empirical research on the economic, social, and political conditions of excluded groups and the forms and dynamics of market discrimination (in land, capital, employment, product, input, and consumer markets) and nonmarket discrimination (in the provision of social services and in public institutions and political bodies).
3. *The consequences of discrimination.* Further empirical research is needed on the poverty consequences of

discrimination and the resulting effects on excluded groups in terms of their access to livelihood opportunities, markets, services, and political institutions.

4. *Policy interventions.* Further research is needed to analyze the impact of public policies intended to combat exclusion and alleviate its impact on poverty. Such research must incorporate scientific analyses of interventions undertaken in Asia to empower marginalized groups in economic, educational, political, and sociocultural spheres, as well as analyses of civil society initiatives, issues relating to implementation and governance, and policy experiences in other countries.
5. *Collective action.* Research is needed on effective forms of collective action by deprived groups and other sections of society—such as political parties, social organizations, and nongovernmental organizations—in striving to secure human rights.

Conclusion

While the purpose of this brief has been to highlight the direct and indirect effects of economic discrimination on poverty and the need for socially inclusive policies, above all, the brief draws attention to the current paucity of knowledge on the full impact of discrimination and how this knowledge gap can be effectively addressed. Studies on these issues, as outlined above, are a necessary foundation for the development of appropriate policies to combat discrimination and reduce poverty.

For Further Reading: A. de Haan, "Extreme Deprivation in Remote Areas in India: Social Exclusion as Explanatory Concept," presented at the conference on Chronic Poverty (Manchester, April 2003); A. Sen, "Social Exclusion: Concept, Application, and Scrutiny," Social Development Papers No. 1 (Office of Environment and Social Development, Asian Development Bank, 2000); S. Thorat, A. Negi, and P. Negi, *Reservation and Private Sector: Quest for Equal Opportunity and Growth* (Jaipur, India: Rawat, 2004).

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