

## South Asia

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### India's private sector in reservation debate

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The specter of job reservations is back, this time in the private sector. With opportunities in the public sector dwindling, the country is debating whether reservation should be extended to the private sector as well. As always, political parties are the main backers of this idea.

When the concept of reservation was incorporated in the constitution, the social and economic conditions of the Schedules Castes (SCs), Schedules Tribes (STs) and backward classes were incontrovertibly pathetic. There was no doubt that the only way for society to atone for centuries of neglect, exploitation and oppression was to make available sufficient concessions and safeguards. The young nation, while it trod the path of development, couldn't have obviously waited till it put in place enhanced mechanisms of delivery to spread quality education and jobs to its most backward corners. So it made sense to rely on reservation to achieve some semblance of egalitarian distribution of its limited resources.

The constitutional provisions to introduce reservations were meant to be of very short duration within which the beneficiaries were expected to throw off the crutches and bring themselves on a par with the rest of the population. Reservation, at the time the constitution was drafted, was not meant to be continued in perpetuity, or to lead to a ridiculous situation in which castes and communities shamelessly compete for being declared backward. The constitution makes it clear that the claims of SC-STs "shall be taken into consideration consistently with the maintenance of efficiency of administration". The intention, thus, was not to make a fetish of reservation at the cost of efficiency and good governance.

Reservations have been in existence since independence in 1947 and yet have not improved the lot of those in the middle and lower rungs of the SC-ST categories. Only the so-called "creamy layers" of the SC-ST groups - the privileged among the backward classes - have benefited. The marginalized members belonging to other castes have not been touched at all, rendering the entire exercise inequitable. Without any accompanying movement of social awakening among the target communities, reservation has degenerated into no more than a race for systemic spoils that has only served to create new layers of elite.

Apart from entering government jobs without merit, those who gained from reservations knew that they had been set up for the rest of their lives, so there was no incentive to work. Besides, in the command economy days, public sector companies were as good as monopolies and were thus in a position to carry inefficient and excess baggage. In today's highly competitive environment, it's not only a luxury that the private sector can ill afford, but is also difficult for the public sector to bear, especially in view of antiquated labor laws. According to the Federation of Indian Chambers of Commerce and Industry, the organized private sector employs about 10 million. Rigid labor laws have caused this figure to stagnate for years, with no incentive to hire. Thus, even if the entire organized private sector is reserved for targeted social groups, the employment gains will only be modest.

In fact, the government's stated intention is a clear admission of the state's failure to ensure uplift of the disadvantaged sections through affirmative action. Focusing on reservations instead of education has clearly not worked. A study of the social sector expenditure during the 1990s shows that, as a percentage of gross domestic product (GDP), social sector expenditure has hardly increased. As a percentage of public expenditure, there has been some improvement, but the public expenditure as a percentage of

GDP itself declined in the 1990s. With successive governments unable to control their expenses, it was the social sector that routinely got the ax in the name of fiscal prudence, with telling effect.

The fact is, economic reforms in India have largely meant privatization, divestments, tax reforms, delicensing, import liberalization and the like, which have had minimum impact on the multitudes living in abject poverty. While this is a clear case of failure of governance, that should not be used as an excuse to force the private sphere to adopt a failed tool of social engineering.

The private sector should also play a responsible role in nation-building and share the government's social burden but it should be sensitized to the need to draw all sections of society into the employment net, not dictated to do so with a fiat. For example, in the US, employment of minorities by US companies is strictly voluntary and not mandated by law. One can also look at fiscal incentives. Instead of forcing every private sector entity to employ a minimum percentage of its workforce from socially underprivileged sections, the government could offer tax relief to companies to encourage them to increase the share of socially backward people on their staff.

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