

**BUSINESS OF HIRING**  
**SOCIAL LIFE OF CORPORATE ECONOMY IN INDIA**

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**DECLARATION**

This is to declare that the dissertation entitled “**Business of Hiring: Social Life of Corporate Economy in India**”, submitted by me in partial fulfilment of the requirements for the award of the degree of **Master of Philosophy** from Jawaharlal Nehru University, New Delhi, is my own work. This dissertation has not been submitted, in part or full, for any other degree, diploma of this or any other university

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## **LIST OF ABBREVIATIONS**

ASI – Annual Survey of Industries  
CEO – Chief Executive Officer  
CIL – Coal India Limited  
HUF – Hindu Undivided Family  
IFCI – Industrial Finance Corporation of India  
IMF – International Monetary Fund  
IIM – Indian Institute of Management  
IIT – Indian Institute of Technology  
ITI – Industrial Training Institutes  
LIC – Life Insurance Corporation of India  
LPG – Liberalisation, Privatisation and Globalisation  
OBC – Other Backward Classes  
OECD – Organisation for Economic Cooperation and Development  
ONGC – Oil and Natural Gas Corporation  
MNC – Multinational Corporations  
NCEUS – National Commission of Employment in Unorganised Sector  
NIT – National Institute of Technology  
NSSO – National Sample Survey Organisation  
PSU – Public Sector Undertakings  
SAIL – Steel Authority of India Limited  
SC – Scheduled Caste  
SPA – School of Planning and Architecture  
ST- Scheduled Tribe  
USA – United States of America  
UTI – Unit Trust of India  
VET – Vocational Education and Training  
WB – World Bank





## CHAPTER 1: INTRODUCTION

“Modern” industrial societies are typically described as meritocratic characterised by individualism and dissolution of ascription, wherein individuals are recognised solely on the basis of their personal achievements of merit and hard work. Such a view of capitalist societies emanates from the market logic of capitalism which asserts that the economy, through the interaction of demand and supply forces, is both self-balancing and all-powerful. Society, politics and all other forms of social relations are believed to be derived and modified from economic relations. This view also propagates the view that the system of education in such societies, following a functionalist tradition, is fair and provides equal opportunities to all individuals on the basis of hard work and merit (Giddens, 2009). Following the capitalist logic of individualism and self-making, inequalities in modern societies are viewed as product of individual incapacities; wherein, the best student or the best employee is expected to be the most meritorious and are rewarded with the best jobs; those who do not get such jobs are then considered to be non-meritorious.

While inequalities in capitalist societies have long been a subject of social science research, there are two predominant views in social science literature on social inequalities carried out from the Marxist and the functionalist school of thought. While Marx (1867) viewed social inequalities as essentially emanating out of polarised class relations based on differences in ownership and control over means of production, Weber (1922), expanding on Marx’s ideas, argued that class divisions occurred not only from ownership of production, but more significantly from other forms of economic resources like differences in education and skills, “styles of life” such as appearances, manner of speech, etc. which together influence an individual’s “market position” and his/her employment opportunities. Unlike Marxist scholars, functionalist scholars on the other hand, argue that inequality in capitalist society is inevitable and a functional need for the growth and development of societies. Functionalist scholars like Davis and Moore (1945) state that, “Social inequality is ... an unconsciously evolved device by which societies insure that the most important positions are conscientiously filled by the most qualified persons. Hence every society, no matter how simple or complex, must differentiate persons in terms of both prestige and esteem, and must therefore possess a certain amount of institutionalized inequality” (p. 243). They argue that since particular jobs require specific knowledge and talents that are not commonly possessed

by all; therefore following the principle of “scarcity of (qualified) personnel” (Ibid.), such jobs should be accrued with higher status and social privilege than others, the inequalities emerging thereof is viewed as desirable. Irrespective of the difference in approach, inequalities in industrial societies, following the principle of individualisation and specialisation are closely related to the occupational categories wherein the social status and importance of individuals is closely related to their jobs. In this regard, a study of the hiring practices in the corporate economy is attempted for exploring the nature and patterns of social inequalities prevalent in modern capitalist societies.

There is a complex but close relationship between occupation and education in all modern societies (Beitelle, 2001). Education is seen as a means for providing the requisite skills and credentials essential for entry into occupations and hence an individual’s educational and training often acts as the principal factor conditioning their employment opportunities. While education is often credited for being a means for creating social equality and for creating so-called level-playing field following the principle of merit; in reality however, it often acts as key source of inequality (Sutoris, 2018). Several scholars have pointed out that although education in principle creates new opportunities, the structures and processes through which education is imparted often gives rise to inequalities as not all members of society are able to equally benefit from it (Chitnis, 1972; 2013; Rivera, 2012, Littler, 2018). As a result inequalities in the system of education also give rise to inequality in matters of employment and social mobility.

Apart from education, the process of hiring is also closely related to factors like social networks, referrals, cultural backgrounds, etc. which together condition the nature and patterns of economic relations prevalent in individual corporate economies (Rees 1966; Munshi, 2003). Several studies have pointed out that job related information is often unevenly distributed. Globally labour markets are organised along social groups and networks (Morris, 1965), wherein information regarding job vacancy, especially in case of high paying and high status jobs, and the process for accessing such jobs has historically been restricted within social groups (Granovetter, 1973; Khan, 2012; Rivera, 2012; Littler, 2018; Rodgers et al, 2014). Hiring for jobs across all sectors are therefore conditioned on factors like caste, community, language, regional affiliation, family background, social networks, educational level which together influence employment together determine the means for accessing employment. For this reason, Polanyi (1944) argues that the “human economy was always embedded in social relations” (p. 23) where economic and labour market relations are

strongly influenced by the nature of social and political relations relevant in each country, and not vice-versa. Using Polanyi's concept of embedded-ness this research work aims to explore the social basis of the corporate economy in India through a study of the process of hiring prevalent in the Indian private economy. Jobs at the higher end of the corporate economy, like that of managers and engineers, yield greater remunerations and are accrued with greater social status and value, for this reason, this study will focus particularly on the top-level of the corporate economy to examine the impact of hiring on social inequalities.

### **1.1 Modernisation and Changing Nature of Work**

In traditional societies, work relations were conditioned by family and kinship relations. Work in traditional societies was in the form of hunting or agriculture or pastoral and work was mainly for subsistence and not accumulation (Harris, 1978). In such societies, family and kinship relations determined the structure of work; leadership positions were mostly distributed within the family or kin with very limited access given to individuals outside the family or kin. In the absence of accumulation of personal material wealth, there was no inequality among members of the society in terms of private possessions. The only form of differentiation was in terms of age and sex, with the men being dominant in public life (Ibid.). Since work was practiced at home performed collectively by adult and mostly male members of the household; there was therefore a close relation between work and home. Increase in the yield of crops, beyond the demands for subsistence, led to private accumulation which in turn resulted in the emergence of larger societies, civilisations and empires through the development of cities and towns. In such societies, economic and political power was concentrated in the hands of particular families or kinship groups which accumulated the maximum private wealth (Giddens, 2009).

The onset of industrial revolution in the eighteenth and nineteenth century drastically changed the social organisation of work. With the invention of steam and electricity, factories were established and commodities were produced in bulk for the purpose of selling in the market. This led to a separation of work from the family. Now work came to be organised in factories instead of the agricultural field or the household (Ibid.). Scientific advancements like development of communication and transportation resulted in the migration of workers to cities to access factories and shops where work was available. This further transformed the social organisation of work.

With industry replacing agriculture as the primary source of employment, the site for work shifted from home to factories. Unlike in traditional societies where work was performed by the family as a whole, in industrial societies, work was offered to men alone for their specialised knowledge and skills who were employed in their individual capacities. Women who were mostly associated with domesticated values became restricted to the home and to childcare and household activities; men on the other hand through their claims over work controlled the public domain. The only exceptions to this were poor women who had to manage their homes as well as work as helpers and cleaners in factories to support their families. This resulted in a significant divide between the household and the economy, where men and women were differentiated into distinct roles in terms of control over the public and private domains. With work becoming increasingly individualised, a new form of social stratification emerged where work was typically a masculine domain with limited opportunities for women; this resulted in the creation of concepts like the “working male” and “housewives” as one of the fundamental forms of social stratification (Davis and Moore, 1944; Giddens, 2009).

The most distinctive feature of the factory mode of production is the creation of division of labour with work getting differentiated in terms of occupations and specialisations. While division of labour was prevalent in traditional societies too, under industrialisation the nature of division of labour is significantly different. Unlike traditional societies, where work was specialised in only a handful of occupations, in industrial societies, work gets differentiated into a wide range of occupations and specialisation accrued with differential social and economic status. Within a factory or an industry, workers were differentiated in terms of their skill composition, educational attainment and eventually in terms of occupational categories. This resulted in specialised knowledge where a worker is trained and skilled in specific work and is dependent on others for the final product. Durkheim (1938) argues that this process results in “specialisation of roles” which in turn results in social solidarity among members of the community because under the capitalist mode of division of labour individuals are dependent on each other for both consumption and production. Marx (1875) on the other hand argued that this division of labour resulted in alienation among workers who under the new system have no control over the final production or over the market where the product is sold.

With the adoption of neoliberalism and significant technological advancement, the nature of jobs and work relations were significantly restructured. Work in neoliberal societies,

following the emphasis placed on technology and specialisation, has increasingly become segmented in terms of possession of specialised technical and marketable skills. In this regard, feminist scholars have argued that the definition of skills is a social construct (Steinberg, 1990); skills are conceptualised in terms of its incumbents wherein the skilled workers is understood more in terms of their social locations than in terms of the work done (Giddens, 2009). Therefore skilled workers are identified in terms of gender, race, caste, class and communities and also in terms of occupations – the same job when performed in big industries may accrue higher social status but when performed in small shops or private warehouses may be of low social status, like IT repairing, etc. (Block, 1990).

This emphasis on skill and specialisation has given rise to the emergence of a new era in modern capitalism – that of the knowledge economy where knowledge in terms of ideas, information and innovation is given greater importance. Giddens (2009) describes the knowledge economy as one “dominated by the constant flow of information and opinions, and by the powerful potentials of science and technology” (p. 916), hence investments in this era has been in form of scientific and technological education for the creation of professionals capable of designing, innovating and developing modern technological solutions to boost industrial activity.

Skills however no longer remain defined in terms of product or technical knowledge. The knowledge economy also emphasises on “multi-skilling (Giddens, 2009: 917) refers to the capability of workers to perform multiple roles independently to enhance productivity. The conceptualisation of skills (in combination with the notion of individualisation) has now shifted from mere product or technical knowledge to the possession of several personal and cultural skills – like the ability to perform multiple roles, ability to undertake independent projects are encouraged. Therefore the modern knowledge worker possesses what Handy (1994) identifies as the “skill portfolio” where individual workers possess different skills, expertise and credential with which they can change jobs in the flexible knowledge economy.

## **1.2 Neoliberalism and Knowledge Economy**

Neoliberalism as a global economic doctrine has gained significance beyond the economic prescriptions of free trade and has now emerged as normative influencing political, social and cultural spheres with impacts on education, healthcare, labour market, government policies, social relations and cultural patterns (Olssen and Peters, 2005). As Cahill (2011) states,

“neoliberalism is embedded ideologically and discursively at national and global policy level, at institutional level, and at the level of social class relations” (Patrick, 2013: 486-7).

The neoliberal economic model has brought about significant structural as well as functional changes in the economies of both the so-called ‘developed’ and ‘developing’ nations (Dicken, 2007). Faulconbridge et al. (2009) elaborates that the rapid growth in production and consumer services in the ‘developed’ economies (Bryson et al., 2004) coupled with the rise of technological industries (Saxenian, 2006) has enhanced the demand for specialised personnel in these new high-valued technological sectors. Jones (1989) argues, “the emergence of new service and technological industries has created the conditions for global elite labour markets as worldwide demand is fuelled by new types of senior leadership, scientific and fee-earning occupations which did not exist 10 or 20 years ago” (p. 54).

In contemporary global economy, economic advancements has primarily been achieved through scientific and technological innovations which has enabled individual corporations to compete with one another for maximising profits (Finlay and Coverdill, 2000). An important element of the neoliberal labour market lies in the shift in focus from economic capital to human capital resources. This has resulted in the emergence of what many scholars call the phase of “knowledge capitalism” where the emphasis now lies in the construction of intellectual labour instead of physical labour (Peters 2001; Patrick, 2013).

Olssen and Peters (2005) argues, “within both neoliberalism and the idea of knowledge economy rests a concept of the each individual being economically responsible and ‘economically self-interested” (p. 314). Phillips and Ilcan (2004) emphasise that in this new phase of knowledge capitalism, individuals are expected “to become self-regulating ... and market knowledgeable” (p. 397). The increasing emphasis placed on the development of human capital in the form of market knowledge has consequently given rise to significant changes in the system of education (particularly tertiary education) across developed countries like India. In consonance with the increasing emphasis placed on scientific and technological advancement and creation of marketable knowledge among skilled professionals, schools and universities are now envisioned to being the creators of the “knowledge professionals” (Patrick, 2013).

Following this emphasis, the educational system has been incorporated into the neoliberal discourse as a crucial site for creation of knowledge professionals. The term “knowledge capitalism” and “knowledge economy” first emerged in global policy discourse in a series of

reports published by the Organisation for Economic Cooperation and Development (OECD) and World Bank (WB) in the 1990s which were adopted by governments globally (Peters, 2001). As one OECD (1996) report states,

“OECD analysis is increasingly directed to understanding the dynamics of the knowledge-based economy and its relation to traditional economy, as reflected in ‘new growth theory’. The growing codification of knowledge and its transmission through communication and computer networks has led to the emerging ‘information society’. The need for workers to acquire a range of skills and to continuously adopt these skills underlies the “learning economy”. The importance of knowledge and technology diffusion requires better understanding of knowledge networks and ‘national innovation systems” (see Peter, 1996: 27)

The neoliberal agenda views knowledge as typically being characterised by a scientific, technical and rationalist approach and hence value is placed solely on scientific and technical education with no importance given to other fields of education like humanities or social sciences (Powell and Snellman, 2004).

As mentioned earlier, neoliberalism assumes that once provided with access to education, with hard work, everybody can succeed regardless of their social or cultural contexts. Brown and Lauder, 2006 point out that the neoliberal discourses propagates a “myth” whereby,

“Children from wealthy backgrounds no longer have an unfair advantage over children from disadvantaged backgrounds, because of the international character of the labour market. What holds back the children from disadvantaged backgrounds is not the fact that those from privileged backgrounds enjoy all the educational advantages, but their lack of credentials, knowledge and skills which prevent them from competing in the global competition for high-skilled, high-wage employment. Therefore, a “fair” educational system is no longer one that attempts to create a level playing field but one dedicated to raising the standards of all, and facilitating greater access to higher education in order to arm the workforce with the credentials, knowledge and skills that are valued in the global labour market” (p. 28).

Following this view, universities and colleges are viewed as crucial agents of knowledge production wherein the knowledge produced serves to enhance individual and consequently collective human capital endowments among “economically self-interested” knowledge

workers (Olssen and Peters, 2005: 314) which would in turn promote economic growth and development. For this reason, one can increasingly find educational institutions modifying their courses and programs in accordance with the needs of the market; also increasingly emphasis is placed on accumulation of skills through a policy shift towards promotion of professionalism and vocational training in higher education (Olssen and Peters, 2005). Many scholars have called this a phase of “academic capitalism” where emphasis is placed on the creation of more functional and market-oriented view of academics (Torres, 2011: 185).

Scholars like Patrick (2013) argue that the emphasis on the knowledge worker has led to the “commodification of education and commodification of the learner” (p.1) wherein education no longer remains an individual or public good but is valued solely in terms of market appropriation. Such a system then places importance on credentialism wherein the market value of an individual is dependent on the number of credentials possessed by an individual (in terms of certificates and awards) (Patrick, 2013). Therefore Fumagalli (2011) states, “productive activity is increasingly based on immaterial elements, that is to say, an intangible “raw materials”... which come directly from the utilization of the relational, sentimental and cerebral faculties of human beings” (Fumagalli, 2011: 10). For this reason, Patrick (2013) argues that neoliberalism and knowledge economy are understood as inseparable in modern capitalist societies.

Educational qualifications are one of the fundamental factors determining an individual’s prospects for hiring. The question of suitability though exists both from the perspective of potential employers and employees, it is primarily conditioned by the employers who determine the suitability of a particular candidate for any particular job. Suitability or “fit” (as commonly used by the employers) (Coverdill and Finlay, 1998) is determined through several factors like educational qualification and skills, but additionally through factors like family background, social networks, cultural similarities which together determines whether an individual employee has the requisite pedigree to qualify for such jobs. As a reason, the suitability of jobs is determined by factors other than mere credentialism; it is conditioned by an individual’s social location of caste, class, gender, ethnicity or religion (Rodgers et.al, 2014; Subramanian, 2015; Khan, 2012; 2013; Rivera, 2018, Littler, 2018).

While education is traditionally looked upon as tool for transformation of the self and as means for individual development, under neoliberalism, education is viewed as means for facilitating individuals in training themselves in accordance with requirements of capital and



the economy through a process of “self-making” (Patrick, 2013). Jones (1999) thus argues that knowledge economy has resulted in the reimagining of the traditional relationship between education and the work through a shift in focus from individual development to a conjunction between learning and the market.

### **1.3 Indian Labour Market**

As a point of entry, the hiring process is both influenced and in turn influences employment relations. The Indian labour market draws much of its characteristics from its colonial past. In the pre-independence phase, in the absence of well-established market structures, property rights and with strong political connections with the colonial government, traditional mercantile families in India concentrated their ownership in the economy (Ghemawat and Khanna, 1998; Khanna, 2000; La Porta et al., 1999). With support from families and communities, in the forms of capital, labour and crucial information, family or community-based firms emerged as the principle economic actors. Hiring in this phase was predominantly within the family or kinship networks with limited space for individuals belonging outside these networks. Alternatively, in this phase, with the introduction of western education, a new class of western educated middle class emerged who were employed in the colonial administration.

In the post- independence phase, following Nehru’s model of state regulated economic planning, the Indian government took the responsibility of developing core industries, the remaining areas were left to the market and private enterprises were required to take licences from the government for opening new production units (Naudet and Dubost, 2017). This period later came to be infamously known as the “License Raj” where the State imposed restrictions on the entry and expansion of private industrial companies. Despite strong government intervention, family firms continued to prevail in this phase.

Those who benefitted from the western system of education in the colonial period were consequently the first ones to benefit from the state system of education and employment post-independence. Following the Nehruvian project of nation building, these educated professionals, bureaucrats and intellectuals were assigned with the task of ushering in of social and economic ‘growth of equity’ (Jodhka and Prakash, 2016). Public sector employment emerged as the primary form of high status employment in this phase wherein western educated individuals contested for acquiring secured, high paying and high status

administrative jobs through an open merit system of competitive examinations and interviews conducted by public agencies like the Union and State Public Sector Commissions (UPSC, SPSCs).

The onset of neoliberalism in the late 1980s significantly altered the employment relations in the Indian economy. The turn towards liberalization through economic reforms resulted in the entry of foreign capital and foreign competition. Economic reforms in the forms of dismantling of the “License Raj”, deregulation, opening of certain industries and sectors, which were earlier reserved for public enterprises, to the private sector (like telecommunications, commercial aviation and banking), tax reforms and international trade and investments, “changed the face of Indian business”, (Tripathi and Jumani, 2013:235). This resulted in the financialisation of the economy and led to shift in corporate governance away from public sector towards a more ‘Anglo-American’ model of corporate economy and private businesses. (Reed, 2002; Afsharipur, 2009).

The Indian labour market is often credited for its rapid rates of economic growth. In the period prior to the 1980s, the Indian economy is recorded to have grown by a mere 2 to 3 per cent per annum, however, post the adoption of the neoliberalism, India has consistently recorded high growth rates with an average of 6 per cent in the 1980s and 1990s, increasing to up to 8.6 per cent in 2009-10 and 9.3 in 2010-11 (IHD, 2014). This acceleration in the growth rates is thus widely credited for being a creation of the post-liberalisation period.

Following the neoliberal demand for “knowledge economy”, the Indian economy increasingly started focussing on the development of scientific and technological knowledge as essential resources for economic growth. This consequently gave rise to the emergence of a new class of educated and skilled professionals, trained in scientific and technical knowledge. The western educated middle classes, with the onset of neoliberal reforms, were also the first ones to promote this transition from public sector to private sector employment. The people who were able to make this transition were typically children of the educated middle class elites who now emerged to form the “new” middle classes of contemporary India which possesses modern education and skill training, primarily from private educational institutions, but has also inherited social and cultural capital from their previous generations (Fuller and Narasimhan, 2007).

The Indian economy and the Indian labour market have predominantly been studied by scholars from economics and management studies. Questions of unequal representation of

different social groups in the labour market have been studied through either macro level tabulations, or alternatively, through a focus on the lower-end of the labour market, especially on labour engaged in informal employment in both the organised and unorganised sectors (Madheswaran and Attewell, 2007; Das, 2013; Harris, Kannan and Rodgers, 1990; Papola, 2012). Following the Report of the National Commission for Employment in the Unorganised Sector (NCEUS) (2004), there has been substantial research on the nature of informal jobs, especially on low-end jobs; there has however been very little study on the higher or the middle level of jobs created in the economy. While much has been written about the lack of “good” or high-paying secured jobs (IHD, 2014), very little emphasis has been given to the social composition of the workforce engaged in such “good” jobs and the factors conditioning the process for accessing such jobs. Limited attention has been given to the question of inequality in accessing the labour market. It is commonly assumed that such inequality is a product of the traditional forms of discrimination based on ascriptions of class, gender, region, religion or communities; while this may be true, there has not been much attempt to understand the ways and processes through which such inequality is practiced in the contemporary labour market (Rivera, 2015). This research attempts to focus on this comparatively less explored aspect of the corporate economy.

#### **1.4 Research Objectives**

In consonance with the above literature, this study focusses on three critical research objectives:

1. To explore the structure of India’s corporate economy with particular emphasis on the higher end of the corporate economy
2. To trace the evolution of higher education and skill training in India
3. To explore the process of hiring adopted in the corporate economy, especially in the post-liberalisation period

#### **1.5 Research Questions**

1. What has been the history and evolution of the corporate economy in India?
2. What has been the nature of higher education and skill training in India? Have there been any significant changes in the education system following the adoption of neoliberalism?

3. What is the process of hiring in the corporate sector?
4. What are some of the factors that determine the prospects of hiring in the private sector?
5. Who gets hired and who does not? Does the hiring process reproduce social inequalities in the labour market?

## **1.6 Research Method**

The study will primarily be a review of literature drawing from broad subfield of sociology like the sociology of work and business, economic sociology, sociology of education, sociology of stratification with a focus to understand the changes in the business and hiring practices of the corporate economy in India. The study will be using several concepts like habitus, social and cultural capital, social mobility, middle class identities as key factors influencing the nature and patterns of hiring and recruitment in India. Through an extensive review of the available literature from these subfields this study will attempt to explore the above research questions and will also seek to frame empirical questions for further field based study on this subject.

## **1.7 Focus of Study**

The focus of this research is to study the process of hiring in the corporate economy and to identify the means through which the process of hiring facilitates in the reproduction of elite privileges in society.

The second chapter of this thesis explores the history and evolution of the corporate economy in India. Given the importance of the corporate economy as one of the principal factors determining the process of hiring, this chapter attempts to study the nature and changing patterns of the corporate economy in India, with special emphasis on the nature of changes experienced in the post-liberal era. Using Polanyi's theory on the social embed-ness of the economy, this chapter attempts to understand the nature of the corporate economy as a product of the existing social relations. This chapter attempts to trace the different stages of transition experienced by the Indian economy in its movement from family owned and managed businesses to professionally owned and managed companies. Despite a visible transition in the nature of corporate economy, social hierarchies of caste, class, gender, religion continues to influence labour market relations. Through the use of social network,

cultural similarities and practices like interlocking directorates and corporate ties, the traditional elites have managed to reproduce their dominant positions in the corporate economy. The chapter attempts to understand the nature of these changes and the factors and means through which the social elites have been able to reproduce their privileged positions as owners of private corporate capital.

Hiring decisions are in principle conditioned by the possession of educational qualifications; therefore to examine the process of hiring in the corporate economy, the higher education and skill training machinery needs to be studied. Given its close relation and impact on the economy, the system of higher education is also deeply embedded in the larger social context. The third chapter attempts to explore the ways in which the education system in India has responded and adapted to neoliberal demands to produce the modern day knowledge professionals and thereby contributes in the reproduction of elite privileges and social inequalities in India.

Moving away from traditional modes of hiring, corporate firms these days are increasingly using new methods and criteria for hiring. In the present labour market scenario, hiring decisions are no longer about differences in individual attainments alone; instead it is increasingly conditioned by the idea of matching people to the jobs. Following this principle, employers often argue that the final decision for selection of a candidate is dependent on the question “who fits the job?” However how the “fit” of a candidate is determined remains unknown. Through a study of the various means and factors used for making the hiring decisions, the fourth chapter attempts to probe the question of who gets hired and who does not and why?



## **CHAPTER 2: CORPORATE ECONOMY IN INDIA: HISTORY AND EVOLUTION**

### **2.1 Introduction**

Since entry into the corporate economy is determined by the process of hiring, it is significantly conditioned by the nature of the corporate economy as a whole; for this reason, an analysis of the hiring process has to begin with the analysis of the changing nature of the corporate economy in India, especially post the adoption of the neoliberal economic reforms in the early 1980s.

Mani and Moody (2014) observe that “the landscape of Indian firms is not homogenous, the economic actors reside in different social worlds and therefore differ in extent to which they engage in embedded exchanges” (p. 1659). Like most countries of the Global South, the corporate economy in India is structured by a strong presence of family ownership over businesses. Indian business capital typically existed in the form of a set of inter-locked firms and companies which were tied together by bonds of kin, community, marriage, lineage and patriarchal ties; these were officially identified as “business groups” by the Hazari Report of 1967 (Das Gupta and Gupta, 2017).

Traditionally the corporate economy is more commonly studied by scholars from disciplines of economics or management studies. While economists have studied the economy through larger questions of capital and market structures, management scholars have looked at through different kind of business models, corporate governance structures, etc. Sociological research on Indian businesses has mostly been in form of individual biographies or studies of particular business families like that of the Tata’s, Birla’s, Ambanis (Markovitz, 2000; Rudner, 1994; Birla, 2009); specific industrial accounts (Upadhya, 2004; Mazumdar, 2017); specific location or sector based studies (Harris, 2003; Manikutty, 2000); or in the form of Marxist interpretation of the growth of Indian businesses (Bagchi, 1972; Markovitz, 2000; Tripathi, 1984).

The larger scholarship on the corporate economy has given limited importance to the role of the family and more importantly factors like kinship, caste and community which are often the principal factors determining the nature of the family businesses and thereby of the corporate

economy in India. This thesis attempts to focus on this largely unexplored area of research where the family acts as a crucial factor influencing the nature of the corporate economy.

At the time of independence, manufacturing firms in the organised sector were predominantly family firms like, the Tata's', Birla's' and Singhanias families (Ray, 1979). The few professionally managed non-family companies existing at the time, like Ashok Leyland, Dunlop Rubber Company, Hindustan Lever Ltd., and Imperial Tobacco Company Ltd., were multinational companies (Ibid.). In the early 2000s, out of the 500 largest companies (assessed on the basis of shareholding and ownership) that together accounted for ninety per cent of the market capitalisation of Bombay Stock Exchange (BSE), approximately sixty per cent of these companies were part of family business groups (Chakrabarti, Megginson and Yadav, 2007).

With the onset of neoliberal reforms and global capitalism, Indian economy witnessed the increasing emergence of competitive and professionally managed firms which provided merit-based employment opportunity to all. This resulted in a movement away from structural factors into more individual accounts of economic and social mobility, change in economic and social status, skill training, job qualifications etc. which together resulted in significant changes in the nature of Indian business economy. This trend of professionally owned and managed firms, also marked a change in the nature of corporate capital, moving from “business for money” to that of “business for growth”, wherein such firms were viewed as instrumental for the growth of the nation.

Legal reforms in corporate governance norms, introduced post liberalisation, further facilitated this transition towards market-based professionally owned and managed firms. However, in case of India, Khanna and Palepu (1999) argue that liberalisation did not lead to a complete dissolution of diversified familial business groups; in contrast, they argue that due to institutional voids and the presence of substantial familial resources and social networks, Indian family businesses have been able to diversify their business interests and have been able to successfully retain their control over the firms and the corporate economy.

In order to bypass the increasing governmental pressures for a more transparent, Anglo-American style of corporate governance, traditional family businesses through methods like interlocking directorates, pyramidal ownership structures and tunnelling of funds, have managed to successfully counteract the pressures of greater transparency and disclosure (Naudet and Dubost, 2019; Das, 2006). This resulted in a divide between the corporate



models adopted by firms in Indian business, while some firms continued to follow traditional business model and practices, other firms, especially those that did not have any affiliations to family business groups, adhered more diligently to the Anglo- American corporate governance structure (Naudet and Dubost, 2017). Thus, despite changes in formal standards of Indian corporate governance model, the traditional corporate governance norms continue to remain in practice in recent times (Afsharipur, 2009: 399).

The corporate economy in India can be divided into the private and public enterprises; public enterprises consist of Public Sector Undertakings (PSUs) established by the government (sometimes in partnership with private capital) typically in core sectors like in iron and steel industries, pharmaceuticals, other metal industries, electricity and energy production, among others, which following a welfare motive produce for national production and distribution (Manikutty, 2000). Private corporate economy on the other hand consists of large number of firms which can be categorised in terms of sectors, size, output, employment rates and modes of production. It comprises of petty shopkeepers, small factories, private offices as well as the big business houses and private national and multinational corporations. This research work focuses on the higher-end corporate capital.

Against this backdrop, this chapter aims to provide a detailed account of the transition that has taken place in the corporate economy in India. This chapter will also attempt to understand the nature and relevance of family and kinship networks and corporate ties which structure Indian businesses and thereby explore the nature of the corporate economy in India. Further, since familial control over business continues to remain an important form of corporate ownership, this chapter will give special emphasis to the relevance of family businesses in India and the means through which families continue to maintain their dominant status as owners of private capital, while simultaneously probing the question of access and scope for individuals located outside the family network.

## **2.2. Family and Business: Contradictory or Related?**

Right from the start, there has been a close relationship between family and work. While in traditional societies, work was performed collectively by members of the family and commonly took place within the confines of the home. Even in agricultural or pastoral societies, work was performed together by members of the family. However, with the coming in of industrialisation, work became individualised as individual workers were employed for

their individual capacities and not as a family. Nevertheless, in contemporary capitalist societies, as mentioned earlier, the bulk of private corporate capital is owned and managed by members of the same family or kin. In case of India, too, family businesses comprise the majority of private owned capital (Manikutty, 2000). Although work has come to be disassociated from families, nonetheless families and kinship networks form key holders of economic power. Therefore in order to understand the complicated relation between families and work or business, one must first understand the nature of families and kinship groups.

Family, in mainstream sociological literature, has been viewed as a site for reproduction and socialisation for the younger members. It is generally understood in relationship with kinship networks which represented relations built between individuals through marriage or through blood ties. While “family” is understood as a tender, altruistic and supportive domain, “business” is typically characterised as being a competitive, challenging domain with a constant motive of creating wealth. Thus, family and business are essentially viewed as distinct from one another, divided along questions of private and public space. While there exists a plethora of research on the family as such, like through accounts of different types of families like nuclear or joint families, women-headed families across different traditions of thought (for review see Giddens, 2009: 327-376), or more specifically on particular business families and communities in India like the Tata’s, Birla’s or Ambanis or of particular kinship groups like the Baniya community, the Marwari community (Carralum, 2005; Birley et al. 1997; Nelly and Rodriguez, 2009); most of these has been from the management scholarship and has failed to give substantial importance to the question of family as a resource and as an institution that also conditions the economy.

Sociological literature, following Bourdieu’s (1986) theory on forms of capital, and the larger academic work on elite sociology, has interrogated the question of family as a resource, a site where cultural capital is produced or as a site where primary social capital is accumulated or on the notion of marriages as an institution that in many ways functions as a business arrangement both in the case of arranged or self-choice marriages which are all generally negotiated within a particular social location (Giddens, 2009). This study attempts to use these existing concepts and theorisations to further study the two distinct categories of family and business to understand the family-ness of a business or the business-ness of a family, and thereby attempts to study the social life of corporate economy in India.

The close relationship between family and work relations has been more commonly studied in relation to agricultural societies where families or households together constituted the labour unit; in case of modern capitalist societies, however, business is differentiated and decontextualized from families (Alsos, Carter and Ljunggren, 2014). But in recent years, with the growing predominance of family businesses across the world, Western sociological literature have in recent decades begun to emphasise that entrepreneurship in general and family businesses in particular, are embedded in family relations. Scholars like Wallace (2002) argue that family relations “elucidate the social factors underlying economic behaviour” (p. 275); others like Brannon, Wiklund and Hayne (2013), add that households and families serves as crucial sites “where normative systems (affect, altruism and traditions) and utilitarian systems (economic rationality) are combined” (p. 111).

Holy (1996) defines kinship as “the network of genealogical relationships and social ties modelled on the relations of genealogical parenthood” (p. 40). It is generally structured along certain distinct moral codes which are applicable to all its members; the moral order prescribed by kinship is largely characterised by an emphasis on altruism, trust or brotherhood which is “at odds with the amoral logic of markets” (Stewart, 2003: 385) which emphasise on individuality and competitiveness. Alsos, Carter and Ljunggren, (2014) argue that these distinct and contradictory morality prescriptions are brought together and merged by family businesses. Family relationships and kinship networks provide its members with some crucial advantages like access to capital, labour, markets, pre-existing business networks which are distributed not just at the level of individual families but across the kinship group as a whole. All these factors together enable families to build and sustain family businesses which despite being individually owned (following the market prescriptions) is simultaneously governed by social rules of trust, cooperation and brotherhood (kinship prescriptions) (Alsos, Carter and Ljunggren, 2014; Stewart, 2003).

Family businesses are typically created as means for fulfilling aspirations of family members and is conditioned by the interests and capabilities of its members, which in turn determines the policies, programmes, strategies, structure and functioning of such establishments (Chrisman, Chua and Steiner, 2005); therefore a family business encloses both private family aspirations as well firm level conditions (Alsos, Carter and Ljunggren, 2014). This principle holds true for family businesses as well as for individual entrepreneurial activities which are typically conditioned and structured along family and kinship ties. For this reason, Alsos, Carter and Ljunggren, (2014) argues that although families and businesses are viewed as

contradictory to one another, they are in practice closely related because “business activities are embedded in the household” (p. 100).

### **2.3 Evolution of Family Businesses**

Traditionally family firms are understood as small and medium sized firms characterised by internal succession and reliance on self-financing local or informal credit sources, however several studies have pointed out that there are several dynamic large and profitable firms which also possess similar traditional characteristics of proprietary capitalism along with relatively modern features of capital markets like product diversification, high-technology utilisation, worldwide markets and rely on international financial institutions (Berker and Levy-Leboyer, 1982:24). Given the complexity in the nature of family firms, scholars have found it difficult to provide an precise definition or any unified theoretical framework on family firms which could precisely explain the reason for their existence or their patterns of expansion and dominance (Rodriguez and Bontis, 2007; Chrisman et al. 2003). Nevertheless, the continued presence of family firms across different size and sectors of the global economy demonstrates that this institution maintains considerable importance and relevance in modern advanced economies (Rose, 1995: 13-14).

Scholars from across disciplines of management studies and economics have presented various perspectives to explain the emergence and persistence of family businesses. While some group of economists argue that family businesses emerged “to fill up the institutional void created by imperfect capital, labour and product markets” (Kedia, Mukherjee and Lahiri, 2006: 2); others argue that they emerged in response to prevailing policy distortions or due to informational imperfection and entrepreneurial scarcity (Khanna and Palepu, 2004; Ghemawat and Khanna, 1998). Largely economists argue that in the absence of a well-functioning labour market, business groups through the use their networks of social and political relations were able to create alternative forms of financial, labour and product markets which enabled them to control the private corporate economy (Kedia, Mukherjee and Lahiri, 2006: 4).

Management scholars on the other hand have argued that business groups through the use of diversified structures were successful in establishing their control over the economy (Li, Ramaswamy and Petit, 2006). They argue that group affiliation provided business groups with access to internal capital markets and simultaneously allowed for the creation of

internally flexible labour markets in which employees could be trained and moved between firms owned by particular social groups (Li et al., 2006).

Together, scholars from management studies and economics differentiate family firms from all other commercial organizations purely on the basis of “family involvement” (Miller and Rice, 1967). Using this premise, family firms were defined in terms of ownership structures (Bannes and Hershon, 1976; Villalongo and Amit, 2006) or in terms of degree and nature of family involvement in the management (Stern, 1986; Wand, 1987; Donnelley, 1988).

Sociologists on the other hand conceptualised family firms as units in which the dominant owners and managers of capital are linked by family, kinship or social networks (Gubitta and Gianecchini, 2002). Litz (1995), states that family businesses are characterised by dominant presence and involvement of family members across generations (Rodrigues and Bontis, 2007).

Sociologists argue that the existence of family firms is heavily dependent on the presence, control and utilisation of their social networks. These firms have to integrate and balance three kinds of networks – family networks comprising of family members who are directly or indirectly related to the firm; business or organization networks comprise of all people part of these firms (excluding the family members) and finally environmental networks comprising of external stakeholders like the shareholders and financial agents in contemporary markets (Litz, 1995; Rodrigues and Bontis, 2007).

While earlier owners retained a major control over family firms, with structural changes in the global economies and rapid technological transformation, there has been a shift in the nature of family firms. They have now transitioned from being family-owned firms to family-controlled firms which has adopted professionalization in its management and has diversified its products in order to control markets globally. With the growth of family business, firms are forced to look for professionally trained individuals, who may or may not share similar family or kinship networks, for managing the expanding businesses. This is especially because not all family members possess the required qualification or skills or have the abilities or aptitude for managing the business. Also, with time, as family size increases, there is a need to accommodate the increasing number of family members into the family firms. For this purpose, specific entrance rules are established, across generations, for succession into family businesses.

In family business models, Ward(1996) has classified the transitioning ownership configurations into three stages of ownership structures – “owner-managed”, “sibling partnership” and “cousin collaborative” which accounts for the transitioning nature of family firms as ownership moves across generations. As families pass through generations, the number of potential successors increases and business expands and ownership structures transitions from owner-managed (first generation) to sibling partnership and finally to cousin collaborative (Nelly and Rodriguez, 2009). In the latter stages of ownership, scholars argue that there is a rise in demand for management professionals as ownership gets scattered across several individuals and it becomes difficult to arrive at a unanimous strategic vision for the company. Thus inherent in this model is the eventual professionalization of firms.

A detailed analysis of this model of transition has been done by Chandler (1977) in his book *The Visible Hand: The Mangers Revolution in American Business*, where he argues that as firms transition across the various stages, there is also a simultaneous transition across different model of capitalist accumulation. The first stage of owner-managed is essentially a state where the “owners managed and managers owned” (p. 21), which resulted in “personal or family capitalism”, where the entrepreneur who originally established the enterprisecontrolled management decisions. These were typically single-unit firms employing managers belonging to belonging to similar kinship networks, religious or ethnic backgrounds (in case of India, caste networks function as another source of cultural similarity).

With economic growth, firms were forced to adopt differentiation and specialisation to enhance their production which gave rise to an increase in demand for financial resources and for professional managers (Chandler, 1977). To meet these demands, firms approached financial institutions who agreed to provide credit to these firms but also conditionally placed their own representatives in the boards to monitor and assess the use and allocation of funds. As a result, firms now came to be jointly managed by the family members, salaried managers and the financial representatives (Carrahen et al., 2003). This led to the creation of what Chandler identifies as “financial capitalism”.

In this stage, ownership gets scattered across various shareholders and neither the financial institutions (like banks, etc.) or the family remains in control of the firm. In this stage due to scattered ownership, it becomes difficult to strategically manage the firms. Chandler (1977) elaborates, “Stockholders did not have the influence, knowledge, experience or commitment

to take part in high command. Salaried managers were then left to determine long-term policy as well as short-term operating activities. These managers dominated top-level management as well as middle and lower-level management” (p. 395). This led to the final stage of “managerial capitalism” which “soon replaced family or financial capitalism” (Chandler, 1977: 395). This stage of financial capitalism along with modern technological innovations resulted in the creation of new management structures. As ownership gets scattered, owners and financial institutions become mere observers like stockholders and “current operations and future plans were left to the career administrators...” (Ibid.) Nonetheless, scholars have also argued that it is possible that in the final stages, family control may also exist alongside managerial capitalism in complex firms (Scranton, 1991:102). This separation between ownership and management led to the emergence of oligopolistic and multinational companies (Gilbraith, 1967).

Following these changes in the nature of family firms, several scholars have now advocated for distinguishing between family-owned and family-controlled firms. Mark Casson (2000), for example, argues that “a firm is said to be family-owned when family members own sufficient voting shares, or occupy sufficient places on the board of directors, to determine the appointment of the general manager or chief executive...” (p. 199); instead, “a firm is said to be family-controlled when the General Manager is a member of the family... the ownership of a significant minority stake by a single family does not necessarily qualify a firm to be a family firm... the stake... must be large enough to block any rival coalition of stakeholders...the definition of family control therefore indicates family members occupying key positions in the management” (Ibid. p. 199). In consonant with these changes, modern business enterprises are now understood as “economic institution that owns and operates a multiunit systems and that relies on a multi-level managerial hierarchy to administer it” (Dames, 1980: 203-4), a form of ownership in which neither the owners nor the managers enjoy exclusive control (Hall, 1988).

Following Chandler’s model of transition of corporate capitalism, contemporary sociologists identified an additional stage of “welfare capitalism” where in the absence of public social security and welfare schemes, private firms offer services like childcare, recreation and several forms of insurance schemes to its workers in order to earn their loyalties (Allen, 1981). Jacoby (1997) however argues that such services were used as subtle and indirect tools to discourage unionisation in modern firms. The increasing use of family and kinship networks among firms in recent decades has led sociologists to identify another variant of

capitalism, namely “institutional capitalism” where (Giddens, 2009: p. 800) which refers to the widespread ownership of firms.

Although Chandler constructed his model to observe the transition of family firms in the West, particularly in United States of America, this model is also relevant for analysing the transition of family ownership in India. In the Indian scenario, the actual ownership of firms cannot be sharply segmented into distinct stages identified in the model; nevertheless, characteristics of all the stages enumerated above are visible in the corporate economy in India which too is heavily dependent on corporate networks and group ties.

## **2.4 Relevance of Social Networks and Group Ties in the Corporate Economy**

An important feature of Indian business is the centrality of family ties and familial capitalism which continues to structure Indian corporate economy (Dutta, 1997). Indian business groups continue to rely on kinship, caste and ethnic groups to supplement the family network (Lamb, 1976). The Indian corporate network is characterised by the central location of a few major companies, which are usually controlled by individual families, which connects all other companies through common stock ownership. These companies most likely benefit from a position of power within the network (Useem, 1984; Naudet and Dubost, 2017). Indian firms are tied together through a common ownership, often of a family, over significant stock of shares in group companies (Khanna and Palepu, 2000:871). Even if a firm is publicly traded, most large Indian companies are controlled by families and their management succession is generally within the family (Manikutty, 2000).

Economic activities are not carried out by isolated individuals, they are constrained by cultural or social structures and by the historical and institutional contexts in which the economic relations are situated; for this reason it is often argued that corporate networks can be understood as a reflection of the social, institutional and cultural specificities of a country (Polanyi, 1944; Granovetter, 1992).

The issue of networks and corporate interlocks has received significant attention from scholars across disciplines of sociology, business anthropology and management studies. Scholars studying economic sociology, sociology of elites and business anthropology have argued that the formation of business networks and corporate interlocks can be broadly understood on the basis of the financial hegemony thesis or the homophile thesis. The



financial hegemony thesis states that formation of corporate networks is highly structured by financial institutions which condition the nature and forms of such network (Mintz and Sohwantz, 1985); the homophile thesis, on the other hand, states that such networks are generally formed among individuals and groups located within similar social and economic structures (Ibid.)

Naudet and Dubost (2017) have argued that the Indian corporate network is formed along homophilic ties based on caste, family, religion, business groups and regional identities which together results in the creation of a strong “inner circle” who function as the ultimate bearers of economic power. Unlike other liberalised economies, where corporate networks are created by banks and financial institutions through ties between company boards, in India, these networks are created independently by big business families and groups through their own social ties. Therefore, the common hypothesis of liberalisation leading to homogenisation of business practices and financialization of the economic institutions (Ferraro et. al., 2012: 153) is not valid for India as traditional methods of business holding and business management practices continues to remain in existence in India despite having neoliberal global economy.

The scholarship on Indian business and corporate networks have categorised firms on the basis of four distinct network connections – first, large traditional business groups that have historically existed and developed within networks of family, kinship, community and have developed important ties with other groups; second, recently created firms that exist in isolation and a disconnected from other business groups in India and abroad; third, firms located within the network but weakly connected to other firms within the network and lastly, isolated firms with very little or no corporate networks (Mani and Moody, 2014).

Family businesses in India have historically been the forte of old mercantile caste groups which are typically categorised as “upper” caste because of their historically accrued economic and political capital. In the absence of financial intermediaries, the structuring role of caste and family extends to corporate boards and networks in globalised contexts (Naudet and Dubost, 2016; Ajit and Saxena, 2012; Khanna and Palepu, 2000).

The most dominant business communities in recent decades have been the Marwaris, Jains, Sindhis and Parsi communities; other active communities include the Khattris, Natkkotai Chettiars, Maharashtrians, Iyengar Brahmins and the Kammas (Tripathi, 1984; Damodaran,

2008; Mitra and Chennoy, 2015). Each of these business communities had their own distinct trading histories (see Das, 2000; Piramal, 1989; Khanna and Palepu, 2005).

In the corporate economy, caste networks and family ties significantly determine the channels of information and credit through conditions like mutual “trust” (Harris 2003). “Trust shows a “nexus of relations”, that are brought together through “social obligations and non-specific indebtedness” (Bourdieu, 1986: 252). Social networks formed on the basis of trust were conditioned by caste, religion, region, family ties which provided access to information, helped in obtaining credit and capital, protected against of risk of trade and credit defaults etc. (Damodaran, 2008:5, Tripathi, 1984).

Familial control over business groups was exercised through non-equity channels like family ties and manoeuvring of board of directors where members from within the family or kin or with similar social networks were appointed as board members in order to retain management control over the companies. Group ties have enabled affiliated members of distinct social groups to reap specific benefits that are unavailable to non-group firms (Khanna and Palepu, 2000, Bertrand, Mehta and Mullainathan, 2002).

Through measures like tunnelling, which allowed firms to transfer assets and profits across multiple firms owned by the family or kin; pyramidal ownership structures, by which the owner maintained control over a large group of companies through indirect ownership and directorships; inter-corporate investments and interlocking directorates, wherein owners of one firm invest money in other ventures established by members of the same family or kinship networks; and proximity to government and political parties, family firms were able to withstand these structural changes (Khanna and Palepu, 2005; Bertrand et. al., 2002; Chakrabarti et. al., 2008). While the resources and networks passed on from one firm to another were in theory distributed on grounds of morality and social altruism, in practice they were also motivated by economic reasons because the use of such processes enabled particular dominant business families and communities to maintain their control over the private economy as the dominant owners of private capital (Alsos, Carter, & Ljunggren, 2014). For this reason scholars have argued that business houses typically represent a conglomerate institution of interlocked corporate units (Bagchi, 1972; Markovitz, 1985; Tripathi, 1990; Tyabji, 2000).

A study done in 1950 showed that the top ten industrialists in India together held 183 directorships, while 100 individuals collectively held approximately 966 directorships

between them; further the seven leading families collectively held 303 directorships or partnerships (Mehta, 1950:292-299). This led to the densification of corporate networks in the post liberalisation era which almost doubled between 2000 and 2012 (Naudet and Dubost, 2017).

Scholars have also pointed out that throughout the history of business groups; one comes across several instances where successful members or families of particular communities have helped younger and new entrepreneurs to grow. Many of the newly emerged Marwari business groups presently operating in India, for instance the Haitian Group and the Kejriwal Group, have grown out of the Birla Group which actively encouraged young talented entrepreneurs to pursue their own business opportunities; on several instances, they have even financed these new ventures (Piramal, 1998:142-143).

Hazari (1966) argued that in order to identify business groups one has to look at the “area over which a decision-making authority holds sway” (p. 7). Typically, the area of influence is composed of a diverse range of businesses. As mentioned before, the decision-making authority was traditionally in the hands of a family or a community, bound together by ties of kinship, caste, religion, ethnicity or region, which together formed the “inner circles” of the corporate network. The “inner circle” typically comprises of old and predominantly male members. Naudet and Dubost (2017) in their study of top 50, 100 and 250 NSE-listed companies argue that in 2012, the average age of directors was 60 and they were predominantly male (only five per cent women directors) who sat on the boards of multiple companies. They were essentially 51 individuals who exercise decision-making authority over more than half the capital invested in NSE-listed companies. Further among the non-independent directors, the seat of power is usually held on the basis of close family ties between the Director and the Chairperson of the group. The study also observes that in case of independent directors, while they might not possess familial ties with the Chairperson, there is a high possibility of them belonging to the same caste, region or community. The study further points out that approximately 83 per cent of the directors of the top 250 NSE listed companies belong to ‘upper castes’, while collectively they represent only 20 per cent of the population of North India and less than 10 per cent of total population in South India; further the Parsi community account for only 0.0069 per cent of the country’s population (Census, 2001) but collectively they occupy 14 most connected directors (with the Tata Group being one of the most predominant network linker)(Jaffrelot and Kuma, 2009:4). Thus we can conclude that although family and community ties act as the predominant site for

formation of corporate network, caste networks also function as equally critical sources of corporate networks.

With the promulgation of the Clause 49 of the Companies Act, Indian companies are now forced to appoint more independent directors; however these directors are generally recruited from a limited pool of highly connected candidates who share common demographic characteristics with the owners. Thus, even though these new independent directors do not have any direct family ties with the traditional owners of the company, they nevertheless belong to the same social network and have common caste, community or ethnic ties. While education acts as an important qualifying criterion for independent director, their greatest qualification comes in the form of their social and corporate connections. Independent directors are not recruited like other managers or technicians in the company; there is no formal job vacancy advertisement or any open application procedure for recruitment. These directors are usually selected through referrals made by people from within the corporate networks. So while they may technically be called an 'outsider' to the network, in reality they too are directly or indirectly part of the 'inner circles' of the network. This in turn reinforces the density of corporate networks (Naudet and Dubost 2017:24)

## **2.5 Tracing the Evolution of Private Corporate Economy in India**

India's modern capitalist class was born under very specific conditions of a colonial economy (Ray, 1994). For nearly a century after it came into being, its development was much constrained by the colonial regime which allowed for only a limited growth of modern factory conditions. The emerging mercantile class was thus heavily shadowed by the foreign capitalists. (Mazumdar,2017). After more than a century of colonialism and 'laissez faire' policies, India's independence in 1947 marked the beginning of a new era for Indian business. Following independence, India under Prime Minister's Nehru's supervision adopted a planned economic model where the State and private capital coexisted. Khilnani (1997) argues that the Nehruvian model drawing inspiration from Western development models emphasised on the role of urban educated elites as being the agents for development. In 1944, the prominent Indian business elites of the time like J.R.D. Tata, G.D. Birla. Sr. ArdeshirDalal, Kasturba Lalbhai, John Mathai, among others together proposed the "Memorandum Outlining a Plan of Economic Development for India" with the aim of providing economic solutions to enable independent India to overcome the economic

backwardness created by the colonial rule. This plan, which was later called the Nehru-Mahalanobis model or the Bombay Plan, advocated for a centralized model of planning for the entire economy with concentrated state investments in heavy industries to overcome the economic dependence on agriculture and transition towards industrial and service sector-led growth; the Plan also recommended state investments in basic utilities sectors like education, healthcare, housing to facilitate the creation of a modern and developed nation (Jodhka and Prakash, 2016). The recommendations forwarded by the Bombay Plan were later incorporated into the official Industrial Policy Statement of India (Chibber, 2003).

With the onset of neoliberalism, the US model of corporate governance was actively encouraged by the state. As a result of these myriad influences, “the Indian model of corporate economy is an amalgamation of diverse models of all co-existing influences which have tailored to the realities of the Indian subcontinent” (Gollakota and Gupta, 2006: 186).

Gollakota and Gupta (2006) in their work provide a detailed account of the evolution of family business and corporate ownership in India. Following their analysis, the transition of corporate governance in India can be categorised into four distinct phases:

- Phase 1: Pre-independence phase (until 1947) characterised by family ownership
- Phase 2: State regulated economic growth: The “License Raj” (1947-1981) characterised by dominance of public enterprises
- Phase 3: Knowledge Professionalism and Liberalisation (1980 onwards) characterised by professional ownership, foreign capital and multiple forms of business ownership

### **2.5.1 Pre-independence phase (until 1947)**

In the pre-independence phase the industrial sector evolved through joint stock companies. This phase was characterised by mercantile traditions where traditional trading communities, with their high wealth and savings rates, were able to substitute inefficient internal capital markets by providing their own source of capital and labour (Claesseus and Fan, 2002). In the absence of well-established market structures, property rights and with strong political connections, traditional mercantile families in India were able to concentrate their ownership in the economy (Ghemawat and Khanna, 1998; Khanna, 2000; La Porta et al., 1999).

Although the British colonial firms continued to dominate the economy, with support from families and communities, in the forms of capital, labour and crucial information, family or community-based firms also managed to rise as important economic actors. The family firms were embedded in the traditional trading communities which were tied by community pressures to provide for the resources needed for industrial production (Khanna and Palepu, 2005). At this time, firms were predominantly managed by individual families or through partnerships of individuals from across different merchant families. This phase therefore represented the “personal or family capitalism” phase described by Chandler (1977) where a single member or family owned and managed the firms. As explained by Chandler, families in this phase was guided by eco-centric values as they sought to accumulate more capital resource and worked to ensure their long-term survival in the market by adopting several organised management control measures which enabled them to perpetuate multi-generational continuity of firm’s vales and resources (Sundar, 1999).

During this phase, the Indian firms relied more on internal financing than external financial resources like banks or financial markets (Franklin etal.m, 2012). The social networks of such family businesses were characterised by close ties of kinship and community and were characterised by perfect flow of information among different members of the network. Being embedded in their social networks, family-owned businesses reached out to their kin or community for financial resources; members of this community were expected to provide credit even though there were no formal agreements or transactions receipts. Such traditional methods of transactions were monitored and regulated by factors like reputation, personal relationships and trust which were seen as more valuable and trustworthy than formal market transactions as default on payments or forgery would result in loss in reputation of the individual family within the community.

### **2.5.1.1 Hindu Undivided Family (HUF)**

The family ownership model of Indian business was further consolidated by the Income Tax Act of 1922 which recognised the Hindu Undivided Family (HUF) as a separate economic entity distinct from individuals and corporate entities (Das Gupta, 2010). The HUF represented a joint family which was held together by ties of kinship and entailed and variety of joint property relations among the members (Das Gupta and Gupta, 2017). This Act recognised the Hindu joint family as both a social and a trading entity and shaped the legal status of HUF as both a unit of production and consumption (Ibid.; Washbrook, 1981). The

striking feature of this provision was that the Act provided tax exemptions to the family on grounds that “family income was solely for the purpose of maintenance of the unit and for the fulfilling of customary obligations”; the family was thus understood as something that preceded the firm and was viewed as an income-utilizing entity on the consumption side of the economy (Das Gupta and Gupta, 2017).

Although the ‘Hindu Undivided Family’ is originally a colonial category, independent India adopted the HUF as a legal entity through the Companies Act of 1956 which recognised the HUF as a part of the ownership and control structures of corporate businesses in India. This legal interlock of the HUF soon emerged as the central feature of the asset holding structures of the Hindu family-owned businesses in India (Ibid.) Through a patriarchal property-rights structure (women were denied equal share in property rights), wealth and property was passed across generations among different male members of the family, who then came to control the directorships of different firms interlocked with each other through industrial information, buyers and sellers relations. The provision of HUF therefore operated one lines of Marx’s M-M exposition, where the social relations of capital (as money) led to the creation of more money than its original value (Marx, 1887); it allowed interlocked firms to freely exchange profits and credit flows across these firms with significant tax exemptions, so long as they could prove themselves to be a Hindu (Das Gupta, 2016). Such legal privilege, given only to Hindu business families, was further sanctified through the codification of the Hindu personal laws (Ibid). There is no equivalent structure or legal provisions for business groups belonging to other religions.

### **2.5.2 State Regulated Economic Growth: The “License Raj” (1947-1981)**

In the second phase, post-independence, the Indian government, following Prime Minister Nehru’s model of state regulated economic growth, undertook the task of developing the independent nation’s economy through long-term government planning. It was believed India could achieve the “commanding heights” of the economy only through the rise and growth of the public sector (Jalan, 2004:2). The most characteristic feature of this phase was direct government intervention in the economy through policies aimed to direct and control industrial development in the country. Indian government during this phase implemented several economic commissions and policies like the Industrial Development and Regulation Act of 1951, which reserved seventeen industrial sectors solely for public sector enterprises

(Khera, 1963). During this period, the government took the responsibility of developing core industries, the remaining areas were left to the market and private enterprises were given opportunity to develop them freely (Naudet, Dubrost, 2017). As per these Acts, the private sector was now required to take official government licenses before opening new production units. Historians describe this as a “model of development based on a healthy partnership between the state and private enterprises” (Tripathi and Juman, 2013: 234). During this period, the government also passed the Monopoly and Restrictive Trade Practices (MPRTP) Act of 1969, the Foreign Exchange Regulation (FERA) Act of 1973, among others, which curtailed the private sector expansion. This period later came to be infamously known as the “License Raj” where the State imposed restrictions on the entry and expansion of private industrial companies.

Although the private sector heavily criticised the Indian government for initiating these restrictions, upon closer inspection one found that such a regulation also provided monopolistic or oligopolistic privileges to the private industries in sectors like cement, aluminium, engineering, among others, where the through entry restrictions, the traditional family firms who existed in these sectors prior to the License Raj, continued to enjoy dominant status (Goswami, 2000).

Despite strong government intervention, family firms continued to prevail in this phase due to several reasons. The exit of dominant British owned firms, post-independence, benefitted the private sector as many of these firms transferred their assets to Indian firms (Gollakota and Gupta, 2006). Further, difficulties in getting licenses prevented the entry of new firms, while the larger and more established firms with their access to resources and political networks were able to obtain licenses and establish their dominance. Families like Ambanis who successfully manoeuvred through these bureaucratic restrictions benefitted the most (Khanna and Rivkin, 2001). This era witnessed an increase in the incidence of corporates providing private funding to political parties and political campaigns in return for certain economic benefits like permits or licences. This practice came to be commonly known as “briefcase politics” (Kochanek, 1987) which ensured that through economic resources and economic and political connections, the dominant business groups in the economy were able to accrue the maximum benefits despite the prevalence of a restricted and state regulated economic framework.



This phase also witnessed the increasing nationalisation of private banks, where the state, through its financial institutions, assumed control over capital resources of most private sector banks and channelized them according to government development priorities (Goswami, 2000). The government created financial institutions like the Unit Trust of India (UTI), the Life Insurance Corporation of India (LIC), and the Industrial Finance Corporation of India (IFCI) to provide industrial credit. These institutions provided large amounts of capital to private firms but in return emerged as majority shareholders in the private economy. As a result, these institutions appointed their own representatives on the boards of these private firms in the forms of nominee directors. Thus soon the ownership of firms started getting divided into the families and representative of financial enterprises resulting in what Chandler (1977) identifies as “finance capitalism”.

Following the expansion of private sector firms and with a split in ownership of firms, it increasingly became difficult for family members to arrive at consensus regarding future strategic vision for the firms; for this reason, firms increasingly became dependent on formally trained skill professional managers who possessed the requisite knowledge for managing firms and who, despite not having ownership over firms, were responsible for ensuring the proper functioning and profitability of the firm decisions, in return for monthly (high) salaries. Goswami (2000) adds that the financial representative appointed by these institutions often left the control of the business to the family members or to the professional managers (2000). Thus we see that “financial capitalism” and the corresponding disconnect between ownership and actual control (Negandhi, 1973) invariable leading to “managerial capitalism” in India.

### **2.5.3 Knowledge Professionalism and Liberalisation (1980 onwards)**

As mentioned before, right from its inception, the Indian economy has been greatly influenced by several models of growth like the British colonial model and the Soviet model. Rapid industrial and technological growth worldwide, and particularly in East Asian nations like Japan, brought about a significant change in Indian growth models. The success of Japanese high-technology model made Indian policy makers acknowledge the importance of technology as an entry point for bringing about rapid economic growth and development (Gollakota and Gupta, 2006). Following this model, the Indian government identified Information Technology (IT) as a key sector for industrial growth; it was believed that the IT

sector would contribute to the overall mission of government planning (Saxenian, 2001). During this time, the new professional entrepreneurs, who were otherwise left outside of the market due to the “License Raj”, were the first ones to adopt, explore and use the benefits of technology. They emerged as the first-tier vendors of computerisation services in India. As a result, a significant proportion of professionally owned firms emerged during this period which emerged as key providers of highly specialised technological services. These firms, in contrast to the family businesses, pursued an alternative model of corporate governance which was based on a fragmented ownership structure distributed among the vast majority of stockholders; they thus implemented a new model of corporate governance (Sidel, 2000).

With a few limited liberalizing measures during Rajiv Gandhi’s Prime Ministership in the mid-1980s, the Indian economic took a radical turn towards liberalization from 1991 onwards. Economic reforms in the forms of dismantling of the “License Raj”, deregulation, opening of certain industries and sectors, which were earlier reserved for public enterprises, to the private sector (like telecommunications, commercial aviation and banking), tax reforms and international trade and investments, “changed the face of Indian business”, (Tripathi and Jumani, 2013:235). This resulted in the financialisation of the economy and initiated a shift in corporate governance towards a more ‘Anglo-American’ model (Reed, 2002; Afsharipur, 2009). Yet India never quite transitioned to being a truly industrialized economy until India’s full-scale entry into the globalisation process (Mazumdar, 2008). While the overall extent of industrialisation and the outset of liberalisation in 1991 remained limited, it resulted in important shifts in the composition of Indian big businesses (Mazumdar, 2011).

One of the central features associated with liberalisation in India is the gradual transformation of family-owned businesses into multinational companies. This became possible through vertical and horizontal integration of interlocked firms. In order to counter the restrictions of the “License Raj”, Indian business families revised their expansion strategies and sought to acquire as many licenses as they could gather. This resulted in the establishment of multiple firms producing diverse range of products and services, all of which were connected through a common central ownership structure, for example, the Birla Group during this time had 203 companies, while the Tata’s held 70 companies producing diverse range of products (Manikutty, 2000). Through such expansion strategies, these traditional business families were able to transform into multinational companies which adapted modern technologies and competed globally (Ibid.).

The rise of professional firms, which began in the previous decade with the advent of specialised technological services, further expanded in this phase. With the withdrawal of restrictions on foreign equity, foreign firms slowly started setting up business operations in India. In the 1990s, Indian firms began to face serious competition from foreign firms, particularly US-based firms, which increasingly began to establish their dominance in Indian markets. Khanna and Palepu (2005) noted that in 1993, approximately half of the 2600 publicly listed companies in India were not affiliated to any family groups. While some traditionally dominant family groups like the Tata Sons and Bajaj adapted to the new environment and continue to maintain their strong market dominance even after liberalisation, large number of family firms were unable to cope with the new global competitive levels and gradually began to lose their market shares (Khanna and Palepu, 2005).

As a result, in this phase, different forms of business ownership emerged – while traditional family firms like the Tata's, Birla's, Reliance (relatively newer firms), etc. continues to be one of the largest business groups, there were several new companies in sectors like IT and pharmaceuticals like Wipro, Satyam Computer Services, Ranbaxy, Dr. Reddy's which were family controlled yet professionally managed; alternatively there were firms like Infosys which were the largest firms in the economy but were both professionally owned and managed. Along with these diverse private ownership structures, government-owned public sector firms like Oil and Natural Gas Corporation (ONGC), Steel Authority of India Limited (SAIL), Coal India Limited (CIL), etc. also continues to exist and enjoys significant shares in the market. Also several multinational companies like IBM, HCL Technologies, etc. have also emerged as crucial economic actors in the Indian corporate economy. For this reason historians have argued the colonial 'managing agency model' has been replaced by the 'business house model' in the post liberalisation era (Reed, 2002).

The transition from family ownership to professional management is often seen as an inevitable consequence of technological progress and large-scale production. For this reason, scholars often argued that post liberalisation, family businesses have lost their former domination and that a "managerial revolution" is underway; however this is not entirely true (Rose, 1995). Approximately, half of all publicly listed companies continue to be owned or managed by families, while the remaining half is scattered among professionally owned, MNCS and public sector firms. In 1993, it was estimated that although state-owned enterprises were significantly larger in size than private sector firms, they were in the

proportion of seventeen to one in number in comparison to private sector companies; thus public-sector undertakings (companies) (PSUs) were much lesser in number and in the last decade the number of PSUs have reduced even further. Even in sectors like IT, which were traditionally viewed as modern sectors suitable for professionally firms have increasingly witnessed large number of business families emerging as key players, like Wipro which is principally owned and managed by the AzimPremji and his family (Hannah, 1982: 2).

Apart from liberalisation, another significant ‘structural break’ (Kogut, 2012) in the growth of the Indian business system came in the form of continuous changes in corporate laws, post liberalisation, which aimed to establish more stringent corporate governance regulations. With an aim to guide the economy towards a more Anglo-American model (Reed, 2002; Afsharipour, 2009), the Indian government passed several regulations like extending the scope of independent directors, tightening the criteria for selection of independent directors, introduction of audit committees, imposition of age barriers on directors, restricting the formations of pyramidal structures of corporate ownership and management, etc. While these regulations on the one hand helped in bringing about tighter rules of corporate governance, they also simultaneously made way for the entry of modern skilled professional managers who were earlier considered to be “outsiders” to the business structures.

One such legal reform was the 2004 amendment to Clause 49 of the Companies Act; this amendment sought to bring about changes in the composition and proper functioning of the board of directors. The amendment stipulated that at least half the board of directors should comprise of non-executive members – in cases where the Chairperson is the Executive Director, the clause stipulated that independent directors should comprise half the strength; and in case where the Chairperson is a non-Executive Director, the strength of independent directors should be one-third. These amendments were introduced following the recommendations of the Narayan Murthy Committee report which sought to alter the nature of corporate governance in India (Chakrabarti, Megginson and Yadav, 2007). Narayan Murthy was the Chairperson of a globally successful company (Infosys) which was built on widely held ownership structure without any familial control, thus it is only obvious that he forwarded a model of corporate governance which would try to replace the traditional familial model of ownership and control with a more corporate market based model where skilled professionals would have sufficient scope for control and decision-making.

While this amendment provided scope for the entry of independent executives who were ‘outsiders’ to the familial ownership and management structures, the Securities and Exchange Board of India in 2013 made further amendments to the nature of directorships in Indian business. As per the 2013 amendment, an individual could not be the independent director of more than seven companies and could not accept stock ownership from these companies; also, a full-time director of any listed company could sit in the boards of a maximum of three companies and every listed company was required to appoint at least one women director to its board (Naudet and Dubost, 2017). These legal reforms significantly impacted the topography of Indian business in India.

While the neo-liberal global economy resulted in similar legal reforms across the world (Ferraro et. al., 2012), in case of India, these changes occurred post a long period of strong state intervention in an economy which was much embedded in a society deeply structured by the institutions like caste, religion and ethnicity.

With the withdrawal of the state and increase in “ease of doing business”, one can increasingly witness public sector companies (PSUs) gradually opening their shareholding to private capital (Bajilal, 2002). As a result, we find that several PSUs have developed into major companies but they occupy only a peripheral position in the Indian business hierarchy.

## **2.6 Succession in Indian Family Businesses**

Succession continues to remain a much resisted phenomenon in family firms. Several studies have documented evidences where the family business founder “will not let go” (Levinson, 1971; Handler and Kram, 1988); where either a father is unable or unwilling to give up control or where the eldest son is unable to take-over control (Bannes, 1988). This is mostly because founders often relate to ownership rights as means of establishing one’s control over the family and maintaining their positions in the social hierarchy.

Throughout human history, the rules for succession have traditionally been conditioned by rules of primogeniture and hierarchy, where the eldest son or the only sons are always anointed as the heir, the first in line, for succession (Bannes, 1988). In such cases, younger sons and especially daughters are always left out of consideration even if they are more competent than the eldest son. They usually encounter “a network of rival siblings ... not to mention senior business associates who think they know the business better” (Ibid.: 11).

Women, along with their families, are crucial for the functioning of family businesses as they play a key role in the reproduction of caste and kinship ties in the urban context through processes like marriage and social interactions; however studies on Indian family businesses, across disciplines, have rarely documented their roles. Ponniah (2017) in her work on Aggarwal women in family business, has argued that women belonging to such business-owning families, through several kinship building activities, like active socialisation within their own caste stratum and philanthropic works done across caste strata, facilitate in the cohesion and reproduction of caste and family ties.

Apart from such activities, marriage acts as an important mechanism through which family networks are expanded. Following traditional caste and religious norms, marriages in India are generally held within one's own caste stratum, since succession is generally understood as a male-centric phenomenon, succession of family business tends to skip the daughters and passes on to the son-in-laws, thereby bringing in another family within the familial business networks. The history of several traditional business families exhibit the important role played by marriage in their expansion. Fuller and Narasimhan (2015) in their study of Tamil Brahmins have also highlighted the importance of marriage for caste cohesion and inter-stratum mobility and thereby in the creation and expansion of business networks. Thus, the "networks of caste and kinship" act as a crucial resource for family businesses (Jodhka, 2015, Ponniah, 2017).

Further, since women are relegated to the domestic sphere, it is generally expected that women will pursue the "politics of status maintenance" through their active socialisation and form networks with other women belonging to the similar caste, kinship or community (Papanek, 1979: 778). However the role of women is limited to the private sphere; in the public realm, this task is executed almost exclusively by the men. Although the expansion of family business networks takes place through women's marriages, women are rarely ever given the chance to succeed to the ownership of the firms included within the network. In rare cases, where daughters do succeed, it is mostly due to the complete absence of a male heir (like in case of Apollo Hospitals).

Under ideal circumstances, it is expected that following the Western models of business transitions, management and control of firms would gradually shift away from families into the hands of highly skilled professionals; in the Indian scenario this has however not happened. The Indian experience is heavily conditioned by the country's cultural values and

the influences of factors like religion, caste, ethnicity, kinship and region, which strongly shape the structures and patterns of corporate ownership. The Chief Executive Officers (CEOs) of most India family firms continue to either remain members of the family or are appointed on the basis of their family, kinship or other social connections (Piramal, 1998).

## **2.7 Non-family Members: Owners v/s Managers**

Despite the adoption of neoliberal economic models, corporate governance in Indian businesses continues to remain oriented towards eco-centric values with limited scope or opportunities for non-family managers. This results in polarisation between the owners and the managers among family businesses; in contrast, professionally owned and managed firms like Infosys have implemented several measures to improve corporate governance and provide a space for professionally trained competent managers.

One of the striking features of Indian business presently is the differences in amounts social capital that structure the space of business elites (Naudet, 2017). As mentioned earlier, due to the transition of business structure in India, high volumes of social capital are no longer the monopoly of the owners. With scattered ownership of company shares, ownership and management control has now shifted away from those located at the core of any cohesive business network; outlying positions allied with the ability to bridge these networks have also become important locations for economic power (Burt, 1995). This has resulted in the creation of “vivid contrasts between the owners and the managers” (Naudet, 2017:3).

In India, although capital is still largely controlled by big business families, yet we have witnessed the rise of managers as important economic actors. In modern day firms, members of rich families owning significant shares of the company and become Chairmen of the business groups, however, the actual management and functioning of the company is usually managed by the Managing Director who often is not a member of the family but is a trained professional with specialised knowledge of managing corporations who is paid very high remunerations (compared to other jobs in the economy) in return for his specialised services. The wealth (in the form of profits) accumulated by the company is not shared with the top executives, that continues to remain concentrated in the hands of the owners.

The characterising feature of owners is the possession of large amounts of both economic capital, social capital (their kin and community networks which they mobilise to consolidate

their position in the economy) and symbolic capital (family name), they however lack human capital as most owners possess very little educational qualifications. In contrast, the managers do not possess any economic or symbolic capital, but are characterised by the possession of high amounts of human capital. They owe their success to ‘intellectual’ or ‘professional’ capital which they validate through professional degrees, diplomas which are accumulated through family trajectories (Henry, 2012:149). Managers generally belong to middle class, or more specifically upper middle class families, who invest their limited economic and social capital into the acquisition of human capital which in turn also helps them consolidate cultural capital. Managers are, as a result, described as being products of a so-called ‘meritocracy’ (Naudet, 2017). In order to acquire greater human capital, managerial families usually invest much of their economic resources in elite specialised educational institutions, which enable them to both acquire human and cultural capital; this issue will be discussed in greater detail in the following chapters.

Given these contrasts, managers usually find themselves in an intermediary position, where on the one hand, they assume positions of economic elite (through their managerial jobs) which enables them to attain a superior position than the rest of the upper middle-class, but on the other hand, they are unable to compete with the vast resources of family-business owners. Their economic power as a result remains limited to decision-making and falls short of actual possession of economic capital. Nonetheless, the ‘managerial galaxy’ has become important locations of economic elites.

Weisbach (1988) emphasises that the incentives for outside directors differ from that for insider directors. It is generally believed that outside directors are more likely to bring about suitable firm policies that accentuate firm growth and profitability; hence shareholders generally prefer outside directors over inside directors as the latter are more likely to follow traditional and conventional policies that would consolidate their control over the firms and would not profit the shareholders. Borokhovich, Parrino and Trapani(1996) in their study have pointed out that there has been an increase in the proportion of outside directors in corporate boards between the 1970s to the 1980s and have acquired greater importance in corporate governance.

Further, the promulgation of the SEBI amendment to the Companies Act in October 2014, made it mandatory to have a women director in the board, however there is very little evidence of women acting as Executive Directors. In order to fulfil this mandatory



requirement, companies tend to appoint women members from the company as Executive Directors and members of the board, but upon closer inspection it becomes very evident that these women in practice do not exercise any power or control over the firms. Often in traditional family businesses, the Chairpersons are observed to appoint their wives, mother or daughters as members of the board and are given significant shareholdings, however they do not have any significant decision making authority and are expected to support all decisions made the family patriarch sitting at the head of the board. In recent decades, there has been a slow rise in the number of women directors in professionally managed and multinational corporate firms, especially in sectors like banking and finance, IT and related services, retail and hospitality management (Edwin, 2017). However the pool for such women directors is limited and generally includes women who have been educated and trained in premier educational institutions in India or abroad and therefore typically belong to similar higher classes and ‘upper’ caste or those with substantial direct or indirect corporate family networks.

## **2.8 Conclusion**

Despite the adoption of neoliberalism market models, the Indian corporate economy remains significantly “embedded” and influenced by the prevalent social and cultural relations of Indian society. With increasing reliance on corporate networks drawn on the basis of family, kinship and cultural similarities and increasing density of particular families and kinship groups consolidating their control over private capital across industries and sectors, the Indian corporate economy has created its own unique character.

In the neoliberal knowledge economy, emphasis is placed on knowledge creation through the development of scientific and technological education. It is commonly argued that this phase has created space for the entry of new or so-called “outsiders” into the private economy. Individuals who have managed to secure entry into the private economy are typically characterised by the possession of human capital endowments, along with other forms of resources like social networks, cultural similarities, all of which are determined through social origins. Given the importance accrued to education as means for determining an individual’s chances for entering into the corporate economy, the following chapter will attempt to explore the nature of education system in India and assess its influence on corporate hiring decisions.



## **CHAPTER 3: HIGHER EDUCATION AND SKILL TRAINING IN INDIA**

### **3.1 Introduction**

Neoliberal global capitalism has produced a demand for a global “knowledge” economy which aims to create “knowledgeable” individuals who are technically skilled and capable of selling themselves as resources in the market. Consequently, the traditional philosophies of education such as equality, liberty and justice have now been replaced by the concepts such as utility, efficiency, competition and profitability. In every industrial economy, the corporate sector lays down the prescriptions for the labour market where different types and levels of jobs require different kinds of labour with different levels of education and skill training. This change in the nature of the corporate economy has given rise to a difference in the approach to education and consequently to rapid and vast changes in the educational systems of most modern industrialised nations, and India is no exception. This chapter aims to look explore how the education system in India has evolved and responded to the changing labour market requirements.

Prior to the onset of liberalisation, the expansion of higher education was part of the equal opportunities discourses which reflected the importance of higher education and the larger concern of the government to ensure participation of first generation students belonging to social disadvantaged sections (Chanana, 2007). However, post 1991, the government has drastically changed its public policies on higher education and have consistently sought to gradually recline its role through reduction in government funding, revoking of subsidies, and have instead encouraged and facilitated the rise of private educational institutions and self-financing of higher education (Anandkrishan, 2004).

There are several dimensions of changes that have taken place since the adoption of neoliberalism in India, the most predominant of these changes has been in the form of the gradual withdrawal of the state from education; rise of specialised institutions for scientific and technological degrees; increasing privatisation of higher education which in turn has led to the increasing cost of higher education (as private education is expensive and mostly self-financed); internationalisation of education with the entry of foreign institutes in the country

and with large number of Indian students going abroad for higher education; changes in the parameters of education with accountability, efficiency and competence emerging as principal standards of higher education; the rise of meritocracy consisting of individuals who were able to afford and benefit from the increasingly elite, expensive and exclusionary model of education; all of which finally has led to education giving rise to social inequalities as not all individuals have been able to access or equally benefit from this transformation in education.

While several studies have tried to highlight the role of education in reinforcing social inequalities, they have mostly done it through analysis of curriculum and teaching styles, through accounts of negative teacher or students attitudes towards socially disadvantaged students, or through accounts of stereotyping, or through accounts of examination systems which accounts for some students as being unmeritorious or through analysis of skewed enrolment and drop-out rates (Nambissan, 1996; Chitnis, 1987; Talib, 1992), but there have been very few studies which studies the inherent characteristic and proceedings of an educational system that emphasises on concepts like merits, skills and all-round development through which the system legitimises the prevalent social inequalities as being an onus of individual incapacities (Subramanian, 2015; Khan, 2012; 2013; Rivera, 2018, Littler, 2018).

Education is organised in a pyramidal structure wherein the entry for each step is conditioned by the successful completion of the previous stage; so only after successful completion of primary and secondary education can higher education be accessed. With due acknowledgement of this pyramidal structure, this chapter focusses specifically on the system of higher education and skill training due to its importance and relevance as stepping stones (or the minimum eligibility criteria) for accessing the job market.

Higher education has traditionally occupied a central position in Indian political discourse as it was viewed both as an instrument of providing equal opportunity and social mobility as well as being the means for promoting economic growth and technological progress. For this purpose, the government has appointed several commissions and committees for deliberation on its impending function and importance. Against this backdrop, through the first section on education policy in India, the chapter aims to trace the evolution of Western education in India from the colonial period and contextualise the changes adopted by the education system in the country against the backdrop of larger social, political and economic changes in the country.

In consonance with the larger global discourse on education and the system of education in India was traditionally viewed as an essential tool for promoting economic development through scientific and technological progress. Such an importance on science and technology gave rise to a hierarchy of disciplines and educational institution as professional and technological degrees were regarded with greater prestige and importance than traditional disciplines like social sciences, arts and humanities and even natural science. This gave rise to the establishment of several specialised institutions for technical knowledge like the Indian Institutes of Technology (IIT)s and Indian Institutes of Management (IIMs) across the country for the creation of specialised personnel to meet the emerging labour market requirements. Further, it is commonly argued that there is a high correlation between the level of academic achievements, admission to particular streams of education and entry into elite institutions like the IITs and IIMs and to placement on the job market, wherein the ‘best’ students are supposedly admitted to the most selective streams and go on to secure jobs that are both better paid and offer better prospects (Henry and Ferry, 2017). The second section of the chapter explores the model of nation building adopted post-independence which emphasised on scientific education and gave rise to a hierarchy among disciplines and institutions through the emphasis placed on scientific education and skill training.

Rapid changes in the national and global economy, political changes, technological innovations, increasing privatisation, internationalisation of higher education, and the growth of IT and IT-related service sector has given rise to changes in the nature of demand for higher education as more and more students now demand professional and specialised training in fields like electronic engineering, computer science, advertising, management and similar professional courses which has given rise to a decline in demand for disciplines like social sciences, humanities, natural and physical sciences. The third section of this chapter aims to explore the ways in which the neoliberal discourse has resulted in changes in the philosophy of education through its emphasis on individualised notions of self-making and the idea of merit.

The fourth section attempts to explore the widespread privatisation of higher education and attempts understand its impact on the education system and the job market as a whole. The fifth section of the chapter discusses the creation of the “knowledge economy” and discusses its importance in shaping the changing discourse on education. Since modern education systems and consequently modern societies are typically characterised as being meritocratic societies, the sixth section of the chapter attempts to understand the meaning of merit and

enumerates on the ways and means through which merit is constituted. Despite the significant rise in educational opportunities in the country, problems of access and equity remain as some of the recurring problems of the system of higher education in India and the final section of the chapter attempts to analyse the problems of access and equity in higher education with particular emphasis on 'general' and 'reserved' and women students.

### **3.2 History of Education Policy in India**

Education from the beginning of modern society has been unevenly accessible in terms of its structure, policy and objectives especially in developing countries due to its direct link to socio-economic conditions of a given society (Wankhede, 2013). The educational system in India as a whole, and the higher education system in particular, has often been criticised on grounds of access, for social disadvantaged groups like Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), women and for students with disability; equity, in terms of the discrimination meted out to students from the above vulnerable groups; and on ground of quality (Singh and Bangay, 2014).

Several scholars have pointed out that the gaps in the system of education in India can be understood through an analysis of the underlying educational visions of the ruling elite evident in the evolution of educational policy in India (Pierson, 2005). The education policy in India, like most other aspects of the administrative system, can be traced back to the colonial period and to the colonial system of administration.

In order to facilitate the functioning of their colonial regime, the British imperialist government undertook several new policies in colonial India, like the establishment of railways, telegraphy, irrigation systems, etc. Along with all such policies the colonial government also introduced the system of Western education in India in the nineteenth century with the aim of training Indians in both the English language and to the 'superior' English culture, such that the Western educated Indians could then work in the colonial administration and acts as their mediators with the local Indians who were unable to comprehend the English language (Habib and Raina, 1989). It thus helped to create a class of western educated middle class men who were popularly called "babus" (literally meaning clerks who worked in the British administration) who were expected to familiarise the other Indians with not just the English language but also with British culture; this class therefore

facilitated the colonial government in establishing their cultural hegemony in India (Jodhka and Prakash, 2016).

The British government established several schools and colleges in different regions of colonial India, starting from presidency towns like Calcutta, Bombay, Madras, but it nonetheless was a superior form of education that was available to only the rich and elite. Educational institutes were also established by Christian missionaries and charitable organisations however despite all such institutions, only children belonging to families and communities with substantial economic resources could access Western education. This thus created a separate class of individuals who were located in the middle of the social and economic hierarchy who were neither economically powerful like the traditional landlords nor were they like the bulk of the common mass of Indians. These Western educated individuals generally belonged to a small class of intellectuals and professionals who belonged to socially privileged backgrounds (generally dominant caste and class groups) (Habib and Raina, 1989) and constituted a separate and a distinct social category of the middle classes in Indian society (Jodhka and Prakash, 2016).

As Habib and Raina (1989) elaborate, this newly educated group of English educated Indians with their knowledge of Western civilizations (not just of the British but also of other Western civilisations) “ushered in the era of the modern”, wherein much emphasis was placed on “reason and social comfort” (p. 52). Exposure to other Western civilizations like the French civilisation, further exposed this group of intellectuals to ideas of democracy and liberalism. Soon Western educated Indians like Raja Ram Mohan Roy, Swami Dayanand and others began to envisage reforming Indian society into a modern and liberal society, free of the evils prevailing in traditional Indian society. However, as Jodhka and Prakash (2016), point out, the reform activities carried out by such individuals, through associations like the BrahmoSamaj or the AryaSamaj, were led by Western educated individuals belonging to dominant social groups like the upper castes and middle class Hindus who aimed to initiate internal reforms to Hinduism and reduce the increasing rates of Hindus converting to Christianity.

The emphasis placed on reason and modernity also gave rise to increasing emphasis placed on scientific knowledge and development of a scientific temper. Indian reformists like Raja Ram Mohan Roy, Swami Dayanand and others adopted these principles of scientific logic into their reform movements and sought to redefine Indian culture (Habib and Raina, 1989)

and laid the foundation of the nationalist and independence movement in India. The modern society envisaged by these individuals nonetheless retained traditional hierarchies of caste and Varna and were primarily led by Western educated upper caste (Brahmans) groups (Jodhka and Prakash, 2016).

The introduction of Western education in India placed emphasis on “science and cultural nationalism” (Habib and Raina, 1989: 52). Science was perceived by the Western educated intellectuals as both a means for social transformation as well as a tool for countering imperialist colonial culture. Hakim Ajmal Khan (1901) notes, “The colonial confrontation thus launched a programme that sought to relate the cultural antiquity of Indian thought (its achievements in science included) to the prevailing context, and in the process signalled the transcendence from that ancient context” (as quoted in Habib and Raina, 1989: 53). Following this emphasis, several nationalist leaders sought to re-evaluate and reinterpret Indian texts in accordance to modern principles of scientific thought and sought to define the modernity of Indian culture in terms of its contribution made in the field of science like in mathematics and astronomy (Ibid.: 56). Scientific knowledge thus became closely associated with nationalism and the project of nation building.

Right from the initial years of the Indian national movement, considerable importance was placed on both Western education, particularly English education, and scientific knowledge as it was associated with the ideals of modernity and social progress. Several specialised institutions of scientific thought like the Indian Association for the Cultivation of Sciences, the National Institute of Sciences (presently known as the Indian National Science Academy) and many other similar institution and societies like the Asiatic Society of Bengal was formed in this period. However claims to Western education and to scientific thought largely remained in the hands of the dominant social groups. As Forbes (1975) most intellectuals of the time asserted that the “masters of science” (p. 115) were predominantly Hindus; but as other scholars have pointed out they were primarily middle class Hindus. Thus Western education an especially modern scientific knowledge was traditionally given high social status and prestige in Indian society. This emphasis placed on scientific knowledge was also adopted by the Indian government post- independence.



### **3.3 Education and Nation Building in Independent India**

Historians and sociologists have argued that despite the anti-imperialist rhetoric, independent India's model of development was much similar to the colonial model of 'progress' (Ludden, 1992; Zachariah, 2012; Sutoris, 2018). The model of development adopted in the initial decades post-independence by Prime Minister Jawaharlal Nehru followed a Western linear model of development; it was a mixed economic model with state undertaking large-scale industrial and infrastructural projects while small businesses were allowed to operate on broadly capitalist terms (as explained in the previous chapter) (Das, 2006), which was to be facilitated through a scientific and technologically innovative education system. Thus the system of education in independent India was required to produce a stable, skilled and technologically advanced workforce capable of undertaking modern industrial innovations. The modern India that this model of development aimed to create was symbolised in the form of heavy industries, infrastructural development, and scientific progress; such an imagery is reflected through Nehru's famous quote, where refers to large dams as the "temples of modern India" (Guha, 2011).

Raina (2006-07) states, "Promoting economic self-reliance was anchored on scientific and technological self-reliance" (p. 59). The model of development forwarded by Nehru therefore viewed the elites as the beholders of modernity as it believed that the scientifically educated would plan, execute and bring about development by virtue of receiving the best educational opportunities and training. Scholars have pointed that a 'vision of elitism' guided the initial phase of educational policy, which "represents a continuation of colonial ideology that saw education in strictly instrumental terms as a tool for economic development and rested on a continued division of India's populace between the 'masses' and the 'elites'" (Sutoris, 2018: 2). Such a vision for education reflected the state's ideological impetus of using education as primarily a tool for economic development with the implicit assumption that economic development would naturally lead to social justice. The vision of education so adopted was therefore inherently unequal; while a handful of students trained in Western education and scientific knowledge were envisioned to be the architects of modern state, others were viewed as unskilled petty workforce. The problems of access, equity and quality in education emerge from this elitist and polarising vision of education (Sutoris, 2018).

This vision of elitism in Indian education system is rooted in colonial times where Western education and scientific progress was viewed as key ideological foundations on which the

independent Indian state was built (Sutoris, 2018). Education therefore was historically used a means for maintaining the higher status positions and privilege of the elites by training the elites differently from the masses. Such a system enabled the elites to structurally transfer their privileges across generations through the legitimate means of education (Sutoris, 2018).

Following its model of planned development, the first five year plan, also known as 'Education Plan' placed a high emphasis on education which was viewed as "a central instrument for achieving rapid and inclusive growth" (Planning Commission, 2007: 1). Hence the focus of education in independent India has from the very beginning been to promote economic growth and not for providing social justice and creating an egalitarian society.

The University Education Commission was appointed in 1948, under the Chairmanship of Dr. S. Radhakrishna, to recommend on the desirable path for development of higher education in India. Its report stated, "There is an urgent need of technicians and for such occupations and skills all over the country, which will train a large growing body of ambitious youth for employment as technicians, in various existing industries... We are strongly of the opinion that each province should have a large number of occupational institutes, preferably one in each district, giving training in as many occupations as possible" (Yeravdekar, 2014), which clearly illustrates that since independence, engineering studies have been viewed as the central force capable of transforming Indian society as advanced technology occupied a central position in the development model (Henry and Ferry, 2017).

Following this emphasis on scientific and technological advancement in education, India has established several professional scientific training and research institutions like the Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs), Schools of Sciences and several centres for advanced scientific research and development across the country.

### **3.4 Rise of Specialised Institutions for Technical Knowledge**

Following the Nehruvian emphasis on scientific and technological advancement, the Indian government has actively sought to expand the system of technical knowledge through multiple specialised technical institutes like the Indian Institutes of Technology (IITs), the National Institutes of Technology (NITs) at the national level and several state-level institutes like the Indraprastha Institute of Technology (IIIT), School of Planning and Architecture (SPA). Further, in keeping with the demands of the market and to produce its own pool of

professional managers the government also established the Indian Institutes of Management (IIMs). While there exists a large number of specialised technical institutions in the country, this chapter aim to critically explore one such institute – the IITs which are identified as “institutions of national importance” (GoI, 1961).

### **3.4.1 Indian Institute of Technology (IITs)**

The Indian Institutes of Technology (IITs) are often viewed as the embodiment of the values of modern India promoted by the political elite. They are viewed as representing independent and meritocratic values and are distinguished from all other engineering colleges in the country which are perceived as being more exposed to social pressures and political interventions. The IITs therefore is commonly represented as the most elite and respectable educational institution in the country which would compete with other well-known educational institutions in the world; IITs therefore often serve as a model for other institutions to emulate. For this reason, scholars from across disciplines of sociology, economics and management have conducted several case studies on the IITs as elite centres of specialised knowledge and expertise; while some scholars have glorifying IITs’ structure, pedagogy, market relevance (Rajagopalan and Singh, 1968; King, 1970), others have attempted to look at the ways and means through which merit is constructed in the IITs and the meaning and relevance of an IIT education (Choudhary, 2016; Henry and Ferry, 2017; Misra and Khurana, 2017; Subramanian, 2015).

The growth of the IITs as an institution has taken place in phases over the past six decades. The Sarkar Committee, appointed by the Government of India in 1945, recommended for the establishment of higher technological institutes which were to emulate the model of the Massachusetts Institute of Technology (MIT), Boston, USA (Leslie and Kargon, 2006). Following these recommendation, the first five IITs were established in Kharagpur (1950), Bombay (1958), Kanpur (1959), Madras (1960) and Delhi (1961). Although the IITs were essentially modelled after MIT, help was also sought from other countries like erstwhile USSR, West Germany and Britain. Apart from its direct involvement in setting up of IIT in Kanpur, USA’s influence persisted for almost a decade as majority of the faculty members in the IITs were initially US-educated Indian scholars.

IITs were envisioned as being institutes which would train the brightest minds of the country as entry into these institutes was made purposively selective and highly competitive. As a

reason, within a few years of its establishment, the IITs became the principal ambition for every bright student who wished to pursue engineering. This also added to the hierarchy among engineering institutes as all other engineering institutes were considered to be lesser than IITs in terms of facilities and prestige (Singh, 1995). The characteristic feature of IITs, like most professional educational institutes, was that as soon as students finished their education, they were provided job placements in universities and industries; in case of IITs, the probability of getting a job is significantly higher as most IITs boast of a 100 per cent placement rate.

Apart from training in latest scientific advancements and technological innovations, IIT education also provides students with practical experiences of working in industries through industrial tours and internships. IITs often have several collaborations with leading industrial companies and hence the quality and relevance of such internships are significantly different from that offered in other engineering colleges. Further, these internships also acts as a source for future employment as often IIT graduates are offered jobs in their internship organisations (consisting of top Indian and multinational corporations). Following this practice, large numbers of IIT graduates have secured jobs in leading industrial houses and they then form crucial alumni networks through which insider information regarding available job vacancies and other information is available to IIT graduates. Thus IIT graduates tend to possess crucial social networks in the form of alumni and faculty referrals (the importance of referrals for employment will be discussed in greater detail in the following chapter).

However, what is worth nothing here is that several scholars have pointed out that the primary title holders of these institutions are often the students registered under the “general” category which shows that the students benefitting the most from and IIT education tend to belong to the dominant caste groups (Henry and Ferry, 2017).

Since the IITs are viewed as meritocratic elite educational institutions free from any social discrimination or socio-political exploitation, they were initially exempted from implementation of reservation policies (Henry and Ferry, 2017). Only in 1973, was the reservation policy for Scheduled Castes (SCs) and Scheduled Tribes (STs) introduced in the IITs; and in 2008, the reservation for Other Backward Classes (OBC) were introduced as a result of which IITs now have 49.5 per cent reserved post 2008, as compared to the prior reservation of only 22.5 per cent (Ibid.). Although post the implementation of reservation policies, several students belonging to socially marginalised categories have been able to

secure admission, scholars like SrinivasRao (2013), Subramanian (2015) have pointed out that their experiences within IITs continues to be stigmatised by their caste identities.

Further the introduction of quotas for marginalised categories have often been viewed as a impinging the meritocratic spirit of the IIT as it was believed that “marked down” admissions of such students would lead to the weakening of the “brand” IIT (Henry and Ferry, 2017).

### **3.4.2 BRAND IIT**

The liberalisation of the Indian economy in the 1990s made IIT a “brand” representing the spirit of Indian global competitiveness as it represented the market values “disembedded from the social and political spheres” (Subramanian, 2015) and the increasing success of IIT graduates in the global IT industry in the United States of America (USA) and other countries in the 1980s, further legitimised this assertion (Henry and Ferry, 2017).

Those who have secured admissions to the IITs are commonly considered to be the “cream of the elite”, as they secure admissions only after passing the one of the most competitive entrance examinations in the country – the Joint Entrance Examination (JEE) which “embodies a model of hyper-selectivity and incorruptibility” (Henry and Ferry, 2017: 5). Further, students of IIT are widely considered to be the best minds of the country who, with their advanced scientific and technical knowledge and training, were capable of building a modern India and contribute to the global economic growth. Since IITs were modelled after MIT Boston, their curriculum and method of training were comparable to American standards. The IITs as mentioned earlier were established to provide the Indian economy with the much demanded highly skilled and professionally trained workforce; for this reason, IIT graduates are the most sought after professionals hired by several Public Sector Undertakings (PSUs) in India. However, apart from public sector employments in India, globally IIT students are also considered to be the best engineering students and several multinational corporations and international universities eagerly offer them employment opportunities. This also created a situation of skills mismatch. IIT graduates are trained in the latest kind of technologies while the Indian industries still operated on backdated technologies; as a reason, these graduates often found themselves underemployed as they were over-qualified for the Indian industrial requirements and therefore preferred to work in the global corporations with advanced technologies. Alternatively, several IIT graduates have established their own start-

ups and firms which cater specifically to advanced technological innovations which has led to the rise of technological entrepreneurship in India.

Further, as mentioned before, large number of IIT graduates post completion of their engineering degrees have now started pursuing management education which makes them most sought after executives in the market, as they possess both scientific knowledge and managerial expertise. Most IIT graduates prefer to pursue their management education in similar elite institutes like the Indian Institutes of Management (IIMs) which further adds to their 'brand value'. Such engineer-managers are the highest ranked executives in the economy and enjoy very high social prestige positions. Thus Singh (1995) argues that an IIT degree has become the "passport for entry" into business careers.

Although the IIT graduates constitute a small minority of the total engineering graduates in the country, the IITs have historically been given a status of high prestige. An IIT graduate has been time and again in political and economic discourse been credited for being the architects of India's development as representative of "Brand India" (Tharoor, 2006).

### **3.5 Expansion of Skill Training in India**

As mentioned before, India's transition to a knowledge-based economy is premised on the creation and promotion of a 'new' generation of educated and skilled individuals who would be willing to offer their services to the market for the greater purpose of creation of knowledge expertise for the rest of the world. The World Bank Report (2008) advocates that in order it to develop and remain competitive in the world market, India must invest in quality secondary and tertiary education and in vocational education and training (VET) programmes. Following this recommendation the 11<sup>th</sup> and the 12<sup>th</sup> Five Year Plan documents of the Government of India states that "there is an urgent need to mainstream skill formation in the formal education system, while simultaneously adopting innovative approaches for skill creation outside the formal education system" (GoI, 2013). Although in recent years, we have witnessed a large policy thrust on the development of skill training in India, skill training in India can be traced back to the colonial times when skill education was provided under state patronage.

Skills as a concept comprises of several systematically acquired capacities which are sustained by individuals through both formal training and through informal means which

determines the living and working conditions of an individual. Individuals in their life course come to acquire several range of skills which can be broadly classified in terms of cognitive and non-cognitive or behavioural skills.

Cognitive skills, also known as “hard skills” comprise of several technical abilities like reading, writing, speaking, mathematics, oral communication, language skills, or more specifically skills pertaining to technical knowledge over science or technology or other specific educational skills (Moss and Tilly, 2001). While some of these skills like knowledge of computers, or industrial knowledge or scientific training could be specifically attached to the labour market, while others like general knowledge, oral and audio-visual skills have wider application and importance (Misra and Khurana, 2017). While traditionally, the term skill denoted possession of cognitive or hard skills, with changes in the social, political and economic trajectories in the world, increasing emphasis is now placed on the acquisition of other non-cognitive or “soft skills”.

The term “soft skills” is commonly defined as “skills abilities and traits that pertain to personality, attitude and behaviour rather than to formal or technical knowledge” (Moss and Tilly, 2001: 10). This kind of skills comprise of large number of personal or behavioural skills like team work, self-confidence, creative thinking capabilities, appearance, etc.; social skills like communication skills, friendliness, teamwork, etc. (Misra and Khurana, 2017; England, 1994; Conrad, 1999). Such skills are developed through both formal training in schools, colleges and workplaces and also can be acquired indirectly through daily-life interactions and cultural processes at home (Conrad, 1999). Although the concept of “soft skills” was first provided by a US Army manual in 1972, in the neoliberal era with increasing emphasis placed on flexible and individualised workers, “soft skills” have emerged as more critical than “hard skills”; often acting as not just complementary but in many cases primary to “hard” cognitive and technical skills (Moss and Tilly, 2001).

Irrespective of the nature and type of skills possessed, skills can be acquired through various ways – firstly, through hereditary training, where the following the caste-based occupational segregation of society, the expertise of particular trade or vocation is passed on to the future generations through gradual exposure and involvement in traditional occupations like that of carpentry, masonry, tailor, etc. which enables an individual to continue with the ancestral profession through their informal training; secondly, through formal vocational training; and thirdly, in the form of on-the job training, which refers to the expertise acquired by a person

while in employment either through informal ways or through formal in-house skill upgrading programmes while on the job. For the purpose of this chapter, this section will primarily deal with formal training mechanisms.

Skill training in India takes place both through formal and informal routes carried out through public, private and joint public-partnerships. The formal skill training in India presently takes place through institutions like the Industrial Training Institutes (ITIs), the Industrial Training Centres (ITCs) and through polytechnical institutions which are formally registered under the Ministry of Labour and Employment, Government of India. There also exists several private ITIs and polytechnical institutes which have been set up private business entrepreneurs, politicians and philanthropists, some of which exist now as public-private partnerships while others remain solely privately controlled. Informal skill training, like that in traditional art and craft also exists though this dual route of either being supported and registered under different government ministries or privately (Nayan Tara and Sanath Kumar, 2016).

Further, several vocational training courses are also offered through open institutes like the National Open School and the Indira Gandhi National Open University (IGNOU). Many private companies also have their own skill training centres which provide training to their own personnel to fulfil or upgrade the skill composition of their workforce, which also sometimes supported through Corporate Social Responsibility (CSR) initiatives, however such initiatives are often limited in scope as they often cater exclusively to the workforce of respective companies or group of companies, for example, the Tata Administrative Services, run by the Tata Group of Companies, which offers private skill training, in terms of both technical and management skills, to individuals who wish to get hired in any of the Tata group of companies and their associated firms (close to 100 firms) across diverse product and services.

There are diverse ranges of skill training services available across different platforms, which are often criticised for being scattered and unaligned with the requirements of the industry resulting in a “skill-gap” between the demands of the industry and the available supply of the employees. In order to bridge this ‘gap’, the Indian government has implemented several policies and undertaken initiatives to provide an overall structure and framework to the wide range of skill training offered in the country, in consonance with the requirements of the industries.



In consonance with the priority given to skill development, the Government of India passed the National Policy for Skill Development in 2007 and subsequently the National Policy for Skill Development and Entrepreneurship in 2015, to meet the larger industrial requirement for a large skilled workforce. These policies aimed to create an overall framework for all skill training activities carried out in the country and to align them to the global market standards and demands for skill. Through skilling the government aims to improve the employability of its large youth demographic and thereby improve the productivity of the country (Nayan Tara and Sanath Kumar, 2016). To further this initiative the government has created an independent Ministry of Skill Development and Entrepreneurship (MSDE) which includes agencies like the National Skill Development Corporation (NSDC), the Directorate General of Training (DGT) and has several Sector Skill Councils (SSCs) for each industrial sector. Presently, more than twenty government ministries run their own separate skill development programmes. At the federal level, each state has their own State Development Missions (SDMs) which monitor the various skill development programmes operational in each state. Finally, a National Skill Qualification Framework has been created for creating a link to transition the skill training initiatives from the level of schools to work.

The skill development initiative in the country is thus principally structured to cater to the demands of the market. For this reason, the SSCs and NSDC has often constructed curriculum and established skill qualification standards through industrial intervention where the industries dictate the course, structure and pedagogy of such courses. As S. Ramadorai, Chairman of National Skill Development Corporation stated,

“We can certainly look at adapting the German model of Technical & Vocational Education and Training (TVET) to our Indian context. As you are aware, the German model follows a dual track system of education and training side by side wherein the student typically attends classroom as well as does apprenticeship at a company. Most students spend 3–4 days a week at work and 1–2 days in the school. The students graduating out of such programmes are highly employable and get almost immediate employment as most of them are absorbed by the apprenticeship sponsoring companies themselves. There is also tight integration between schools and industries to support this apprenticeship model...” (Nayan Tara and Sanath Kumar, 2016).

Following this model, several companies have started their own skill training centres like the Bosch Vocational Centre founded in 1961 which offers job-specific apprenticeships to

students looking for employment in the automobile industries. In states like Maharashtra, one finds a similar model of training which is often called the “Learn and Earn Scheme” which is the outcome of an institute-industry partnership model involving the Nasik-based YashwantraoChavan Maharashtra Open University (YCMOU), the city-based Yashaswi Institute of Technology (YIT) and Tata Autocomp Systems Limited. The scheme has been approved by the Maharashtra government as part of its overall effort towards contributing to the Prime Minister’s ambitious national skill development mission. Under this scheme, ITI trained diploma holders come to work for companies for three years and are paid stipends instead of salaried even though they work alongside permanent workers of the firms. Similar schemes have been emulated in other states like Gujarat, Rajasthan, etc. (Nayan Tara and Sanath Kumar, 2016). Further the government has introduced several other schemes like the PradhanMantriKaushalVikasYojana (PMKYV) launched in 2015 with the aim of increasing the number of skilled professionals in India. Several other schemes like Udaan focussed specifically on regions like Jammu and Kashmir further enhance the present structure of skill training in India.

Hence, there is a very close relationship between the industry and the education and skill training system in the country, where the structure, norms, curriculum, pedagogy, outcome and eventually their status and position within the overall education system are all conditioned by the standards set by the market. However despite this tremendous political emphasis placed on skill training in recent years, anecdotal evidence points out that the canvas of skill training initiatives in the country is often looked upon as an alternative to the mainstream education system, as something that is done by those who are unable to compete in the mainstream educational system, that is, for those with less merit. This gives rise to a difference in the way skill training is perceived in India.

### **3.5.1 Skill Training as an Alternative to Mainstream Education**

While the political and economic elites vehemently argue for the need to promote skill training in the country and cohesively link it with mainstream education model in a way that it gets linked to the regular degrees and diplomas, there is a commonly held view among students that skill training opportunities are for those who cannot cope with the regular academic degrees.

Traditionally, formal skill training, on the other hand, was initiated following an equalitarian principle, where anyone, irrespective of their social identities, could acquire a particular skill through formal training institutes and centres where individuals would be given formal certification to facilitate their employability. However, such a system was initially developed for students who either could not avail education or would drop-out of schools and would not complete their education. Formal skill training was initially meant to cater to such students to provide them with some basic marketable skills which would help them in securing employment (largely in the informal sector).

Following this practice, a common perception existed among students and largely in society, that vocational education and skill training was something that was meant only for those who dropped out of the education system. Therefore, it was never considered as an option for the educated youth, who were perceived to be ready for employment by virtue of their formal education. Since, the drop-outs largely belonged to socially disadvantaged sections like the Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs), the dominant castes and the upper and middle classes commonly perceive skill training as suitable for lower caste youth who are otherwise 'not good enough' to continue with mainstream model of education in colleges or universities (King, 2012). As a reason, skill training like VET courses, ITI training, etc. are often stigmatised as low-caste and low-class options; for this reason, middle class youth tend to purposively avoid enrolling for such training.

There is a strong hierarchical structure within the educational system both across academic and professional courses whereby the streams of education, the educational institutions, their 'brand', their relevance and popularity are all conditioned by the relative success or failure in securing employment and more importantly by the notion of merit. There exists a common perception that those who succeed in the mainstream model of education, do not require additional skill training, while those who do not need skill training for gaining employment. In either case, the final end of education lies in securing employment, particularly good quality employment.

Many scholars have argued that privatisation of education has essentially resulted in the commodification of education, whereby education is no longer an essential public service but instead is converted into a definite market commodity that can be bought and sold at a definite price in the market of education with the ultimate aim of securing employment. This

creates a situation where the rich elites can afford the highest ranked, best quality education which guarantees both employment and social status and prestige, while the marginalised sections of society belonging to disadvantaged social groups are left to compete for the lesser ranked and low quality education with marginal chances of employment.

Such a system of education thus essentially gives rise to widespread social inequalities whereby education, though principally available to all, in practice gets scattered in terms of access and usage. Nonetheless, modern education systems have been globally described, following the functionalist tradition, as equalitarian and meritocratic where individuals gain access and are evaluated and rewarded in terms of their capabilities and competence and not on the basis of ascription. However, historically the means for accessing education, the scope for utilisation of education and eventual employment has always been a privilege of a few (Papola, 2012). Educational attainment is greatly conditioned by an individual's social location and the accumulation of various forms of capital – economic, social and cultural, which in turn impacts their employment opportunities. Hence it is imperative to question the claims made about the modern equalitarian educational system which is based on merit; further, to qualify such claims one has to question the meaning and relevance of the concept of merit.

### **3.6 Privatisation of Higher Education**

The neoliberal global economic system in principle advocates for increasing privatization coupled with the withdrawal of the state (Richardson and Haralz, 1995). As a result, globally one witnesses an increase in privatization across all essential sectors such as health, education and employment, and India is no exception. The private sector has emerged as one of the most predominant actors in the system of education in India across primary, secondary and tertiary levels of education.

Privatisation in higher education in India dates back to the colonial period. As mentioned earlier, the colonial government laid down the foundation for the system of higher education, particularly English and technical education to facilitate colonial administration and as part of the larger project of familiarising and adapting the Indians to the Western culture. In this period, private education was largely provided by Christian missionaries who set up several convent and missionary schools and colleges which offered English education at a cheaper cost to the masses (Ghosh, 1989).

Although Christian missionaries were originally established as a means for reforming Indian society and to eradicate social evils like idol worship, sati, polytheism, bigotry, etc. through religious conversions of several low-caste Hindus to avoid the rigid and discriminatory practices of Hindu society, missionaries also played a critical role in redefining the system of education in India. Parents who had the private resourced to fund Western education increasingly favoured missionary schools and colleges; however, the fear of Christian indoctrination initially discouraged several such families from sending their children to such schools. In order to remove this fear, missionaries were forced to change their focus to providing universalistic, moral and secular education which despite including lessons from the Bible, did not active seek to initiate religious conversion (Cox, 2009).

The earliest missionary schools were set up by the Portuguese, followed by the French, Dutch and then by the British in regions where each of the colonial regimes had their presence. In the British colonial period, the earliest private education institutions emerged in the colonial presidencies of Bombay, Calcutta and Delhi (Ghosh, 1989). As mentioned earlier, since the only prestigious jobs available during the colonial regime was in the colonial administration, such schools and colleges emerged as the most sought after schools among the rich and middle class families who could afford such private education (Cox, 2009).

Along with missionary education, students from the rich families also pursued education abroad. Many prominent national leaders like Raja Ram Mohan Roy, M.K. Gandhi, Jawaharlal Nehru, among others received education and abroad and returned to India with ideals of nationalism, liberty, equality and justice. Several of these Western educated Indians later established their own private schools and colleges in India with the aim of both increasing the educational capital of India as well as to inculcate the Western ideals that they imbibed through their education and bring about a social reformation in India (Ghosh, 1989). Along with these nationalist leaders, several other rich businessmen also established their own private schools and colleges. Tilak (2014) argues in the period before and immediately after independence, private educational institutes emerged as a product of philanthropy for the rich; in the contemporary times, however, he argues that private entrepreneurs with limited source of money have also increasingly setting up their own self-financing colleges or universities. With the increasing withdrawal of the state from education and the constantly increasing demand for professionally trained courses, the education sector has emerged as an extremely profitable source of investment for private businesses (Choudhury, 2016).

The rise of private higher educational institutions in India has emerged both as a result of increasing demand for higher education among a predominantly young demographic as well as in response to the decline in the quality and resource availability in the public education system. The decline in India's public expenditure on education has resulted in creating a negative image about the existing system of public education system. With insufficient resources, poor infrastructure, limited number of courses, greater emphasis on critical pedagogy instead of marketization, public education system fails to attract the large education demographic of the country (Clarke, 1996; Marginson, 2000; Bachhi, 2001) which in this new knowledge economy is more interested in pursuing marketable professional degrees that have greater assurances of securing employment upon completion. Private schools, colleges and universities on the other hand, have emerged to fulfil this gap in demand among the youth (Agarwal, 2006).

In the 1950s and 1960s, the state entered into public-private partnerships for setting up several advanced technical institutes like the Birla Institute of Technology at Ranchi (1955), Birla Institute of Technology and Science at Pilani (1964), among others (Chopra and Sharma, 2010). In 1950-51, there were only 750 colleges and 30 universities in India with approximately 0.26 million students enrolled in higher education. In the post liberalisation period, private self-financed professional colleges were established which were supported by the state in the form of land and other infrastructural support at subsidised prices (Blom and Cheong, 2010). As a result, in 2002, India had approximately 4400 professional colleges of which approximately 3150 colleges, that is, over 70 per cent, were in the private sector (Power, 2012). By 2012-13, this figure has increased to approximately 35,000 colleges and 700 universities with 20.29 million students, thereby recording an almost increase in gross enrolment in higher education (UGC, 2013).

In the last decade, there has been a phenomenal growth of private contributors in higher education. According to Grewal (2012), "... the private sector accounts for 91 per cent of total seats in engineering, 64 per cent in management, 95 per cent in pharmaceuticals studies, 92 per cent in physiotherapy, 50 per cent in medicine and 94 per cent in hotel management" (pp. 4). In 2012, the total number of diploma offering institutions was approximately 12, 748 of which 9,541 were in the private sector; further, approximately, 64 per cent of all higher educational institutions in India are in the private sector and approximately 72 per cent of total student enrolment in higher education has been in the private sector (Ibid., Yeravdekar, 2014). Thus, Anadnkrishnan (2004) argues that the growth of higher education in the last

fifteen years has largely been in the private sector and as a result, the private technical education system in India is one of the largest in the world. Although several scholars like (Biswas, et. al. 2010; Rao, 2006) have argued that the growth of private sector has resulted in an overall decrease in the quality of education in higher educational institutions, nonetheless, private educational institutions are preferred as being institutions of high standard and competence. These institutions however have thrived mainly in technical and professional courses like engineering, management, hospitality, etc. as these courses attract large number of students and hence have a high market value.

Private institutions are typically characterised as institutions that offer multiple choices of courses (such as engineering, management, architecture, IT- related courses, designing, etc) with large batch-sizes enabling greater number of students to secure admission and with direct contact with industries through internships and placement exchanges, all of which is provided in the form of packaged educational programs at high costs. Following the demand for a knowledge economy, private educational institutions aims to create a new demographic of professionally trained young students who upon completion of their professional degrees can directly be recruited into the market.

### **3.7 Private Education and the Knowledge Economy**

With the rise of scientific and technological developments in the world, like the IT expansion and rise of new service industries like retail, hospitality, etc., there was an increasing demand for a large number of skilled workers who would be able to fulfil the production requirements of global corporations. This resulted in an increasing demand for professionally trained skilled personnel who would be able to meet the competitive standards of the global market through scientific and technological innovations. To meet these demands, globally countries have sought to adopt policies focussing on knowledge creation as it is believed that the competitive strength of countries lies not on land or capital resources alone, but more in the a strong resource pool of skilled professionals. In keeping with this trend, India adopted a policy of “knowledge-based economy” to fulfil the prevailing global market demand.

The adoption of such a policy in India closely supersedes the stage of Knowledge Professionalism in the evolution of the corporate economy in India (as discussed in the previous chapter) where Indian corporations were also transitioning into the emerging sectors and were expanding their productivity through the specialised serviced of skilled

professionals. Powell and Snellman (2004) defined a knowledge-based economy as “production and services based on knowledge intensive activities that contribute to an accelerated pace of technical and scientific advance” (pp. 44).

It is widely believed that India’s strength lies in education particularly higher education in the fast expanding global knowledge economy. In keeping with this belief, the 11<sup>th</sup> Five Year Plan advocated for expanding the educational infrastructure to a total of 1500 universities with special emphasis on specialised research institutes in order to meet the demand for professional, skill-based education (Chattopadhyay, 2009). Further, this plan emphasised on the need to increase the number of skilled workers in its total workforce from a mere 2 per cent to 50 per cent by the year 2020 in order to fulfil the demand of creating a 500 million strong resource pool of skilled people in India.

The former Prime Minister Dr.Manmohan Singh in one of his public speeches stated, “the whole idea of building a knowledge society is the idea of empowering young men and women through education and ensuring that all our delivery systems are built on the premise of the latest knowledge” (as cited in Bhatia and Dash, 2010: 46). In keeping with this vision, the Indian government established the Knowledge Commission in 2005 to develop the necessary infrastructure for facilitating the achievement of the targets enumerated by the 11<sup>th</sup> Five Year Plan.

With the aim of making India a “higher education hub” for the world (market), in the 11<sup>th</sup> Five Year Plan, the government announced its plan for a massive expansion of the higher education infrastructure in the country, it proposed to create 14 world-class universities of innovation, 34 new undergraduate colleges, 7 new IIMs, 8 IITs, 20 IIITs, 10, NITs, 5 ISERs, 2 more Schools of Planning and Architecture (SPA), 50 new research centres. Apart from these expansions, the government has also argued advocated for greater participation of private sector and foreign universities to facilitate the achievement of its goals.

In recent years, the government has often emphasised on the need for a greater infusion of market principles into the economy a larger role of the private sector to enable India in achieving its potential for economic growth. Since education is perceived as an important instrument for achieving economic growth, the principle of marketization has also greatly influenced the system of education in India. Apart from the exponential increase in private educational institutions, the policy focus on marketization of the education system is also evident in recent policy documents.



Privatization of higher education has thus resulted in the restricting the access to education for socially disadvantaged sections as now only the rich and elite are able to afford the expensive and prized private education.

### **3.8 What Is Merit? How Is Merit Constructed?**

Merit has emerged as the principal means for legitimising contemporary capitalist culture. Thomas Picketty in his book “Capital in the Twenty-first Century” argued that “democratic societies rest on a meritocratic worldview” (Piketty, 2013: 297). The idea of merit has a variety of genealogies; Durkheim discussed the concept of merit while discussing the idea of a society as one that provides “free space for all merits” whereby social harmony can be achieved if people engaged in work according to their natural abilities (Durkheim, 1922: 1925). Drawing from this idea of merit, in contemporary times, Alan Fox (1956) used the concept to present a socialist critique of merit-based inequality through his theory of the “four scales”(pp. 12), where he argued that income, property, education and occupation, led to the creation of inequality of positions. The neoliberal form of merit emerged with the idea of a global “knowledge economy”; this new form of merit was developed in the 1970s and which labelled those with less social and economic power as being characterised by a “meritocratic deficit” (Littler, 2017: 108) and sought to inculcate in them the neoliberal meritocratic dream of individualistic competition. The ideological discourse of merit in the knowledge economy has thus emerged as an important factor for structuring contemporary societies (Hayes, 2012; McNamee and Miller, 2009; Littler, 2017).

As an ideological construct, merit entails the idea that irrespective of one’ social position at birth, through opportunities provided by the society and through one’s own talent and effort, an individual is able to ‘rise to the top’ (Littler, 2017). It is argued that a society based merit provides greater equality of opportunity for more people than before and hence it is often viewed as a “ladder of opportunity” as the principle encourages individuals to believe that if we they put in sufficient effort and hard work then they can overcome social barriers imposed through ascriptions of caste, class, gender or race (William, 1958:331). However as McNamee and Miller (2009) argue, “the most important factor determining where people end up economically is where they start from in the first place” (pp. 16). For socially disadvantaged sections, the start of this ladder is not the same as others; individuals belonging to lower caste and class groups and marginalised communities do not have the

similar socio-economic backgrounds, similar kind of prior education and training, resources or social and cultural resources and as a result climbing the ladder is often much more difficult for such individuals, as compared to individuals who have benefitted from high socio-economic, cultural and educational resources right from the beginning. So while merit provides a sense of advancement detached from money or birth on the one hand, it also retains hierarchies through social divisions which condition the available opportunity structures thereby providing legitimacy to existing social hierarchies (Littler, 2017).

The image of merit representing a social ladder, Kothari (2005) argues can be contextualised in the imperialist account of development where ‘developed’ countries of the West are placed at the top, while the other “undeveloped’ countries below them leading to a binary between the Global South and the Global North, which in turn promotes the idea that merit enables countries to move upwards towards the more ‘developed’ world (Tyler, 2013).

Merit is usually denoted in the form of a certification of competence, aptitude or knowledge acquired through some kind of examination; it is usually denoted in the form of a rank which establishes a hierarchy of individuals ranked according to their competence. Those who fail to secure these ranks or secured low-ranked positions are then considered to be “without merit”. It thereby creates a system in which by definition certain people will always be left behind (Hickman, 2009).

Apart from what it principally denotes, merit also has a strong level of connotation as it functions as a kind of entitlement, a status position which enables an individual to assert oneself in terms of their capabilities, competence and social, economic and cultural positions in a larger hierarchical social arrangement. Thus, merit coercively generates inequality through rank ordering which legitimises social inequalities through competency based rank ordering and persuades both the selected and the rejected that the division is fair. Merit ranking produce a form of differentiation in society but how and what this differentiation entails is never questioned; what is competence? Can it be measured solely on the basis of examination rankings differentiated on decimal point differences? Also, is the opposite of merit, incompetence? Can merit and incompetence really be binaries and is there nothing in between these two poles?

In his book, “The Rise of the Meritocracy”, Michael Young (1994) pointed out that while merit is hailed for its ability to dismantle inherited privileges, it is also at the same time criticised for creating newer kind of unequal social divisions; he thus questions if merit

indeed dismantles inherited privileges, or does it strengthen such privileges through concepts like intelligence, competence and credentialism? (pp. xvii) Through an assumption that talent and intelligence are inborn abilities (and not something that can be acquired) this principle argues that the most gifted or also the best. Merit then creates an oligarchy of talent, replacing the older oligarchies of birth or wealth; however, if probed further, one will find an overlap between these two hierarchies as those who enjoy the privileges of birth and wealth are usually also those who enjoy the privilege of merit.

Khan (2010) argues that by placing great emphasis on the idea of effort, the discourse on merit does not consider (or altogether ignores) the social and economic location of individuals. For this reason, Litter (2017) argues that the neoliberal form of merit endorses a competitive, linear system of social mobility that functions to create an “ideological myth” (pp. 12) of a level playing field, which in reality does not exist, to obscure the inequalities it promotes.

Marc Galanter (1984) argued that three broad kinds of resources are necessary for producing results in competitive exams to acquire merit, these are:

- Economic resources – which conditions prior education, availability of academic resources, ability to seek prior training in coaching classes and finally ability to pay the fees (as most of the competitive educational institutions charge significantly high fees), etc.
- Social and cultural resources – like network of contacts, availability of information and knowledge of such exams and educational institutions, guidance and advice from family and friends, the levels of confidence, etc.
- Intrinsic ability and hard work – in preparing for entrance examinations which are also conditioned by family and socio-economic location of individual students

All these factors together determine an individual’s chances of acquiring merit as it determines their starting positions in climbing this social ladder of merit. Those who do not benefit from the privilege of birth or money often face double or triple disadvantages in this neoliberal narrative as while they are firstly encouraged to feel the pressures of inequality and are made to believe that there exists a definite social arrangement by which they can climb this ladder and acquire social mobility, but when they fail to do so (due to structural inequalities) they are made to believe that it is a result of their own failures and

incompetency. Thus apart from providing legitimacy to the existing social hierarchies, the principle of merit works to shift the onus on to the individual whereby a failure to access or gain from the system is labelled as a personal failure (and not a systemic failure) (Littler, 2016; Young, 1994).

### **3.8.1 Entrance Examinations as Means for Determining Merit**

As mentioned before, merit is essentially decided on the basis of ranking in examinations, either at the level of entrances or during coursework. In case of entrance examinations conducted at the level of individual states or at the national level, there are usually thousands of candidates who appear for these examinations all of whom possess similar levels of competence in terms of subject knowledge or in terms of their prior educational qualification, yet only a few handful of them are able to secure admissions, often differentiated through decimal point of differences. So for example, a candidate securing 89.5 per cent cannot possibly be considered less meritorious than one who scores 90 per cent, but in all possibility it is the latter who will get selected as he meets the cut-off criteria. Thus selections in such examinations if often decided by narrow margins yet these narrow decimal margins often become the yardstick for determining competence, social rank and status; as by scoring 0.5 per cent more, a candidate can get admission to an IIT or IIM, while the other gets relegated to some lower ranked institute. And since institutes like IITs and IIMs are considered elite institutions, its students are generally marked as being the most meritorious while others are not.

Also entrance examinations are essentially structured to enable testing of not just disciplinary knowledge and intelligence but also a certain aptitude for answering such examinations within a stipulated time. Thus clearing entrance examinations often requires certain set of skills which requires prior inculcation through school education or through additional training. In recent years there has been a significant rise of coaching centres catering to different entrance examinations across disciplines which aim to train aspirants these specific skills. Such forms of specialised training however come at a high cost which not all aspirants can afford. Thus, only students with significant economic resources are able to afford such entrance coaching which results in the exclusion and reduction in possibilities of selection for those who cannot afford coaching. For this reason, scholars have argued that very few SC and ST students are able to succeed in the competitive entrance examination in elite institutions as

they lack access to high-quality secondary education or to privately funded coaching which provides the necessary skills to students (for succeeding examinations) unlike their counterparts from upper or middle caste and class groups (Weisskopf, 2004: 4341)

Also, since merit is typically determined in the form of examination to and in institutes which have a fixed number of seats, the total pool strength of meritorious candidates are thus predetermined; examinations then merely acts as a tool for determining who these meritorious students will be and how they will be ranked hierarchically (Littler, 2017).

### **3.8.2 Equality of Opportunity V/S Equality of Outcome**

Merit has emerged as the fundamental ideology in the reproduction of neoliberal culture as it offers a false promise that a social ladder exists for people who through their hard work and talent can move out of their habitus (Bourdieu, 1987) and attain social mobility. By seizing the idea, practices and discourses of greater social equality and by marketising these narratives, the principle of merit has been able to both essentialise the notion of talent and competitive individualism as well as legitimise the social and economic inequalities of neoliberalism; thus merit “sweetens the poison of hierarchy” (Williams, 1958: 331).

Based on the premise of providing an “equality of opportunity” to everybody, across categories of caste, class, gender, race or religion, to pursue their own individual social mobility (Littler, 2018:153), the discourse of merit erases the histories “producing the formations of power and privilege, burying them alive but out of recognizable reach” (Goldberg, 2015: 101).

An IIT education, for example, has become symbol of intellectual merit and natural talent in technical sciences but entry into the IITs are heavily conditioned by accumulations of economic, social and cultural capital as not only is an IIT education expensive (despite it being administered and financed by the central government), the admission to this examination require prior investment in the form of private coaching, good quality secondary education and access to relevant information and other resources. For this reason, we observe that majority of IIT students belong to upper-caste families of bureaucrats, school teachers and professional service families where capital has traditionally been held in the form of education. The accumulation of such forms of human capital has been further enhanced by the growth of the knowledge economy (Ibid.). The comparative lesser rates of students

belonging to lower caste and classes clearly indicates that the existing opportunity structures do not yield the same results for all; thus the dichotomy of merit lies not in its notion of equal opportunity structures but in the lack of equal outcomes.

### **3.8.3 Merit, Hard Work and Privilege**

The existence of elites is not a new phenomenon, but what is noteworthy of modern day elites is the extent to which they feel the need to pretend that they are not elite; they present themselves as ordinary, as “just like anybody else”. Globally a large number of wealthy elites insist on presenting themselves as hardworking and meritocratic by virtue of which they argue to have earned their social status positions; such a claim over hard work and talent is of great importance to this new category of elites as it provides them a form of “rhetorical cover” (Khan and Jerolmack, 2013) for their inherited advantages and thereby helps in validating the idea of a social mobility and simultaneously helps the privileged maintain the legitimacy of their social status (Piketty, 2013; Littler, 2017).

Bourdieu argues, “the apparent neutrality of the school enables to transform social differences into educational differences by passing off properties acquired in the family milieu as ‘natural gifts’. In a society where obtaining social privileges depends ever more closely on the possession of educational titles, this ideology of ‘gift’, by which those who ‘inherit’ become those ‘merit’, fills an essential function in legitimizing the social order” (Bourdieu, quoted by Discepolo and Poupeau, 2008:33). Thus it allows students from dominated groups to see “their individual destiny as a specific case within a collective destiny” (Ibid.:38). Khan (2011) in his ethnographic work in an elite school in USA proves this assertion as he argues that within elite institutions, students from relatively advantaged backgrounds are more likely to succeed, than their counterparts from disadvantaged sections of society, as throughout their lives, such individuals, have developed the necessary dispositions of elite through their social and cultural capital resources which enable them to continue enjoying an advantageous position over others. Elite institutional spaces tend to reward such individuals “for exactly the time of behaviour that is ‘native’ to them in their homes (pp. 11).

While students continue to emphasise on having achieved everything by their hard work, Khan and Jerolmack (2013) argue that observations often reveal that such students in reality do not work as hard, and instead often tend to marginalise those (belonging to lesser

advantaged or disadvantaged sections) who do; hence we find a discrepancy between what the elite say and do. Such discrepancies arise because in a world marked by greater openness, the elite feel the need to emphasise the relevance of merit, even though they know that it is not entirely true. The combination of this rhetoric of hard work and openness while practicing protection is what gives rise to privilege among the new elites in modern societies (Khan, 2011); thus while the system claims to be following merit, it actually practices privilege (Khan and Jerolmack, 2013).

Multiple forms of discrimination such as discrimination in principle, or discrimination practice or resource discrimination are also legitimised under the canvas of merit which is then paradoxically promoted as being an egalitarian principle. Merit can thus be viewed as a form of embodied cultural capital which is legitimised through institutional recognitions in the form of academic qualifications and is viewed to be detached from social histories (Bourdieu, 1987).

### **3.9 Problems of Access and Equity in Education**

Unlike primary or secondary education, higher education is not a legal right for all citizens. While individuals have the right to aspire to be an engineer or a doctor or an executive, it is not something that they can claim as their legal right as they cannot claim admissions to any college or university unless they fulfil the prescribed admission criteria, hence it has to be earned and cannot be claimed by all. Further, since higher education serves as the key entry point for access to employment opportunities, it is always something that is desired by all but is available to only a few who are 'eligible'. Hence discrimination in the form of principled exclusion is a defining feature of the higher education system.

The institutional mechanisms regulating access to higher education is based on the practice of different kinds of scholastic examinations which are based on the principle of merit which provides legitimacy to this exclusionary and elitist system. Deshpande (2013) argues that in modern societies, degree of dependence on examinations as means for providing entry to higher education, increases with the demand for a scarce and specialised field. Therefore he argues that the presence of strong gate-keeping mechanisms regulates the entry into higher education which facilitates a system that privileges the "upper" castes against the "lower castes". He adds that this is a result of differential access between these two groups which in turn is caused by "durable, self-producing mechanisms that are systematic and systemic"

(pp.32-34). Only those who already possess the necessary social, economic and cultural resources can in practice accrue benefits from this education system.

Bourdieu (1986) argued that in order to retain their claims over their elite positions, the elite create “imaginary universe of perfect competition of perfect equality of opportunity, a world without inertia, without accumulation, without heredity or acquired properties” (pp. 46). This is greatly similar to the common narrative forwarded by the higher caste and classes who argue that a meritocratic system of education creates a level-playing field; in their opinion, policies of reservation which predetermines certain number of seats for members of particular social groups, creates inequalities and hinders progress. Following this narrative, the private sector has vehemently lobbied against the implementation of the policy of reservation in the private sector as they allege it hinders progress and excellence. Private education is thus viewed casteless, while the public sector is viewed to be suffused with caste (Subramanian, 2015). For this reason, we see that while reservation policy is legally binding in case of public sector institutions, private educational institutions are exempted from implementing the policy. While categories like general and reserved, meaning Scheduled Caste (SC), Scheduled Tribe (ST) and more recently Other Backward Classes (OBC) are in principle administrative categories created for equitable distribution of resources and opportunities across social groups; in practice, the usage of these categories have their own distinct realities.

### **3.9.1 Case of ‘General’ and the Reserved Categories**

Given the hierarchical nature of Indian social structure with sharp economic, social and cultural disparities, learning experiences of students in the country also significantly vary across different socio-economic and cultural groups. Subramanian (2015) argues that categories like “The semantic equivalence between the general, the casteless, and the meritorious reinforces the idea that those who fall within the general category do so, not on the basis of accumulated caste privilege, but by dint of their own merit. By definition, then, those who fall within the “reserved category” do so by virtue of their caste. This categorical distinctions between the meritorious/casteless and the reserved/caste-based has profoundly shaped the debate around educational equality in India” (p. 298). While merit in principle advocates for the transcendence of ascription, in practice it is inherently embedded in social hierarchies.



Despite the vast expansion of technical and professional education in India, social disadvantaged sections like the SCs, STs and women have not found sufficient access to such high-prestige education (Rao, 2006). In 2009-10, the gross enrolment ratio (GER) in higher education was about 15 per cent for all students, but it was only 9 per cent for SC students and 10.3 per cent for ST students (GoI, 2011). Further, technical and professional courses like engineering education are 16.1 per cent for SC in 2006-7 and 5.6 per cent for STs. (Ibid.) Several scholars have pointed out that in case of engineering and other professional and graduate courses, students belonging to upper caste Hindu groups have twice or four times the probability of completing their education and graduating from such colleges than their counterparts belonging to SC, ST, OBC and Muslim categories (Deshpande, 2006; Deshpande and Yadav, 2006; Mohanty, 2006; Upadhyaya, 2007).

As Satish Deshpande (2013), notes, the application of reservation policy created a new norm of “castelessness” (p. 32) which is embodied in the “general” category as it tends to erase all caste privileges and characterises them solely in terms of their merit. This then acts as a crucial historical process by means of which the dominant castes in India have been able to successfully transform their inherited social and cultural capital into a modern capital in the form of access to education, modern professions and property through their supposed legitimate claims of merit (Henry and Ferry, 2017). Whereby the defining characteristic of the “general” becomes their human capital formations (like academic qualifications) and their caste identities of being the dominant castes gets erased. At the other end, the identity of lower caste remains principally marked by their caste as they are then hyper visible in the form of definite caste groups availing legal benefits; for lower caste groups then their educational qualifications are almost rendered secondary to their caste identities. Members of the historical privileged castes, through their claims to merit and their categorisation of being “general” then emerge as “modern” embodying the true spirit of progress and development, to which the reserved castes then have no claim.

Henry and Ferry (2017), in their study have shown that the lower level of success of SC and ST students is often a result of the academic inequalities that they face due to the lack of adequate institutional initiatives; they add that the students who face academic difficulties generally comprise of first generation learners who hail from poor families with little or no educational backgrounds (mainly agrarian families) and have been educated in vernacular medium schools where English was not the main medium of instruction. Upon admission to

modern institutions where English is the sole medium of interaction, these students often have difficulties in understanding their lecture and struggle to cope with such a competitive system. While, it is true that most students admitted to IIT avail coaching classes for 'cracking' the entrance exams, often such first generation learners do not have the resources to avail such coaching classes and thus for them it becomes even more difficult to assimilate and apprehend their lectures. The students then get divided into two groups – one the General group which also includes a few SC, ST and OBC students who come from the cities and have availed of good quality English medium school education and can thus have good comprehension and oratorical skills; and the other group which include students from rural areas who struggle with the English language and generally have mediocre academic skills.

This claim can further be understood by using the Norbert Elias' (Elias and Scotson, 1965) model of the "minority of the best and the minority of the worst" – whereby the General students assimilate a small group of urban and English educated reserved category students to perpetuate the claim of being the "minority of the best", whereas the students admitted on the basis of quota hailing from rural background (first generation learners) form the "minority of the worst". So when an upper caste student performs poorly it is "because he/she is too busy having fun", but when a reserved category student performs poorly it is interpreted as a result of intellectual weakness (Subramanian, 2015).

Further, in case of admission to IITs for example, students from reserved categories are always listed separately from General category students even if their scores are comparable to the latter. The institutions argue that such a procedure benefits reserved category students as they through the reserved lists are then able to secure higher rankings than their counterparts (in the reserved list) and would have access to wider range of specialisation choices. While this might be true, such a practice also results in differentiation of students into distinct caste groups as post admission students in IITs are always required to introduce themselves through their competitive ranks and the category under which they availed admission, which in turns gives rise to the labelling of students depending on their caste categories (Henry and Ferry, 2017).

The former director of IIT Madras in one of his speeches, speaking against the policy of reservation, said, "... It is necessary to debate the fundamental question whether, just because a group of people cannot cope with a certain level of education, they should have the veto power to deny such an education to the rest [through reservation which limits the number of

seats available to general students]; whether social justice should imply that there shall be no institution all in the country where merit shall be the criterion and also while the socially deprived should have special privileges, the talented need have no right of their own” (in Indiresan and Nigam, 1993; Subramanian, 2015). This is a common narrative which distinguishes the upper castes as “the talented” and argues that reservation as a policy impinges on the rights of the “talented” while the “socially deprived” enjoy the “privileges” of reservation. Such narratives are common across several elite institutions and particularly in the private sector which looks upon the lower caste groups as being lesser qualified and hence requiring reservations; completely ignoring the historical context of upper caste dominance over lower castes. Thus, the notion of merit so created is essentially an upper caste domain.

Such mechanisms thus contribute in creating distinct identities of students whereby the General Students are marked in terms of their merit, devoid of caste identity, the reserved category students are inversely marked by their caste identities and not merit. Thus the administrative categories of SC, ST, OBC and GEN (general) significantly contribute in the creation of differential aspirations and perceptions of their social identities (Henry and Ferry, 2017).

Several studies have pointed out that this distinction between the General and the reserved categories also play a role in terms of the aspirations of students post the completion of their degrees. The SC and ST students, unlike the General or the OBC students, tend to not make use of the opportunities provided in elite educational institutions like the placement offices. As mentioned before, the premium placed on professional and technical degrees is greatly on the basis of the prospects they offer in the job market, but several studies like Henry and Ferry (2017), Jodhka and Newman (2010), Deshpande and Newman (2010), among others, have shown that SC and ST students often withdraw from taking benefits of the market privileges offered by the elite institutions in the form of placement process and instead prefer to prepare for civil-service examinations as they anticipate having low chances of success in securing a job or getting a good salary in the private sector. Since these prevalent social distinctions are so deeply embedded in these marketable institutions, these students often believe that they would not be able to compete in the job market with their General and OBC counterparts, even if they have received the same level and quality of education. Thus the hierarchies between groups continue to operate beyond a student’s academic life and into their employment aspirations. Thus educational institutions through multiple mechanisms seek to

eliminate and sanction students from different social groups thereby creating a differential value for the academic titles provided to students at the end of their education (Henry and Ferry, 2017).

One can argue that through the narrative of creation of knowledge economy, upper caste groups have been able to strengthen their status positions through their claims to merit. Through state-funded elite education, the upper and middle classes were able to convert their inherited capital into credential capital. Thus, Subramanian (2015) argues that there has not been an erosion of caste identities in modern India but instead the “upper caste claims have been strengthened by transnational mobility and the enhanced value of technical know-how within the late twentieth and early twenty-first century “knowledge economy”” (pp. 98).

### **3.9.2 Women Students**

Despite an overall increase in female enrolment rates in higher education, their shares lags far behind that of their male counterparts (Choudhury, 2016). The gross enrolment ratio among girls in higher education was 12.7 per cent in comparison to the 18 per cent for male in 2009-10 (UGC, 2010). Further, in case of women students, there exists a strong gender bias with respect to the type of degrees and courses that women students can pursue. Several studies have pointed out that professional educational courses are largely male dominated with only a marginal number of women students; and conversely, women students tend to dominate in general education streams like arts and humanities (Ghuman, Singh and Brar, 2009; Salim, 2008).

There is a common perception that technical educations like engineering, management, etc., are masculine domains and are not suitable for women. Rao (2007) in his study has captured narratives of students regarding such opinions and he argues that such gendered perception is justified on the basis of certain social myths such as “women are emotional, while technology is strictly logical and hence, both do not go together ... men are better at mathematics and machines, while women have no idea about these” (pp. 187).

Sreelekha Nair (2012) in her work argues that there has been an improvement in the representation of women students in technical courses like engineering, with the development of new disciplines like Computer Science, Electrical Engineering and Communications and Information Technology (IT) which are not typically viewed as male-centric specialisations.

However Henry and Ferry (2017) argue that in elite institutions like the IITs and particularly in elite programs like IT, Communications, etc., women students are systematically underrepresented as they often do not have adequate information and insider knowledge (with regard to their realistic chances of gaining admission) in matters of subject specialisation and often end up choosing lower-ranked departments which bear the reputation of being favourable to women like bioengineering, etc.

### **3.10 Conclusion**

The educational policy in India is widely credited for being an instrument for improving the conditions of socially disadvantaged section by providing them social opportunity structures through a merit-based educational system which is available to all. This chapter makes an attempt to critically analyse these claims by probing into issues of access, equity and quality of education in India. Since the education policy in India is principally guided by the notion of merit, an attempt has been made to understand the meaning and relevance of this concept.

The concept of merit has been vehemently upheld as an equalising and democratic means for removing social inequalities of ascription. However, by ignoring the historical and social realities, this concept has in practice facilitated in legitimising social hierarchies and has reproduced privileges in society.

The critical literature on merit assumes it to be modernist ideal detached from identities of caste or race, but scholars have pointed out that claims to merit in case of India are heavily conditioned by factors like caste. Deshpande, (2013) and Subramanian (2015) in their study on IITs, for example, have argued that such elite institutions have provided the necessary institutional mechanisms through which the dominant castes were able to convert their inherited caste capital into acquired modern capital.

Under the disguise of the “knowledge economy”, the traditionally dominant socio-economic groups, through assertions of modernity and ‘castelessness’, have further legitimised their social status and privileges. While at one moment merit is claimed through the subversion of caste identity, on the other, they are articulated through caste-based perception. Instead of replacing caste identities with universal identities, the present discourse of merit thus rearticulates caste as an explicit basis for merit by which new forms of upper-caste identities are constituted. (Subramanian, 2015).



## **CHAPTER 4: HIRING PRACTICES IN CORPORATE ECONOMY IN POST-LIBERALISATION INDIA**

### **4.1 Introduction**

“Globalisation is creating enormous opportunities for the Indian economy, most of which fall into the private sector. It is common knowledge that big money is to be made there. Increasingly the public sector is seen as a backwater of inefficiency and students who can manage it, are flocking to the high technology sectors” (Deshpande and Newman, 2007: 4135). This assertion by Deshpande and Newman (2007) probably best summarises the changing nature of employment relations in the Indian economy.

The onset of neoliberal economic reforms and the gradual withdrawal of the state, as explained in the second chapter, have greatly facilitated the expansion of the already growing private sector in India across all sectors of the economy like education, banking, healthcare and employment. With the promise of higher salaries, greater autonomy and prospects for promotions (in contrast to the bureaucratic hierarchies of the public sector), and increased chances of attaining a higher standard of life, private sector employment has emerged as the most preferred source of employment for the country’s large numbers of educated and skilled professionals. A large body of literature from across disciplines of sociology, economics, political science, management studies, among others have documented this transition from public to private sector employment; while most have accrued this transition to the failures of public sector in providing adequate opportunities to its employees (Tripathi and Jumani, 2013), others have pointed out towards the enhanced system of opportunities and remunerations available in the private sector as a principal factor for this transition (Mazumdar, 2011), however there has been limited work on the question of who has managed to make this transition. In order to understand these changes in the context of changing nature of employment relations in contemporary private economy, one has to look at the not just the process of change that has takes place, but also emphasise on the specificity of the actors who have embarked on this transition.

The scholarship on employment across disciplines of economics and management studies has largely focussed on aggregate accounts of job creation (IHD, 2014) or specifically on low-

rung informal employment and the working conditions in the unorganised sector (Papola, 2012; IHD, 2014; NCEUS, 2004). The bulk of labour market research focusses on the question of poor quality and insecurity of jobs in the economy and has given limited attention to the top and middle-rung jobs available in the employment. This work of research, as mentioned earlier, focusses specifically on this lesser researched aspect of private sector employment. This research aims to question the commonly held belief that “good quality” top and middle-level jobs are more equally distributed as it is conditioned by the principle of merit. While the process of hiring is applicable for all levels of jobs, this research specifically focusses on the hiring of the more secured, high paying and high status jobs and aims to probe the question of merit through a study of the means for accessing and distribution of such jobs.

As Deshpande and Newman (2007) points out in their study, only some students “who can manage it” have been able to undertake this transition, while the rest have been left to pursue the traditional mode of public sector employment. An important question that one has to look at, is who are these individuals who have “manage(d) it”? Do these individuals come from particular social, cultural or economic backgrounds or has it been a universal? What is the importance of ascribed identities of caste, class, gender and ethnicity in this transition? Additionally, what factors have enabled these candidates to make this transition?

Entry into the private sector is conditional on the possession of education and skill training; only those individuals who have the requisite level of education and formal skill training are eligible for getting recruited within the private sector; but as explained in the previous chapter, educational opportunities in India have been historically unequally distributed. Much like all other aspects of economic and political life in India, the system of education and employment in the country is heavily conditioned by India’s colonial history. Only those who were able to pursue the Western style of education introduced by the British (in colonial period) were able to gain from an otherwise unequally distributed system and were consequently able to secure employment, primarily in the colonial administration. Those who benefitted from this system in the colonial period were consequently the first ones to benefit from the state system of education and employment post-independence. Following the Nehruvian project of nation building, these educated professionals, bureaucrats and intellectuals, ensued the task of ushering in of social and economic ‘growth of equity’ (Jodhka and Prakash, 2016); however with the onset of neoliberal reforms, these educated professionals were also the first ones to promote this transition from public sector to private



sector employment. While this generation themselves continued to pursue secured public sector jobs, they provided high-quality, expensive private education to their children and encouraged them to pursue private sector employment (especially post the reduction of public sector opportunities). Thus, the people who were able to make this transition were essentially children of the educated middle class elites who now emerged to form the “new” middle classes of contemporary India which possesses modern education and skill training, primarily from private educational institutions, but has also inherited social and cultural capital from their previous generations (Fuller and Narasimhan, 2007).

A closer look at the workforce engaged in the private corporate economy would reveal that despite their differences in ascribed identities, they largely belong to a common class group – the middle classes, comprising of mainly the upper and dominant castes. In an economy where the rich are essentially viewed as owners of capital and the poor are relegated to the lower rungs of the economy with menial jobs and low wages, the professional and middle rung employees constituting the bulk of the workforce essentially belong to the middle classes who possess the requisite education and skill training as well as other factors like social networks, cultural practices and complimenting status positions to access and compete for jobs in the private economy.

The idea of middle class however is not a new phenomenon. Globally, it came into existence with the development of modern societies in the 18<sup>th</sup> and 19<sup>th</sup> century with industrialisation and the development of cities as arenas for a new kind of social order (Jodhka and Prakash, 2016). In the case of India, the historical and social category of middle class emerged during the colonial period with the introduction of Western style educational system, industrial economy and rise of new system of bureaucratic administration implemented by the British colonial empire in order to facilitate their control over the country.

The middle class identity is further advanced through the narrative of merit which argues in favour of acquiring education and skills through hard work, as means for attaining social mobility. The national project of modernising and development increasingly invokes the middle class identity as a positive characteristic of emerging modern India in which an ideal citizen will through their education and hard work attempt to attain upward mobility and would in turn contribute to the transformation of the country into a modern and developed nation (Jodhka and Prakash, 2016). However such prospect of attaining social mobility is fundamentally premised on the issue of hiring, as Bill (2003) notes, “Ultimately ... both

attaining an occupational status and securing an income are contingent on hiring transactions” (p. 442).

Since the bulk of the professional engaged in the private corporate economy belong to the middle class who were essentially a product of western system of education and bureaucratic employment, the first section of this chapter begins by looking at the nature of employment relation at the time of independence through which the identity of the middle classes will be understood; further emphasis has been given to the changes brought about both in the nature of employment relations as well as on the middle class identity with the adoption of the neoliberal reforms.

Hiring constitutes an important element of economic and social stratification (Elliot and Smith, 2004) as it acts as fundamental “gatekeeping mechanisms that facilitate the career opportunities for some groups while blocking entry for others” (Rivera, 2012: 1000). Existing research on the question of hiring commonly understands employers hiring as a product of estimates of candidates’ human capital (education and hard and soft skills) endowments, social capital (informal networks and connections) and demographic characteristics (age, region, social categories) (see Pager and Shepher, 2008 for review); however there remains several other factors influencing hiring decision which remains unknown to scholars (Heckman and Siegelman, 1993). Much of this is due to the fact that hiring is essentially governed by the idea of matching people to the jobs, and not simply a question of differences in attributes of individuals (Coverdill and Finlay, 1998). Hiring for jobs are carried out through multiple avenues like university-sponsored placement cells, newspaper advertisements, e-recruitment, social connections and referrals, private placement agencies and head hunters, job fairs, etc. While there exists no definite means for hiring for any definite industry or occupational level, often a combination of either of these ways are used to recruit suitable candidates across different sectors and occupational groups. Each of these individual methods is important as means through which an individual’s prospect for employment and consequently social mobility is determined.

Irrespective of the means used for recruitment, the decision to hire a candidate is a multi-stage process which is conditioned by several individual, organisation and institutional factors (Pager and Shephers, 2008). Following the principle of matching people to jobs, often employers argue that the final decision for selection of a candidate is dependent on the question “who fits the job?”, however how the “fit” of a candidate is determined remains a

unknown. This chapter attempts to shed some light into the myriad forms and means through which the decision to hire a candidate, vis-à-vis another is made through a study of the different means and processes of recruitment.

It is difficult to make any accurate estimation of the social composition of workers in the private sector because private corporations are not obliged to provide data on their employment composition, unlike the public sector where it is mandatory and part of public record. Due to unavailability of primary data, this study mainly depends on field based projects conducted by scholars across different industries, location and occupation groups to make an estimation of the caste, community or gender composition of the workforce engaged in the private corporate economy in India. Through a collective estimation of such studies, the second section of this chapters attempts to identify some of the institutions and means used by candidates, irrespective of their educational and social backgrounds, to access jobs..

Employers have time and again emphasised that hiring decisions are principally conditioned by the question of a candidate's "suitability" and "fit" with the organisation and its culture; in this regard the third section attempts to probe into the several factors which together determine and influence the questions of "suitability" or "fit" of a candidate; namely the factors identified are family background, cultural similarity, social networks and referrals and finally pedigree which is a culmination of all the afore mentioned factors.

#### **4.2 Employment Relations in Post-Independence India and the Rise of Middle Class**

The Nehruvian model of development and economic change, adopted following the independence ushered in the era of planned economic development, where the public sector was responsible for developing heavy industries as well as promote the expansion of cottage and small-scale industries. Such a model of nation building required the creation of a new and elaborate bureaucratic framework which had to be staffed by large numbers of educated and technically skilled Indians. The educated among the existing middle class, along with few first generation students from rural areas, were successful in attaining public sector employment (Jodhka and Prakash, 2016). Further government policies like those related to reservations and the policy of government licensing together gave rise to a demand for large number of educated and skilled workers who were capable of envisioning the growth and development of the India on the lines of Nehru's vision of nation building. Much like in

colonial times, in independent India too, in order to facilitate the state's model of modernisation and development a new middle class was created with the help of expansion in education and training. The first three to four decades of economic growth witnessed a massive expansion of Indian capital in the fields of science and technology in state supported industries and in the bureaucracy (Ibid.).

In keeping with the demands of different government ministries, the Indian bureaucracy was divided along federal lines into the state and federal system of administration, each endowed with the responsibility of implementing the policies at their respective levels of jurisdiction. Following the policy emphasis on development of scientific knowledge and technological progress, the process of formal education was envisioned to facilitate individuals in enhancing their economic entrepreneurship and make them capable of participating in the project of nation building. The task of nation building thus principally lay on the shoulders of the middle classes who were expected to form the social and economic base of the emerging capitalist economy in India (Jodhka and Prakash, 2016).

While the middle classes in colonial period mainly comprised of a small number of professionals from socially privileged backgrounds, the new middle classes in independent India were a more numerous groups of largely professional and salaried individuals who did not have any direct involvement in trade or commerce; this group was as Mazzarella (2004) describes was "short on money but long on institutional perks" (p.1). With expansion in the Indian bureaucracy, the middle classes as a group also expanded to meet the increasing demands for educated and skilled professionals (Jodhka and Prakash, 2016).

The emphasis on scientific knowledge was forwarded as a means for achieving equal citizenship where factors like ascribed identities, inheritance and privileges would cease to matter and every individual would be treated equally. It was expected that much like in other modern societies, social interactions in Indian society would be governed by secular and democratic values of modern economy; however this does not happen (Austin, 1966; Kothari, 1970; Rudolph and Rudolph, 1987; Khilnani, 1997; Jodhka and Prakash, 2016). Instead as Dipankar Gupta (2000) observes, while the expanding middle classes adopted the ideals of modernity and "commitment to principles of democracy", it also at the same time retained its reliance "on connections, family and patronage" (p. 9). Since most of these middle classes belonged to upper caste and other dominant communities, they resented the rising demands of inclusion from below; further they used their social identities of caste and communities to

create distinct caste or community lobbies which promoted and favoured individuals belonging to similar social locations (in matters like transfers and promotions) which in turn created barriers for the entry of others belonging to socially disadvantaged groups; thus even at the regional levels of bureaucracy, the middle classes were able to reinforce their dominant caste and community position (Jodhka and Prakash, 2016). Further, proximity to the bureaucratic state apparatus gave additional powers to the middle classes who soon began to occupy a critical position in shaping and articulating official government policies (Rudra, 1989).

The middle classes continued to enjoy their dominance even with the adoption of neoliberal economic reforms. When the policy focus shifted from the Nehruvian model to the neoliberal model of liberalisation, privatisation and globalisation, the middle classes were positioned to benefit. The global economic regime with its emphasis on educated and technically skilled professionals gave a further impetus to the growth of middle classes. In the initial years of nation building, the Indian state undertook major investments in the field of scientific education and technological advancement and established institutions like the IITs, IIMs, IISs, among others which provided specialised and professional knowledge to the middle class youth. In the 1990s, when the country adopted neoliberal reforms, these technically trained individuals greatly benefited as they were the first ones to get high paying management jobs in the rapidly expanding global corporate economy, particularly in specialised sectors like IT and management. Thus while till the 1980s, the middle classes grew within the state-supported sectors, with the adoption of neoliberalism, they grew alongside the expansion of the private sector in the economy. As a result, the middle class identity in contemporary times has become aspirational where everyone aims and claims to be part of the educated and skilled middle class (Jodhka and Prakash, 2016).

The defining characteristic of the middle classes is their human capital endowments which in turn provide them with other forms of capital – social, cultural and symbolic, not to mention economic capital under the globalised economic system with high salaries. However with the onset of neoliberalism, the middle class identity has also undergone significant modifications. Fernandes (2000) argues that such modifications have occurred “in both cultural and economic terms; in cultural terms by defining a new cultural standard that rests on the socio-symbolic practices of commodity consumption and in economic terms as the beneficiaries of the material benefits of jobs’ in the ‘new economy’” (p. 88). In this new world market economy, consumption has emerged as a critical component of middle class identity which

enables the individual to get “counted in society”, be “visible” and acquire “dignity” (Dickey, 2012: 226; Fuller and Narasimhan, 2006; Mathur, 2010). Thus mere possession of education and other human capital endowments is no longer sufficient as markers of middle class identity, it now requires “critical consumption practices” which need to be both acquired and cultivated (Kochhar, 2004: 20).

Brosius (2010) observes that consumption among middle classes include education at different levels including formal and diploma certificate courses, memberships to health clubs, gyms, spiritual discourses, golf courses and clubs, museum visits, art and painting lessons, dancing and music lessons, foreign language courses, photography courses, among others which together determine an individual’s prospects of social and symbolic mobility, while at the same time they continue to retain their economic inheritance and caste and community networks. The contemporary middle class identity thus constructed therefore includes both the traditional as well as these modern acquisitions. Unlike the middle classes in the West which emerged as “decommodification” project to bridge the gap between the privileged and the rest of society (Gupta, 2009: 83; Esping-Anderson, 1990), contemporary middle class in India emerged as a creation of the exclusionary market; they thus work collectively to preserve privileges and construct boundaries that exclude others (Beitelle, 2013) and are always critical of welfare schemes that aim to bring about equity.

Fernandes (2011) argues, “... the new middle class does not just incorporate pre-existing forms of inequality, it also generates inequality. The classificatory practices through which individuals attempt to gain access to membership within the new middle class are about both access and restriction. The acquisition of education, for instance, is the most evident strategy for upward mobility for a wide range of social groups... new middle class strategies simultaneously transform education in a thicker set of class practices that are contingent in a wide range of socio-cultural distinctions based on language, lifestyle, credentials, residence – distinctions that encode historically produced inequalities such as those of caste and language” (p. 76). For this purpose, merit is often used by the middle classes as an important marker for distinguishing themselves from others; merit however in practice, as mentioned in the previous chapter, functions as a tool for self-preservation which allows them to maintain their dominance over private education, entry into university and employment (Peace, 1984). As a result of such dominance, first or second generation learners find it difficult to enter into such an endogamous class (Ibid.) because while they may possess education and training,

they lack other resources such as social networks, urban consumptions, status, etc. (Jodhka and Prakash, 2016).

In the context of hiring, these attributes and indicators of middle class identity become crucial as they act as the primary factors conditioning the prospects of recruitment for individuals. Several studies have pointed out that in matters of hiring, factors like family background, educational qualification of parents and siblings, linguistic skills like proficiency in English language, etc., become crucial for determining the suitability of any candidate for the company (Jodhka and Newman, 2007; Thorat and Attewell, 2007); further hiring in the corporate economy are essentially carried out by Human Resource (HR) firms or professionals who also belong to the same middle class groups, thus in determining who they should or should not hire, these markers and attributes of middle class identities are given much importance as most employers prefer to hire candidates similar to themselves (Rivera, 2012; Rivera and Tilcsik, 2016; Lin, 2000; Coverdill and Finlay, 1998; Thorat and Attewell, 2007).

### **4.3 Institutions for Job Access**

Potential candidates from across different social backgrounds search for jobs using certain common ways like using university-sponsored placement cells, newspaper advertisements, online job portals, social referrals, “head hunters” or placement agencies. The different means for accessing jobs can be categorised broadly in terms of the sectors to which they cater, while the public sector primarily relies on formal placement exchanges or competitive examinations, the private sector has increasingly started pursuing myriad means for finding the suitable candidates (Rodgers et. al, 2014).

#### **4.3.1 Institution for Job Access in the Public Sector**

Public sector vacancies are commonly notified through newspaper advertisements, billboard advertisements, notifications published in the Gazette of India etc. Alternatively, there are certain specific government policies like the policy of reservations and institutions like the National Employment Exchanges located in each state disseminate and determine the process of accessing jobs in the public sector. Depending on the skill requirement, public sector jobs are divided into four categories – Class I, II, III and IV; of these, the Class I and II tiered jobs, can only be accessed through competitive examinations carried out annually by the Union

Public Service Commission (UPSC) which involves several stage of examinations and formal interviews, while the rest are accessed through the National Placement Exchange (Rodgers et.al., 2014).

#### **4.3.1.1 Placement Exchanges**

The National Employment Service (NES) was set up by the government of India in 1945 to serve as official information channel for disseminating information related to public sector job vacancies. This institution was set up as a neutral system based on open merit wherein all potential candidates would be offered equal chances for accessing public sector jobs without any discrimination on grounds of caste, religion, sex or region. The NES has its roots in colonial institution of the Directorate General of Resettlement and Employment which was set up post the Second World War in 1945, to provide employment to released service personnel and other war workers. Post-independence in 1947, the Directorate was given the additional responsibility of resettling the large number of people (refugees) displaced by the country's partition. In early 1948, the Employment Exchange was to opened to all categories of workers; thus, the Employment Service (NES) transitioned into an all-India placement organization. A few years later, in 1956, much like other matters related to employment, the daily administration of the exchange was handed over to the state governments and was both the Central and State Governments were given joint jurisdiction over it. While the role of the Central Government was expected to formulate national policies, standards and procedure regarding the Employment Exchanges in the states, coordinate their work, formulate programmes for expansion and development of the services, and train staff; the State Governments, on the other hand, were given full control over all other functional aspects of the Employment Exchanges in their respective states (Papola, 2012; Rodgers et. al, 2014). While these agencies were established with the aim of providing workers from across social backgrounds, equal access to information related to jobs, its influence however was limited to the public sector because the private sector had mostly refrained from providing notification to the exchanges. While the NES existed for several decades, nonetheless with problems related to registration of workers and other administrative and management failures, the NES failed to provide effective employment (Papola, 1992).

In the period between 1990 and 2001, the majority of the job seekers, (63.6%) were inexperienced freshers and did not fall in any category of occupation, (22.2%) were in the production and transport related work, and a small group (0.7 lakh), were in the sales



workers groups (GoI-MoL&E, 2002). The significance of the NES has been reduced due to several factors like the decline in scope of the public sector to provide jobs, the emergence of large number of private recruiting organisations and the general reluctance of the private sector to notify its vacancies and recruit through the NES. The growth of informal employment has further rendered the NES as ineffective (Rodgers, et. al. 2014).

### **4.3.2 Institutions for Job Access in the Private Sector**

In case of the private sector, it is well documented that the recruitment process has been highly informal and personalized with factors like caste, community, language and regional affiliations influencing the process of hiring more than other factors like education (Fuller and Narasimhan, 2007; Thorat and Attewell, 2007, Jodhka and Newman, 2007). Information on job opportunities have been inaccessible to workers in general and has been a privilege of an exclusive group of individuals who either had personal networks with the employers or had somebody known or related working on the inside; for this reason many scholars described hiring in private industries as a “closed shop”(Papola, 2005).

#### **4.3.2.1 System of “jobbers” and contractors**

The system of “jobbers” and contractors was widely used as a common means for hiring workers in the early years of industrialization. Various manufacturing plants and industrial centres like the textile mills in Bombay made use of this system for procurement and recruitment of workers at low wages. The jobber – also called *sirdar*, *jamadar*, *mistri* in different regions – was in fact an employee of the factory who was assigned the dual task of procuring workers and of supervising and disciplining them in accordance to the requirement of the factories. Morris(1965) argued that this system emerged out of the historical need to have a local person from working class background to supervise and discipline the workers.

Since the onus of recruiting workers was solely on them, the “jobbers” tended to favour their family and caste brethren; they usually went back to their own villages and recruited workers either from among their family networks or from their own religious and social groups. Hence, the individual biases of jobbers automatically influenced the process of hiring and the system proved to be personalized and discriminatory. This system also gained predominance across industries and especially in the informal economy in the low skilled manufacturing sector and especially in the construction industry which always required a lot of mobile

labour at low wage rates. This system however soon got replaced because the “jobbers” emerged as a threat to the employers due to their control over the workers. In its place, the system of Labour Contractors emerged in the unorganized sector. These contractors would engage in the same process of hiring workers with the difference that they were not required to go back to their villages but instead could hire workers from the local workforce. However, in reality, many of these contractors did go back to their villages and bring workers from among their informal networks and social groups (Morris, 1965).

#### **4.3.2.2 Recruitment Agencies**

Rise of modern technologies and increase in global competition among firms has given rise to the need of finding the best suitable candidate for each category of jobs, this demand for specialised and most suitable personnel has led to the emergence of recruitment agencies which specialise in finding the best suitable candidate for each type of job, keeping in mind the requirements of individual firms and industries. Recruitment agencies are composed of multiple types of agencies like the head-hunters, private placement agencies, staffing agencies each of which differ significantly from one another and cater to specific types of jobs across industries and sectors (Coverdill and Finlay, 1998; Faulconbridge, Beaverstock, Hall, & Hewitson, 2009; Samantroy, 2014).

**Head-hunters** – these are specialised hiring agencies which cater specifically to white-collar workers across different industries. In the West, head-hunters cater to various levels and types of jobs and are used by all types of organisations, small and large corporations alike; but in India they cater specifically to the top-most positions like that of Directors and Executive Officers and are used specifically by the large corporations who use the services of head-hunters to fill specific high-ranked executive job positions. Unlike other recruitment agencies, head-hunters set their fees in advance and usually demand half the payment upfront and remaining upon finding the suitable candidate (Jones, 1989) which typically is “one-third of the first year salary of the recruited executive” (Jenn, 2005); for this reason, these agencies also act as elite labour market actors.

**Placement Agencies** – facilitate the process of hiring by matching the requirement of firms with the available qualification of workers for specific job vacancies. These agencies primarily deal with lower and middle level executive positions and are mostly used by new employees looking to shift jobs and fresh graduates who, in the absence of campus placements or due to problems in placements, approach these agencies for private sector jobs

(Coverdill and Finlay, 1998). In return, these agencies receive a commission or a percentage of the employee's first year earnings from either the hiring employer or from the worker; alternatively, for semi-skilled workers, the hiring firm pays a fee to the agency in which case the workers does not pay any fees (Coverdill and Finlay, 1998; Samantroy, 2014). Such agencies handles the entire process of screening candidates, providing description of job tasks; firms use these agencies for testing, interviewing and recommending qualified candidates. Firms might conduct further interviews, but initial short listing from a wide pool is done by the agency which has no role post recruitment (Samantroy, 2014).

**Staffing Agencies** – these agencies hire workers on behalf of the user company who are then made to work for the user company for a pre-arranged wage. There is no direct contact between the user company and the workers; workers are given contracts with agencies and salaries and other benefits (if any) are provided to the workers by the agency who in turn receives a fee from the user company; workers are thus on the payroll of the agencies and not of the company. The duration of such job depends on the requirement of a firm but they are usually contractual and for a specific period of time (Samantroy, 2014).

**Temporary Agencies** – these are usually managed by private entrepreneurs and voluntary associations and operate primarily to provide employment in the informal sector and in lower-rung jobs in organised sectors likefor domestic work, home-based work, courier services, house-keeping services, security guards etc. and a large chunk of their membership consists of women workers who are otherwise relegated to low-skilled, low paying employment (Coverdill and Finlay, 1998; Samantroy, 2014; Neetha, 2009). In the past few years, there has been an expansion of these agencies in small towns and metropolitan cities. In a study carried out on placement agencies for domestic workers in the informal sector, Neetha (2009) points out that such agencies serve as an intermediary between the worker and the employer. These agencies differ in terms of their formal status, size, nature of operations, objectives and the services offered to the employers and workers and in term of the range of services provided by these includes hostel facilities (for both prior and in-service periods), soft-skill and vocational training, etc. In return, the agencies charge a considerable portion of the workers' earnings during the initial months or in some cases for every month, as brokerage expenses, transportation costs, accommodation and food charges (Samantroy, 2014; Rodgers et al, 2014).

Recruitment agencies, specifically head-hunters, also play a significant role in the labour market due to their control over the process of recruitment. Faulconbridge et al. (2009) point out that recruitment agencies control elite labour market recruitment process as the definitions of eligibility and suitability of a candidate are often promoted by these agencies which then determines who gets selected and who does not. The authors point out that in the course of periodic interactions with firms, these agencies internalise employers' stereotypical understandings and cultural biases and in keeping with such standards, these agencies often transform the elite labour markets by restricting the access to elite jobs to only those candidates who they feel match the requirements of the employers. Since several firms and industries rely on recruitment agencies for finding "suitable" candidates for high-paying and high-status jobs, candidates who these agencies fail to reach out to or alternatively those who fail to access these agencies are then denied access to these high-status jobs. Even if a potential employee reaches out to these agencies, the kinds of jobs he/she can apply to is determined by these agencies which would mean that if a particular agency does not find a candidate suitable for a specific job, he/she will not be able to provide information or given access to compete for such jobs. Recruitment agencies therefore carry out the initial round of filtration of candidates as the decision to send a particular candidate to an employer rests entirely upon them.

Apart from their role as filters, recruitment agencies are also important for generating crucial employment networks within the market. These agencies operate using specific levels of labour networks which correspond to the market hierarchies as well as to the specific industrial requirements; additionally, they also give rise to crucial networks that determine who benefits from these agencies and consequently secures employment. Faulconbridge et al. (2009) argue that recruitment agencies, particularly executive search firms like the head-hunters and private placement agencies, through their knowledge, personnel databases and sourcing methods create specific infrastructure and create connection between the employers and the potential employees which in turn gives rise to creation of specific networks which function specifically to provide information and access to good quality jobs. Further, Ibarra and Hunter (2007) argue that the success of such firms lies in their ability to create such networks which can be used to reach out to particular candidates who possess the kinds of education, social, cultural and symbolic capital endowments preferred and demanded by the employers. Such networks are generally created through schools, colleges, clubs, family and community ties; these networks do not necessarily consist of strong and close ties but are

instead more a sort of what Granovetter (1973) identifies as weak ties. But as Faulconbridge et al. (2009) argues, “in the case of contemporary elite labour networks, entrance into the network also requires the performance of certain idealised behaviours which are socially and culturally constructed and associated with the ‘ideal’ candidate” (p. 803). Therefore in order to access such high-status jobs, candidates are required to be a part of these exclusive networks, as unless they are part of such networks, they will not be deemed eligible for applying to such jobs.

Scholars like Faulconbridge et al. (2009), Coverdill and Finlay (1998) and Gambher (2006) thus argue that executive search firms through their control and influence over the labour market have facilitated in the creation of new kind of network in contemporary knowledge economy which drawing upon the meritocratic ethos of modern democracies promulgates a view that the best and the most knowledgeable candidates are found within such networks. This view of course fails to acknowledge the inherent restrictions and barriers imposed upon those who historically have remained outside such exclusive networks.

#### **4.3.2.3 Campus Placements**

The process of hiring and recruitment has undergone significant transitions with the spread of liberalisation and the rise of global production markets. Under the influence of global recruitment patterns of recruitment have emerged like through campus placements, private placement agencies and online recruitments. Following the new patterns of recruitment, newly emerging professional service firms carry out a large portion of their hires, especially for the lower and middle level jobs, through annual recruitment programs carried out with university placement programs (Rivera 2012).

Most professional educational institutions and universities organise campus recruitment programmes every year for their final year students in which the institute brings together prospective employers who are called in campus to recruit prospective candidates for their middle and lower level executive and technical positions (Kamath, 2011). While most professional institutions conduct campus placements, elite institutions like the IITs and IIMs and several other high-ranked professional institutes across fields of specialisation claim to provide 100 per cent placement rates which makes these institutes most desirable among prospective students. However it is worth examining if in practice, do all students actually get placed, including those belonging to socially and economically disadvantaged sections, if so then how and where? How does this process of 100 per cent placement work? Also, what is

the difference in the nature of campus placements conducted in elite institutions vis-à-vis that conducted in other institutions?

The process of campus placements has attracted scholarship from across disciplines like management, economics, education and sociology in which several factors related to campus placements, like the modes of recruitment, the criterions for shortlisting, the effectiveness of the process for the hiring companies, etc., have been given considerable attention; however there has been limited studies which have looked at the process of campus placements as a means through which social inequalities have translated into inequalities in terms of access and mobility in the labour market. In sociological literature, campus placements have generally been studied through field-based research and case studies conducted in selected professional educational institutions like IITs (Kamath, 2011; Fuller and Narasimhan, 2007; Henry and Ferry, 2017; Subrmanian, 2015), or through case studies conducted among IT professionals who have already secured employment (Upadhya, 2007). In recent years, the model of campus placements has received significant attention from Western sociologists who have identified campus placements as process through which elite cultures are reproduced in modern capitalist economy through the discourse of merit and hard work (Rivera, 2011; 2012). Given the importance accrued to professional and technical education in India, since the Nehruvian period, as a means for assured employment, this sections attempts to understand the impact of campus placements as a process for providing crucial access to “good” jobs as well as a process that is expected to provide means for social mobility through claims of merit.

Educated and skilled professionals have traditionally been in high demand since independence, in the first few decades, the primary demand for professionals was in the public sector. However, with the adoption of neoliberalism, gradual withdrawal of the state and reduction in public employment opportunities, the private sector vastly expanded and emerged as the largest provider of employment in the economy. Further, the shift from family-owned and family-controlled business to rise of professionally managed firms, has significantly increased the demand for professionals in the private economy. In consonance with this increase, as explained in the previous chapter, there has been a rise of professional educational institutions which as the name suggests are specifically designed to provide the requisite education and skill training demanded by the market and are expected to provide assured employment opportunities to its students. In this regard, campus placements have emerged as crucial means through which employment opportunities are made available to

final year students upon completion of their training. To understand the importance of campus placements, the process has to be analysed from both the demand and the supply side, i.e., from the perspective of the employers and that of prospective students, which are often very different from one another and is significantly conditioned by factors like caste, class, religion, community, ethnicity and family background.

#### **4.3.2.3.1 Stages of Campus Placements**

The process of campus placements is an intricately designed and closely monitored process carried out by professional educational institutions in close consultation with firms and business houses. The process involve several stages and factors which together determines an individual students chances for firstly, applying for a vacancy and secondly, of eventually securing the job (getting placed).

The first stage of campus placements involves the selection of firms who are invited to come to educational campuses to conduct their recruitments. The difference in placements conducted among elite and non-elite educational institutions, emerged from the selection of firms. Usually elite institutions have some kind of formal arrangements or tie-ups with high-ranked firms and business houses, in which these institutions send their students for internships and training experiences. Several of the IITs and especially IIMs have been widely reported to have Memorandum of Understandings (MoUs) with top firms like Infosys, Ranbaxy, Wipro, Tata Consultancy Services and several other firms across both manufacturing and service sectors. Such arrangements enable elite institutions in inviting such firms for conducting placements; an advantage that not all institutions possess and hence the difference in standards of placements is often compromised right from start across institutions.

While top firms get such invites from several institutions, they identify “target” universities in which they recruit for their junior-level managerial positions. These universities are chosen on the basis of their prestige rankings (Rivera, 2012). They generally comprise of the premier institutes in each country which typically charge high fees and have a distinct class character; students belonging to such institutions are generally assumed to possession certain distinct social, cultural and economic attributes which gives them an advantageous position in the social hierarchy. Typically in the Indian, such institutions include the IITs, NITs, IIMs, IIITs, and other such high-ranked institutions. Therefore, at the very outset, the best and highest paying jobs get restricted to a selective pool of privileged candidates. Individuals belonging

to humble background with minimal resources who are unable to afford such high-cost institutions are excluded in this process excluded from accessing such premier jobs; they are then left to compete for second-best jobs in the market (Rivera, 2011).

While all students enrolled in a particular institution are in principle eligible to apply for such premier jobs, in practice, the candidate pool gets further limited through the imposition of particular eligibility criterion prescribed by the hiring firms with limited scope for the education institution to negotiate. These criterions usually involve cut-off percentages and occasionally include requirements for internships. The cut-off percentages are usually set at 70 per cent aggregate marks but at times, companies prescribe that candidates maintain consistent high scores right from class ten onwards. Such requirements then favour the socially privileged sections who are much more likely to score higher marks than students who have secured admission through government reservations (like the SC, ST or OBC) and were unable to score very high marks in previous examinations due to differences in their educational and social background. Such rules in practice works to exclude the socially disadvantaged sections (Upadhya, 2007); even if a candidate from SC or ST background has managed to secure admission to elite institutions, such eligibility criterions works to keep such jobs out of their reach.

The next stage is the filtration process through which the eligible candidates are shortlisted. This stage involves written tests, interviews and group discussions. The written tests usually include questions related to logical reasoning, analytical and problem solving skills, English proficiency, and subject knowledge. Written tests, if conducted, are usually followed by interviews and/or group discussions. Upadhya (2007) in her study of IT professionals in Bangalore pointed out that interviews are usually of two kinds – technical where subject knowledge and technical expertise is assessed, and human resource (HR) where non-technical aspects like personality, attitudes, aspirations, and “soft skills” are assessed. The increasing emphasis on customer service and satisfaction has meant that across industries, good communication skills are increasingly being considered essential for “client-facing”, as a result communication skills have emerged as the most important “soft skill”; as Upadhya (2007) puts it, “a candidate who is otherwise well qualified may be rejected purely on the basis of this” (p. 1865).

The increasing emphasis on “soft skills” like proficiency in English language or good communication skills, personality traits like confidence, social skills, etc., which is not easily



found among candidates belonging rural areas, lower caste or less privileged sections. Such skills are not acquired through education and training alone, they are elements of cultural capital that are inculcated at individual homes and are deeply conditioned by social and cultural factors.

Recruiters also attach considerable importance to involvement in extracurricular activities like music, theatre, poetry, dance, sports, debating, quizzing, etc., which are offered by elite educational institutions. Such extracurricular engagements are viewed as crucial tools for inculcating the spirit of competition, cooperation, team spirit among students early in their educational lives which provides the students the capacity to introduce and sell oneself. These engagements then become forms of inherited capital that distinguishes a student in an elite institution from that in other middle or lower-rung institutions where such services are not provided. However, even within any institutions that offers such services, many students especially those belonging to socially and economically disadvantaged sections tend to not participate in such activities.

As Henry and Ferry (2017) pointed out in their study among students in IITs, students belonging to SC and ST categories often tend to not participate in activities offered by the gyms due to several reasons like unfamiliarity with global market culture, greater focus on academic work (which is often viewed as a source of emancipation) and insufficient knowledge regarding the importance of extracurricular activities, or due to additional financial cost (although use of such services are either free or included in fees, extra costs are incurred in terms of purchase of suitable clothes, training materials, etc.) in continuing these activities; several students also refuse to participate in such activities because the leaders in such activities often belong to upper castes, thus the refusal then emanates from a refusal to occupy a subaltern status within the institution (Ibid.).

Such criteria for selection thus in effect favours individuals from socially privileged sections like the upper or middle castes and classes backgrounds where such personality traits are harnessed and inculcated (Fuller and Narasimhan, 2006); conversely, such criteria exclude those who do not belong to socially disadvantaged groups and lack such cultural capital endowments. Thus, the intrinsic factors that make an individual a suitable candidate for a high-paying prestigious job is based on unequally distributed social and cultural resources (Deshpande and Newman, 2007).

For this reason, Upadhyaya (2007) asserts that structuring of the different stages of campus placements ensures that candidates belonging to socially disadvantaged sections who manage to secure admission to elite educational institutions through reservations, get “weeded out” of the candidate pool at the time of hiring (p. 1865). Thus the process of hiring ensures that the best and most premier jobs in the economy are concentrated among the privileged sections like the upper and middle castes and classes, while those from lower castes and classes who are mostly enrolled in lower ranked educational institutions, compete for more routine and low end jobs (Ibid.).

The process of campus placements is often regarded to be the most competitive and meritocratic means for accessing premier jobs wherein the best jobs are made available to the best or most deserving candidates. A closer look at the process however clearly illustrates the ways through which campus placements as a process works to monopolise the control of the privileged section over good jobs by imposing barriers on its points of access. As mentioned in the previous chapter, the discourse of merit fails to acknowledge the social, cultural and economic differences among different social groups and we see a reflection of this in campus placements which is justified as being a meritocratic system, whereas in effect it serves to reproduce the existing social hierarchies by favouring the privileged over the non-privileged groups in society.

Rivera (2012) in her study of recruitment practices adopted in several elite firms in the USA has pointed out that most firms believe that problems of diversity are problems of the “pipeline” (pool of candidates) where they felt that the suitable candidates (matching their criteria) were only found in elite universities and students belonging to other non-elite universities simply did not match up to their requirements. Firms however fail to see that the problem actually lies in the manner in which such pipelines are constructed as it excludes a large proportion of diverse candidates. Candidates belonging to disadvantaged social groups are generally concentrated in less prestigious universities, thus conceptualising a pipeline that excludes such institutes in essence excludes a large percentage of potentially high-performing capable candidates who are as a result denied the access to such jobs. The problem is essentially of structural and status bias and widespread cultural beliefs among employers who believe that university prestige is an essential sign of merit.

Additionally, often placements are significantly influenced by prior internships or training experiences where students who secure internships in elite firms are often provided

employment in the same form upon completion of their courses. Average or weaker students who are less likely to get selected in such elite firms for internships are then once again rendered to a disadvantageous position; this is true also for students belonging to second-tier or lower ranked educational institutions as they are usually perceived to be eligible but not the “best” candidate (Rivera, 2015).

As a result, scholars have observed differences in placement outcomes of students depending on their social backgrounds. Non-reservation or “general” students are able to showcase additional skills like fluency in English, confidence in their academic skills, and advanced knowledge of what they would be expected to demonstrate in the way of “fitness for the firm” than Dalit students, whose cultural capital is weaker. Further, reservation students are significantly less likely to use campus placements and prefer public sector, government or university jobs which they find more accessible due to the policy of reservations (Deshpande, 2006)

#### **4.3.2.4 Online Recruitment**

Among the less researched methods of hiring is the use of e-recruitment or use of internet based job searches, social networking sites etc. which have gained much popularity among the urban youth in accessing employment opportunities across different occupational sectors. With the internet revolution, online job search portals have become the most popular means for directly accessing job opportunities. Company websites, online job advertisements, etc. have made it easier for educated, internet literate individuals to directly acquire information and access the hiring/recruitment process for all types of employment opportunities across the labour market.

Lin (1999) argues that the spread of cyber networks has given rise to the expansion of social capital. He adds that cyber networks have resulted in entrepreneurial networks and relations where information and resources are shared among a large number of participants. Even though access to computers and internet are unequally distributed, more and more people are gaining access to such resources and are thus being able to make use of these new forms of networks. He therefore argues that cyber networks are fast emerging as new forms of social capital which results in newer opportunities as well as newer challenges for people.

Social networking websites like LinkedIn, Facebook, Twitter, etc. have also become popular means for accessing jobs. While earlier information related to jobs was highly restricted, with

the expansion of technological literacy, many companies have used such channels for disseminating information related to vacancies and required qualification levels for each of them. As a mainstream newspaper reported (2013), in most of the IT and IT-enabled service sectors, telecommunication sectors and other industrial sectors, internet based direct hiring channels were used for hiring approximately 70 to 90 per cent of the workers. While employers have shown preference for this form of recruitment as a cost-effective alternative to other formal means, this source of recruitment could also give rise to labour market segmentation as it excludes a large section of the workforce who lack the technical capabilities and internet access.

#### **4.4 How is “Suitability” and ‘Fit’ determined?**

With the emergence of globalised markets, the rise of entrepreneurial cultures and new “technologies of governance”, employers increasingly emphasise on the need for prospective employees to develop themselves as an “enterprising self” (Burchell, 1993; Rose, 1992; Rose and Miller, 2008; Gooptu, 2009). This new model of “enterprising self”, following the dictates of the market is expected to be “goal-oriented, self-directed, committed to acquiring skills and competencies required for self-advancement; one who is optimistic, creative, takes initiatives, embraces opportunities and seeks autonomy and self-fulfilment” (Gooptu, 2009: 45). Following this new image of the ideal neoliberal “self”, every aspect of an individual’s identity and personality becomes commodified whereby an individual employee is expected to transform and adapt to the new image so created. This process of commodification does not simply transform education and skill training into commodities available for a price in the market, but it also commodifies an individual’s personality, attitudes, beliefs, values and appearances into distinct objects that are meant to be produced purely for the purpose of market exchange. This has further been facilitated with the rise of new workplace cultures and innovative approaches of human resource management which through a system of rewards and incentives further instils in individuals the need to compete for employment and personal growth.

This change in the image of the ideal worker has also significantly transformed the process of hiring in the modern economy. The neoliberal economy has given rise to changes in the organisations’ notions of merit and eligibility criterion (Rivera 2012). The new eligibility criterion so evolved include not just high marks and skill composition but also include other

aspects such as proficiency in English, specific personality traits and possession of other soft skills (non-academic attributes), family backgrounds, cultural similarities, personal achievements, social networks, etc., which are shaped by an individual's social upbringing and cultural resources and is the not the same for all.

The available scholarship on hiring has given considerable attention to the question of “fit” and “suitability” of a candidate as an important criterion for final selection of employees (Morrill, 1995; Rynes and Gerhart, 1990; Chatman, 1991; Kanter, 1993). Most of these studies argue that managers consciously strive to surround themselves with people who “fit in”, who are the “right sort of person” (Jackall, 1998; Moore, 1962). Scholars like Pfeffer (1989) in his work among corporate recruiters argued that “the idea of ‘fit’ is mentioned extraordinarily frequently by corporate recruiters and job applicants while talking of the process of hiring” (p. 386). However despite questions of “fit” being given substantial importance, it remains unclear as to how questions of “fit” or “suitability” are in practice determined and assessed by employers at the time of hiring; while several scholars have indicated the importance of factors like family background, cultural similarity, merit, social networks, the “idea of fit” still remains largely amorphous due to its differences in the ways it is determined by individual employers.

Private sector leaders often argue that labour markets operate as a neutral domain where caste and religious identities and socially hierarchies do not influence labour market interactions and instead access to jobs and other labour market processes are conditioned solely by merit and efficiency. As one HR manager puts it, in a study conducted by Jodhka and Newman (2007) among hiring managers across industries in Delhi, “We don't put any kind of template on an individual ... We focus completely on merit. As our main goal is standardisation... We Also have defined what merit is.... We need people who are more exposed [to the world]. WE believe the power of imagination comes with exposure. Exposure makes you observe certain things and this stimulates the power of the imagination. If you have to be part of global culture, your leadership should be ... defined by your capability of redefining... the company. And this can be ... made possible only through the power of imagination” (p. 4126); thus while they negate discrimination on basis of ascription, they do however accept the role of cultural capital. But by their own assertion, such cultural endowments should be available to individuals purely on the basis of their education and training irrespective of one's social background, however, the institutions and experiences that produce this “power of imagination” and “global culture” is in practice not equally accessible to all.

Several scholars have recorded differential outcomes among candidates depending on their social location. Thorat and Attewell (2007) in their correspondence study among college graduates pointed out that, on an average, college graduates coming from lower caste groups and Muslim communities fare less than their equally qualified counterparts belonging to upper caste and dominant communities. Jodhka and Newman (2007) in their study of human resource managers point out that hiring decisions are often governed by certain commonly held stereotypes regarding lower caste and particular communities, wherein managers often prefer to avoid hiring candidates from lower caste or high applicants and instead give preference to candidates located in the middle of the social hierarchy. Deshpande and Newman (2007) further contributes to this divergent view and points out that despite having similar educational qualification, Dalit students experience and consequently expect and have different aspirations in compared to non-Dalit students enrolled in the same educational institution. Contributing to the findings of these field-based studies, Madheswaran and Attewell (2007) through an statistical analysis of National Sample Survey data on employment and wage data show that workers belonging to Scheduled Caste (SC) and Scheduled Tribes (ST) earn approximately fifteen percent less than their counterparts belonging to higher caste backgrounds.

All of these studies together illustrate that the traditional assertion that an individual's economic position can be explained in terms of their formal schooling (Blau and Duncan, 1967), recent studies indicate that an economic trajectories of individuals are increasingly being conditioned by their social class, which includes a combination of economic, social and cultural endowments (Lareau and Weininger, 2003), over and above their levels of education (Torche, 2011; Rivera and Tilcsik, 2016). Several studies carried out in the West and in India have illustrated that employers discriminate on the basis of social status indicators like race or caste in India, gender, family background and other social, cultural and symbolic indicators (Correll et al., 2007; Pager et al., 2009; Tilcsik, 2011; Fuller and Narasimhan, 2007; Jodhka and Newman, 2007; Thorat and Newman, 2007). Rivera and Tilcsik (2016) point out that employers often perceive higher class backgrounds as being indicators of competence than lower-class backgrounds; in such a case, then the merit argument of a fair and neutral social system no longer remains valid especially when, as pointed in the previous chapter, holders of merit are in the first place conditioned by their social location.

Rivera (2011) in her study elaborated on the distinct stages involved in the process of hiring, which starts with the decisions regarding how and where advertisements related to job

vacancies are to be released – whether online in company website or employment portals, or in newspapers or through placement agencies; this is followed by a decision on the necessary criterion which are to be used to screen a candidate among the large pool of applicants; followed by decisions regarding the ways to measure employment potentials or what she calls “evaluative metrics” all of which finally determine the different the chances of selection. She further adds, that at each stage of the hiring process, the tools and criteria used to shortlist and finally choose a candidate are significantly conditioned by factors like a candidate’s social origin (class, race, gender, community; in case of India, caste would be another criterion), parental education and income and cultural similarities which taken together influence what is otherwise considered to be fair and neutral economic decisions regarding hiring. Also, since the process of screening ensures that the candidates shortlisted for interviews, etc., meet the minimum level of educational qualification, the process of interviews are meant to assess more than simply education and technical skills; interviews are held for the purpose of assessing the suitability of the candidate, to determine if they are “fit” for the job (Thorat and Newman, 2007; Jodhka and Newman, 2007). Rivera (2011) therefore argues that an individual candidate’s prospect for final job selection is largely dependent several factors which together determine the questions of “suitability” and “fit”, which differs from across sectors, industries and occupations.

#### **4.4.1 Family Background**

Jodhka and Newman (2007) in their study of hiring managers, across industries in the city of Delhi, pointed out that almost every hiring manager studied argued that one of the most important questions in any interview is on the question of family background which they argued was crucial for determining whether a particular candidate was suitable to company’s culture. As one manager states, to assess the family background, managers “look at ... (1) good background, (2) educated parents, (3) brother and sister working, and (4) preference for those in urban areas” (Ibid.: 4127).

Questions on family background are given special emphasis because managers widely believe that merit is produced within the family, “Personal traits are developed with the kind of interaction you have with society. Where you have been brought up, the kind of environment you had in your family, home, colony and village, these things shape the personal attributes of people. This determines his behaviour, and working in a group with

different kinds of people. ... Here the family comes in, whether the person behaves well and expresses himself in a professional way, for a longer and not for a short term. This is beneficial.” (Ibid.: 4127). In a situation where it is difficult for a hiring manager to know more about an individual candidate, questions regarding the family background are viewed as essential for assessing the kind of soft skills possessed by candidates and for determining their work culture (Ibid.)

For students belonging to dominant social groups, this question appears non-suspicious and is believed to be a standardised part of the recruitment process. For reservation students, however, answers to this question could lead to stigmatisation and disqualification. As Thorat and Attewell (2007) notes in their study, employers often identify caste and community associations through surnames. Deshpande and Newman (2007) elaborate that Dalit students are aware that on the basis of their names, employers purposely ask specific questions regarding their social backgrounds, which a non-Dalit would never be asked. In particular, when private sector employers raise pointed questions about the legitimacy of reservation policy itself, a policy that presently does not apply to these firms, students are placed on the defensive; this is a common experience for reservation students (Ibid.). Unlike their counterparts belonging to dominant social groups, their fathers’ occupations do not confirm to the employer’s preferences; their families are “too large”; or the candidate fears of revealing the degree to which he or she is burdened by demands for support from their families; all of which make him unsuitable for the job. Few general students were asked about their caste or religious background. This was clearly a difference that mattered.

As Jodhka and Newman (2007) point out that while on the one hand employers emphasise on the individualised notion of merit, which is typically understood as something that enable an individual to rise above birth and social origin, they also simultaneously place value the family background of a potential employee as an importance means for assessing merit; this obvious contradiction is something that employers fail to acknowledge.

The divergence in labour market outcomes, both in terms of access to employment and in terms of wages clearly reflect the importance of family background as a factor that supplements educational qualifications to make an individual suitable for particular job recruitments. Several studies have documented attitudinal barriers in the form of employer stereotypes that make it difficult for students from lower caste and status groups to compete for jobs in prestigious and high-ranked companies.



#### **4.4.2 Culture Similarity**

The importance given to family background in matters of hiring transcends to the idea of cultural similarity between the employers and those they hire. While some sociologists argue that culture plays a merely peripheral role in the occupational stratification of society (Blau and Duncan, 1867; Tilly and Tilly, 1998), others like cultural sociologists have argued that culture plays an important role in determining access to jobs and distribution of capital, especially symbolic capital (Laureau and Weininger, 2003). Several studies have pointed out that individuals occupying positions of privilege in large organisations tend to hold a specific idea regarding the kind of person who is most suitable to work in their organisation; such preferences result in many managers often favouring candidates who are socially similar to themselves (Rivera, 2011; Castilla, 2011; Cable and Judge, 1997; Gross, 2009) which are often based on assertions about cultural similarities (Lamon, 1992).

Cultural similarities can generally be understood as “shared tastes, experiences, leisure pursuits and presentation styles” (Bourdieu, 1984). Rivera (2012) argues that hiring decisions is not merely a process of skill sorting, it is also a process through which employers seek to trace cultural similarities between their prospective employees and themselves. Kanter (1977) calls this process “homosocial reproduction”. Conversely, several scholars have also pointed out that employers hold negative stereotypes regarding candidates belonging to different social groups, especially regarding candidates who belong to socially inferior status positions (Holzer, 1999; Kirschenmann and Neckerman, 1991).

Bills (1988) argues that in order to get selected, a candidate has to fit with not just the organisation and its culture, but more importantly, the candidate must be able match with the cultural dispositions of the particular person or persons who interview them; he thus distinguishes between applicant-interviewer fit and applicant-organisation fit. Scholars like Kanter (1993), Morrill (1995), Jackall (1998) argue that selection of workers takes place primarily on the basis of their social and cultural similarities which are determined in job interviews. Irrespective of whether a potential employee is found through campus placements or recruitment agencies, the final decision for selection is always dependent on the job interview which is when a candidate comes directly in contact with the employer. Graves and Powell (1995) argue that during these interviews, employers develop impressions of candidates which are considered more important than factors like educational qualifications; these impressions however are often subjective in nature differing across employer depending

on their cultural positions. While in practice, success in job interviews are significantly conditioned by cultural similarities, employers never openly admit to the same (Faulconbridge et al., 1998), instead they assert that selection of an individual is based on the assessment of their merit; thus cultural similarities assessed through impression of social and interpersonal skills is seen as signs of merit (Lamont and Molnar, 2002).

As one manager admits in a study conducted by Jodhka and Newman (2007) stated, “Some owners of Indian companies come from particular caste and the people who belong to this community may have some kind of positive discrimination. For example, a person who is a thriving businessman is always helped by people from his own caste or community, or the kind of friends he has also belong to the same caste” (p. 4126). The commonality of caste or culture is often reflected in the form of “in-group” preferences which benefit some individuals vis-à-vis the others.

Based on stereotypical estimations of particular caste and class groups, employers develop their preference for candidates. While individuals belonging to lowest rung of society like the Dalits are considered to be too low, those belonging to top levels, candidates from very rich families are also considered unsuitable as they are perceived to be unreliable, unmotivated and bad influence on others; therefore following their stereotypical understandings, candidates from the middle rung – those belonging to middle-rung caste and middle class families are perceived to be as most suitable for jobs in the private sector. As one HR manager states in a study conducted by Jodhka and Newman (2007), “We judge a person who is humble, not aggressive and open to all... We see the family background. People who come from high profile are not preferred as they have an inner pride within them which makes them arrogant. People from the middle classes are preferred” (p. 4127). The middle class identity is thus given much importance in the private sector where being a part of middle class ensures both the presence of educational qualifications and skill, cultural assertions, family background, all encapsulated within their meritocratic assertions.

Several scholars have pointed out that bulk of professionals engaged in modern private sectors (like the IT industry) belong to educated middle class families. Upadhyya (2007) in her study of IT professionals in Bangalore points out that among the IT professionals sampled in her study, “approximate 84% had fathers engaged in middle class occupations such as managers or executives in public and private sector companies (21% and 10% respectively), government officers (21%), professionals like doctors and university professors (18%) and

businessmen (13) whereas only 9% professionals had fathers in lower level clerical or blue-collar jobs and merely 3% had fathers engaged in agriculture” (p. 1863). Other scholars like Oommen and Sundarajan (2005), Krishna and Brihmadeseam (2006) also illustrated similar profiles for IT professionals.

Cultural similarities thus act as a form of capital that has significant economic value (Bourdieu, 1986) in the labour markets (Rivera, 2012). The fate of prospective employees lies in their cultural origins. Among candidates with similar levels of educational qualifications and skill training, those who are able to successfully display their cultural signals in the forms of experiences, tastes and preferences, self-presentation styles, etc., matching that of their potential employers have far greater chances

#### **4.4.3 Social Networks and System of Referral**

Faulconbridge et al., 2009 in their study among head-hunters argued, “In this day and age, information flows across markets so readily and there is a fundamental supply and demand problem of management talent all over the world ... the opportunity for advancement often comes in from the places where you are not, those who are sophisticated about their careers understand how to function in this world” (p. 803). The key to success then lies in being at the ‘right place’ which usually refers to the particular social origins and social networks of an individual. Belonging to the ‘right’ kind of network provides not just access to crucial “information flows” but also provides access to opportunity structures that are not available to all. In consonance with the assertion of assertion that “people hire people just like themselves” (Kanter, 1993), employers and presently employed employees exhibit tendencies of providing information and additionally of referring candidates similar to themselves for any vacancies that might emerge. This creates a distinction between the insiders and outsiders – where in the insiders or those located within the network, who are most likely to be within the work organisation, have crucial access to information related to jobs, while the outsider, or individuals located outside these networks lack such information sources.

One of the preliminary studies on the question of how individual find jobs and the role played by social networks and associations was provided by Granovetter (1974) who conducted a study among 282 technical and managerial professional living in Newton, Massachusetts. His study revealed that employees primarily find information related to job vacancies through social contacts and not through formal channels like job advertisement, employment agencies

or direct applications. Further, he added that social networks allow job seekers to gather greater information regarding jobs as well as provide them with a realistic understanding of their possible chances of attaining a job. He finally added that better jobs are found through social networks as they offer higher wages and higher job satisfaction as they are more likely to match the expectations of candidates. While this study proved to be a path-breaking study for future research on this issue, other scholars like Nan Lin (1999) suggest that most empirical studies have indicated there is no guarantee of receiving a higher wage bonus for jobs attained through social networks as new entrants have to often settle for a job which best meets their qualifications, no matter the wage offered. While Granovetter's study emphasise on social networks for finding professional jobs, Royster (2003) in his study of blue-collar workers in America also showed the relevance of referrals for finding employment. Several scholars have thus agreed that job and job related information is most efficiently distributed through network ties as compared to all other formal search modes. Thus there have been several studies in the West that have established the importance of networks ties with regard to job opportunities.

In the Indian context, a study conducted among factory workers in Poona, found that 72 per cent of the workers used 'informal' channels for securing jobs (Lambert, 1963). Another study conducted during 1971-72 in Ahmedabad, covering a sample of 1000 factory workers, found that around 69% of workers got jobs through personalized sources like referrals from friends, family and neighbours (Papola and Subrahmanian, 1975). More recently, many firms in sectors like Information Technology (IT) and IT-enabled services, telecom industries, etc. have shown a preference for this system (Pradeep, 2012). Another study based on 1000 companies in India reported that as many as "92.6 % members of Indian corporate boards belong to dominant caste groups – with Brahmins comprising 44.6% and other Vaishya castes comprising 46 % - who together comprise merely 15 % of total population of India; in sharp contrast, the SCs and STs together account for merely 3.5% of board members, while the OBCs comprise of mere 3.8%" (Aljit et al., 2012: 42). On the basis of this data, the study argues that "... In the corporate world, social networking plays an important role. Still, Indian corporate boards belong to the 'old boys club' based on caste affiliation rather than on other considerations like merit or experience" (Ibid.: 42).

#### **4.4.4 Pedigree**

The concept of pedigree typically denotes “ancestral line” which indicates the presence or absence of particular inheritance-based privileges. In the context of the labour market, pedigree is often understood as being synonymous with effort; when translated in terms of actual indicators it is denoted by factors like educational qualifications (of both the candidates and his family), differences in family upbringing, cultural capital endowments, other personal achievements and finally claims to merit which taken together represents an individual’s pedigree (Domina, 2006; Lareau, 2003; Rivera, 2011). It is therefore an amalgamation of all the above factors like family background, social networks, cultural capital, etc which taken together denotes an individual candidate’s pedigree or status groups (Rivera, 2011).

The concept of status groups can be traced back to Weber’s theory of social stratification in which classified capitalist societies in terms of their status groups where different communities were accrued differential social honour; Weber adds that “status groups may encompass racial, ethnic or religious groups alongside other social strata” like “the educated classes” or castes. Communities that constitute status groups share a certain style of life and maintain their solidarity through “shared tastes and social activities” on the one hand, and through “social closure” on the other, reducing their interaction with “social inferiors”. Such lifestyle choices act as “lifestyle markers” which act as symbols of group membership and basis for inclusion and exclusion (Weber, 1968; see Thorat and Attewell, 2007; Rivera, 2012). Thus through their claims to a particular social status, members of such groups seek to maintain their monopoly or dominance over economic opportunities.

In the context of employment, Collins (1979) shows, with reference to the American society, how through claims to educational credentialism, particular status groups dominate over particular occupations and in turn restricts the access of other lesser privileged sections over such jobs. For this reason, Collins argues that in modern capitalist societies, certain jobs have come to resemble specific social status positions whereby their requisite educational levels and high earnings resemble the kinds of status positions of individuals who occupy them. In India, too we can observe a similar trend, where we witness that key economic positions are generally monopolised by individuals belonging to the upper or middle classes and castes; individuals belonging to lower classes and caste group have widely been observed to have limited opportunities for accessing such high status economic positions.

Claims to such high status positions are not made simply through ascription; they are legitimised through claims of merit and credentialism (as explained earlier) and additionally through particular personal or individualistic achievements. Personal achievements can be of various types like admission to elite educational institutions, both for secondary and higher education, membership to varsity teams and clubs or internships in reputable corporate organisations, etc., which are collectively viewed as evidences of an applicant's capability and more importantly, pedigree. As Rivera and Tilcsik (2016) explains, personal achievements are viewed as evidence of an applicant's work orientation and competitive spirit and indicators of an individual candidate's pedigree; during screening of resumes, she adds, firms believe that participation in high-class activities like sports or music, signal the ability to fit in to elite cultures.

Personal appearance and fashion also contributes to the pedigree of an individual. As a professional service provider states, in a study conducted by Jodhka and Newman (2007) among hiring managers, "we need good people, people who have some style and looks... A stylish guy who communicates well, speaks good English, who is well educated, well grown and who come from a particular "class" is preferred. So we do not recruit anyone and everyone. We have identified some regions and communities from where we get people. Say in north India, *Punjabi* culture is very open; their faces have glow... but that is not the same case with Haryana culture, Uttar Pradesh or *Bihari* culture. They are not good for us. Their cultures, their way of speaking and dealing with others would not work in our company or this industry. They don't have that openness... A majority of Air Hostesses come from *Punjabi* families, as they are open. They can speak or communicate well" (Jodhka and Newman, 2007: 4128). As this quote explains, perceptions related to appearance and culture is also closely tied to stereotypes regarding region, and communities. Personal attributes like appearance, openness and personality traits are significantly commodified in keeping with the needs of the firm or industry and that of the economy at large. Further as Rivera (2012) points out in her study of elite professional service firms in America, assessments of extracurricular activities like sports, dancing, music, etc, are viewed as cultural signals of upper or middle class cultures as they are thought to have been acquired through sustained investments of material and resources by both the candidate and their families (mainly parents) (Rivera, 2012; 2011).

An individual employee's pedigree is understood as a quality based purely on individual effort and ability (Jodhka and Newman, 2007). Unlike its traditional connotation, pedigree in contemporary labour markets is thought of as something that has to be achieved and cannot simply be inherited. However, the denotations of pedigree, like memberships to associations and clubs, etc., are not something open to everyone. These associations and their memberships are traditionally exclusive and are available to individuals belonging to specific status groups – primarily the rich and the middle classes; the poor are typically excluded from such associations. Therefore while the principle of pedigree in contemporary economy claims to be open for all, in practice it is preconditioned by an individual's social origin.

The associations and the networks created among its members, as explained earlier, also serve as crucial avenues for access to jobs as opportunities for entering these networks are conditioned by an individual's social origin, those who lack the "right" kind of social biographies are then excluded from these networks and are consequently denied the opportunities for accessing secured executive job vacancies. Students belonging to socioeconomically privileged positions are more likely to have access to elite educational institutes and would have benefitted from the conscious cultivation of particular academic and extracurricular activities that match the expectations of employers; they are then in a far more advantageous position vis-à-vis the non-privileged sections lack such opportunities (Rivera, 2012; Khan, 2012). However, while at the one level individuals belonging to non-privileged sections are on the one hand denied entry into these networks and access to such opportunity structures, thereby denying them any chance of acquiring the "right" kind of pedigree, they are on the other hand, constantly forced to compete in the market in the pursuit of acquiring such pedigree through an merit-based education system.

Traditionally these networks for largely constructed among male members with limited opportunities for women; with the spread of technology and emergence of modern sectors in the economy, now women have been given entry into these networks, bearing in mind their caste and class positions. Therefore while middle class women have been able to enter these networks, upper and lower caste and class women continue to remain outside these networks irrespective of their educational credentials. This is evident in the study conducted by Rivera and Tilcsik (2016) where they found that among equally qualified male and female applicants, male applicants from privileged background have significantly higher call-back rates than lower class applicants, however females from upper class backgrounds do not

enjoy this class advantage; instead; higher class women face a “commitment penalty” (p. 1098) wherein they are perceived as being less committed to full-time, demanding careers than other applicants. It is commonly asserted that “these women don’t really need this job”; but this does not hold true for lower class women who are perceived to “have no other option” but to work (Ibid.: 1121). Therefore in the case of women, the effects of social class differ due to “anticipatory sorting” (Fernandez-Mateo and King, 2011) practiced by employers in which they discriminate against higher class women but not against higher class men or lower class women through anticipations about their potential role as mothers even before they actually enter motherhood; all of which are significantly influenced by an employer’s social location and the corollary social stereotypes adhered to. Thus, the effect of social class signals differ in terms of gender; however whether the same argument holds true even in the Indian job market is yet to be explored.

Individuals with the “right” kind of biographies are rewarded with powerful and dominant positions in the contemporary knowledge economy, which leaves the bulk of other candidates, who are perceived as being as “not right”, placed outside this culturally homogenous and exclusive network; interestingly however, these candidates are nonetheless forced to accept the rhetoric of an open, neutral, talent-based and meritorious labour market, even though it becomes quite obvious that no matter their achievements in terms of education and skill training, they will always be excluded on grounds of not being “fit” enough. Emphasis on cultural similarities at the time of hiring therefore creates inequalities in accessing jobs on the basis of parents’ social origin, father’s occupation, family background, etc. which are factors beyond the control of the individual employee.

Discrimination in the labour market functions in a manner which facilitates in the reproduction of social hierarchies by providing socially privileged sections with certain advantages vis-à-vis others in society. While several studies have tried to analyse the role of the myriad factors like social identities of caste, class, race, gender or community, or of the importance of particular means and institutions for accessing jobs or of the various principles and factors that influence hiring decision, there has been very few studies that have tried to look at the influence of all these multiple factors together on an individual applicants prospects for employment. While this dissertation does not aim to provide any definite answer to the role or magnitude of impact of these multiple factors affecting an individual’s prospects for hiring, it aims to merely explore the meaning and relevance of the various



factors which together determines the answer to the central question of who gets hired in the corporate economy and who does not and why?



## CHAPTER 5: CONCLUSION

Modern societies are typically described as meritocratic where every individual has equal chances of success provided he or she is willing to put in the necessary hard work; thus individuals are pressurised to accept merit as a just system that rewards those who work hard irrespective of their social background. The scope of merit extends itself to all aspects of an individual's life, from education to employment; as a result, it is seen as a continuing principle wherein those who are meritorious in education, go on to represent the meritorious in employment as well (Rivera, 2012). However, as scholars have pointed out, “merit is not a fixed internal property that individuals carry around with them... Rather, it is a social construction embedded in societal level cultural beliefs about what constitutes worth in a given time and place” (Rivera, 2015: 8).

The construction of merit is critically determined through an individual's social ascriptions of caste, class, gender, ethnicity and religion and is subject to alterations depending on the existing power struggles in society in a particular point of time. The basis for merit is essentially determined in terms of the possession of particular asset or attributes, which alters depending on the particular power relations of the time. In case of India, we see that in the colonial period and in the period soon after independence, merit was constructed in terms of knowledge of English language and Western cultural attributes; in the contemporary period merit is defined in terms of all-rounded character development which involves more than just English education – it also includes extracurricular engagements, skill possessions, personality attributes and familiarity with global cultural attributes. Thus the construction of merit has changed with time; although the factors important in the earlier period continue to remain important in the present period, they are no longer the principal factors but are instead relegated to operate as historical factors which influence the possibilities for the possession of these new factors in contemporary period.

Despite the vehement claims of merit being a fair principle, in practice merit acts as a source of inequality that distinguishes people between those who possess merit from those who do not. In contemporary capitalist societies, as this research discusses, social status and privilege positions are maintained through not just control over economic capital (wealth, assets and inheritance) but more specifically through control over alternative forms of capital like human capital endowments (in the form of education and credentials), social capital (social

networks), cultural capital (personality attributes, tastes and preferences, etc.) which together enables the elites to reproduce their privileged positions in neoliberal market societies. The importance and relevance of such alternative forms of capital possessions, as discussed earlier, has been greatly enhanced with the adoption of neoliberalism as now privileged positions are no longer maintained through claims over capital, family or inheritance, instead elite privileges are legitimised through claims over other forms of capital resources. One of the fundamental characteristics of modern meritocratic systems is that elites in such societies reproduce their privileged positions through their claims over human capital – namely educational qualifications, which they argue is the principal factors influencing their dominant social status (Rivera, 2012; Littler, 2018). But as the discussion in aforementioned chapters point out the construction of merit as a concept and the means for acquiring merit is heavily dependent on an individual’s family background, informal networks, cultural endowments and several other factors which are not the same for all.

Through their claims over different forms of capital resources, the elites exercise control over the means for accessing both education and employment opportunities as often they control the various gatekeeping mechanisms prevalent in both educational and employment institutions and set the conditions required for fulfilling the criteria for acquiring merit (Bourdieu, 1993) in a way that favours the elites and thereby excludes the others. Therefore, the construction of merit is not “value neutral” (Rivera, 2015) but is a principle that promotes and legitimises social inequalities. It is for this reason that we find a case that irrespective of how elite is defined, it is always the elites who qualify and benefit from it.

Hiring decisions are deeply conditioned by this process of merit construction especially in case of the middle and higher-end jobs. Employers often argue that they hire the “best candidate” who is considered to be most “suitable” or “fit” for working in the companies. This estimation of the most suitable candidate involves two levels of matching – one with the organisational standards and the second with the personal socioeconomic standards of the hiring managers; thus the suitability of a candidate is determined through a process of matching the prospective candidate’s human, social and cultural endowments with both the organisational standards as well as the personal cultural standards of the hiring managers (Rivera, 2015; Littler, 2018). Therefore Rivera states, “cultural beliefs that are entrenched in applicants’ and employers’ own upbringings and biographies play central roles in explaining why elite students get elite jobs” (Rivera, 2015: 15).

The process of selection of “suitable” or “best” candidates is, as discussed in the previous chapter, determined in a manner that would provide individuals belonging to privileged families a position of advantage over others. The criteria used for selection such as degrees from elite or high-ranked institutions, referrals, personality traits like confidence, appearance, social skills, proficiency in English language, familiarity with global corporate cultures, among others are in itself class-based as only individuals belonging to middle or higher classes would possess such attributes due to their distinct process of family and social upbringing; candidates belonging to less privileged social backgrounds would typically not possess such familiarity or training and are thus excluded from accessing the premier “good” jobs in the labour market. Thus despite the claims of the neoliberal corporate economy providing equal opportunities for social mobility to individuals, at the very outset, the process of hiring reproduces social inequalities through a systematic process of selection that provides an advantage to the elite and excludes others (Rivera, 2015; Littler, 2018).

### **5.1 The Process of Self-Making**

The neoliberal meritocratic discourse, as mentioned earlier, seeks to valorise individualism and individual hard work and capabilities as the essence for success and social mobility. The ideal neoliberal subject is expected to be self-reliant, self-disciplined and ready for assuming responsibilities for his or her own well-being (O’Malley, 1996). Under this system, the individual worker is made to internalise the market perspective of competition and hard work and is made to believe in the need to invest in all-round development of themselves to make themselves “suitable” for the market. This belief results in the process of self-making in the neoliberal economy, where workers seek to develop themselves as ideal “enterprising neoliberal subject” (Gooptu, 2009: 45) through the acquisition of skills and market competencies by which individuals are responsible for their own self-advancements and do not depend on the state (Heelas, 1991).

Gooptu (2009) states, “the sense of self is conditioned by successful learning through the attainment of particular outcomes, like passing of exams, securing certain grades or internships, attaining ranks all of which are conditioned by the habitus of an individual” (p. 54). Given the skewed nature of access to education and employment opportunities, there exists a difference in the “the sense of self”. This process of self-making involves several factors apart from mere education, while in case of individuals belonging to middle and

higher class and dominant social groups, their manner of family upbringing and family culture ensures that they develop themselves as competent individuals capable of adjusting and adapting to the neoliberal corporate culture through their social and cultural experiences; such opportunities are not available to individuals belonging to lower classes and disadvantaged social groups. Lower class homes are typically characterised by daily struggles of sustenance wherein investments are made only in the sphere of education; investments in inculcation of higher class or corporate culture is rare. Thus, the process of self-making is critically conditioned by an individual's habitus (Gooptu, 2009; Rivera, 2015; Littler, 2018). In this regard, the emergence of "new" sectors in the economy have been promoted as means for development of the neoliberal self, especially among the non-elites, in consonance with the neoliberal corporate culture.

In this regard, the barriers imposed on accessing "good" jobs, "new" sectors of the economy have emerged as one of the most sought after alternatives to the corporate jobs. Individuals who are unable to secure employment in the corporate economy due to absence of family connections or social networks are increasingly moving towards "new" sectors like sales, and retail as alternative career paths. As Gooptu (2009) points out in her study of retail workers in Calcutta, large numbers of graduates who are unable to find employment in the corporate economy owing to absence of elite educational background, skills, proficiency in English language, family background or cultural attributes have increasingly found employment in the retail sector; in this regard, IT-related sectors like the BPOs (Business Process Outsourcing) has also emerged as another viable alternative which provides easy access and high salaries. Gooptu (2009) adds that more and more young candidates seek employment in such sectors as an alternative that along with providing them with high salaries (as compared to being unemployed or being employed in other informal employment) also allows them to inculcate skills and experiences of working in the neoliberal corporate culture. This is viewed by several scholars as being the socially disadvantaged sections' own way of adapting to the individualistic and enterprising neoliberal culture. Further, in the lack of capital resources, many young candidates use these jobs as means for acquiring capital for setting up their own independent entrepreneurial projects or as means for financing further technical and skilled education in preparation for better jobs (Gooptu, 2009).

## **5.2 Reproduction of Elite Privileges**

The emphasis placed on individualism by contemporary neoliberal societies propagate the idea that success can be achieved through individual effort and hard work alone and therefore valorises the process of self-making as the fundamental principle of modern neoliberal societies. Yet as this study aims to emphasise, success in such societies cannot be achieved by individual effort alone; success for an individual is conditioned and constructed through collective assertions of family background, class identities and cultural attributes. The mobility outcomes of an individual are heavily dependent on their social origins. While it is true that many people have been able to attain social mobility in the neoliberal regime, the opportunities for mobility is conditioned by the social backgrounds wherein individuals placed at the lower end of the “social ladder” find it harder to climb the ladder than those already placed at higher levels (Littler, 2018).

In case of the Indian labour market, as is true globally, class origins greatly determine social mobility outcomes. The most successful in India typically belong to the same social class – the middle class. Doctors, lawyers, engineers, professors, management heads, other professionals and even several company owners in India all identify themselves as middle classes even though there exists a sharp distinction in the consumption patterns, social and cultural attributes between these professionals and the others in society (Jodhka and Prakash, 2016). None of these individuals would describe themselves as elites or privileged, instead they would largely argue that they enjoy a relatively better position than others (also emphasising on their relatively deprived positions vis-à-vis big business families like the Tatas’, Birlas’ or Ambani’s) due to their individual efforts and hard work (Manikutty, 2000) and not as a result of family wealth, inheritance or social class (Jodhka and Prakash, 2016). Yet as the discussion in the previous chapters points out, the economic trajectories of these groups are principally conditioned by their social class.

There is much disagreement in the scholarship on class, regarding the measurement of class; while Marxist scholars study it in terms of income and wealth or control over means of production, others following the Weberian model view it in terms of level of opportunities (Goldthorpe, 1968-9), yet others view in terms of education and occupation or as combination of all these factors taken together (Rivera, 2015; Littler, 2018; Bills, 1988; Sharone, 2013). While there exists several definitions of class, this work follows the definition forwarded by Shamus Khan (2012) who adopting Bourdieu’s theory on different

forms of capital, defines elites as “individuals who have vastly disproportionate control over scarce, valued resources that can be used to gain access to material or symbolic advantages in society at large” (p. 5). According to this definition, elites are not only those who traditionally possess control over economic capital but also one who possess control over other forms of capital like human, social and cultural capital resources which yield them significant rewards in the market.

Bourdieu (1986) argued that capital exists in form other than the traditional economic form; while economic capital continues to remain important, he emphasised that in addition, elites also possess and utilise other forms of capital, namely, social, cultural and symbolic capital as crucial resources that in practice gets translated into definitive economic advantages (Rivera, 2018) and enables elites in reproducing their positions of privilege in modern societies. He added that success in the education systems is facilitated by the possession of cultural capital and of a higher class ‘habitus’. He defined habitus as “a system of lasting, transposable dispositions which, integrating past experiences, functions at every moment as a matrix of perceptions, appreciations, and actions” (Bourdieu 1977: 82-83). Such dispositions are usually shared by individuals with similar backgrounds in terms of class, religion, ethnicity, etc. and influence an individual’s pattern of socialisation and their individual experience and objective opportunities. Reflected in the form of particular shared attitudes, mannerisms, tastes and moral intuitions, habitus influences an individual's life chances and is both structured by an individual’s location in the social hierarchy and in turn contributes in the structuring of their future life course (Bourdieu, 1987).

Bourdieu (1986) defined cultural capital as “particular frames of knowledge, perception, interpretation” which are often invisible but prove to be “powerful drivers of social stratification (Rivera, 2015: 7). Cultural capital, he added, exists in three forms – the objectified states, in terms of material goods or possessions; the embodied state in terms of individual skills or knowledge, personal appearances and presentation styles; and institutionalized state, in terms of educational qualifications and credentials. In consonance with these ideas, scholars have identified cultural capital in terms of “high-status cultural signals, skills, practices and styles that can yield advantages or profits in interactions and institutions” (Rivera, 2015: 290; also see Laureau and Weininger, 2003; Lamont and Laureau, 1998). Cultural capital is inculcated in individual homes as families; since not all individuals possess equal knowledge, resources or opportunities for inculcating such cultural resources, the possession of cultural capital varies with social class. Such opportunities are



historically available to a select few who possess the advantage of economic capital and are exposed to greater opportunities and experiences; this makes it very difficult for lower class pupils to succeed. Yet the system of education assumes that there is widespread possession of cultural capital and thus seeks to legitimise the results as an evidence of merit (Sullivan 2002).

As the discussion in the previous chapters indicate, college-educated professionals engaged in high-paying high-status jobs are commonly viewed as elites who have been able to rise to the top using their assertions of merit over superior and more valued educational qualifications, alma maters, talents, abilities and other achievements, all of which are have been achieved through their ascriptions of caste, class, family and culture. Although these accomplishments are not directly inherited they are nevertheless significantly shaped in individual homes. Such individuals who are believed to comprise a kind of “aristocracy of merit” (Rivera, 2015: 251) have in practice attained their superior social positions by virtue of their social origins. Those possessing such resources are generally the ones who succeed in modern neoliberal economies (Rivera, 2012; 2015; Khan, 2007). The modern education system therefore reproduces and legitimises social inequalities through a belief wherein higher class individuals as seen as deserving of their super status positions by virtue of their distinct cultural resources.

Social capital is understood as forms of social relations and networks between individuals and groups belonging to dominant classes who through mutual recognition and acknowledgement, reinforce and reproduce themselves as a privilege group. Bourdieu (1986) adds that “the volume of the social capital possessed by a given agent thus depends on the size of the network of connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected” (p. 249). Unlike Bourdieu, who viewed social capital as means through which social inequalities are maintained, Coleman (1988, 1990), defined social capital as “... a variety of entities with two elements in common: they all consist of some aspect of social structures, and they facilitate certain action of actors ... within the structure” (Coleman 1988: S98; 1990: 302); he thus viewed social capital as a positive tool that enabled individuals in attaining their individual goals and social mobility. Individuals generally draw advantages from their parents’ social connection or alternatively build their own social networks in schools, colleges. As Granovetter (1973) pointed out that social networks are built either among immediate family, community or friends (strong ties) or through acquaintances made

through friends or family members (“weak ties”). In case of the market, Granovetter illustrated that social networks built among weak ties prove to be most suitable as it extends to individuals located beyond one’s immediate surroundings and hence provide greater access to information and opportunities. Such social networks however are not equally distributed as the most beneficial or lucrative connections are built in elite schools and colleges which have higher enrolments among students belonging to privileged backgrounds with vast networks. Students enrolled in non-elite schools generally belong to similar non-elite backgrounds and the networks built are generally limited; in contrast networks in elite schools provide far greater exposure and information (Granovetter, 1973; Rivera, 2012; 2015; Lin, 2000; Khan, 2007).

Hiring firms and agencies view social ties and its complimenting relationships as a reflection of an individual’s control and accessibility over his/her social relations; they are therefore viewed as certification for the individual’s social credentials (Lin 1982). A simple act of “putting in a word” therefore acts as a means for familiarising an otherwise unrecognised individual to the employers (Lin, 1999). Lamont and Molnar (2002) argues, the social, economic and cultural factors together acts as “symbolic boundaries” (p. 170) as they influence the impressions held by an employer regarding a potential employee and thereby acts as means through which individuals are distinguished from another depending on their social location.

Therefore, possession of these different forms of capital resources are crucial as they are commonly viewed as class-signals by the market and are used by the neoliberal discourse to define and evaluate merit and to determine the particular groups in modern societies who are believed to possess merit, who are then rewarded in terms of good jobs with high earnings and high social status (Rivera, 2015). Privilege in modern capitalist societies thus continues to remain the monopoly of the few who traditionally occupied dominant socioeconomic positions. For this reason, despite the adoption of the neoliberal free market economic model, the so-called “new” elites typically belong to the traditional privileged classes.

For this reason, sociologists argue that the principle of knowledge economy and the discourse of merit have together facilitated in the reproduction of elite privileges in modern capitalist societies. Subramanian (2015), states that the knowledge economy has resulted in the “global commodification of knowledge” (p. 98); wherein through their claims over technical knowledge, the dominant social groups have been able to legitimise their dominant

socioeconomic status positions. As Khan (2011) points out, the neoliberal meritocratic era has resulted in the emergence of a “new elites” who are believed to represent “a powerful embodiment of a new India in which each advances according to his or her own individual merit rather according to parochial categories” (p. 90). However a closer inspection would reveal that these elites have benefitted greatly from the multiple caste and class bias inherent in the education and employment system to acquire and maintain privilege. Thus despite claims to equality and abandonment of parochial identities, the positions of privilege in society continue to remain in the hands of the traditional elites. The ideological construction of merit as universal normative therefore enables the elites to hide the benefits accrued from the caste-class biased education and employment system and instead legitimise their claims over high status positions in society as a result of their individual hard work and inherent talent instead of inheritance.

As Subramanian (2015) points out in her study, “upper-caste claims have been strengthened by the transnational mobility and the enhanced value of technical know-how within the late twentieth and early twenty-first century “knowledge economy”” (p. 98). While she notes this in the case of upper castes, this analysis can also be extended to classes wherein the higher and particularly the middle classes in India through their access and knowledge of high-value technical education have been able to occupy high-status jobs in contemporary India.

As discussed in the earlier chapters, the concept of merit is closely linked to social class, particularly to middle class identity. Through their initial claims over Western education and culture, the middle class in India has historically maintained their control over the construction of merit. The common indicators of merit, such as proficiency over the English language, scientific and technological knowledge and training, possession of social networks and ties, market cultures, specific personality traits, possession of soft skills, among others are all typically indicators of middle class identities which have been incorporated into the construction of merit. The image of merit representing a social “ladder of opportunity” (William, 1958: 331) is derived from a conception wherein through their hard work and claims to merit, the middle classes are able to attain social mobility and acquire high social status and privilege in society. Merit therefore in practice functions as a less visible class strategy through which the caste and class elites are able to retain their dominant social status even in contemporary neoliberal economies.

### **5.3 Hiring and Social Inequality**

Differentiation and diversity, as an essential tenet of globalisation, persists in all kinds of social, political, economic and cultural spheres which in turn promotes differentiation and inequalities in modern societies (Jodhka and Prakash, 2016). As pointed out in the second chapter, the corporate economy in India is deeply “embedded” (Polanyi, 1944) in the existing social relations with factors like caste and class networks acting as the principal means used for promotions of business activities. Through means like tunnelling, pyramidal ownership structures and interlocking directorates and ownership of firms, all of which are essentially based on caste and class networks, the traditional business elites have been able to successfully legitimise their control over “modern” corporate economy. Given the nature of embedded-ness of the corporate economy as a whole, the process of hiring, which serves as the point of entry into the corporate economy, is also significantly conditioned by the prevailing social relations.

Although the process of hiring is argued to be principally conditioned by the egalitarian principle of merit, in reality, merit is used as a means to promote competitiveness and elite reproduction while simultaneously disregarding the various means and ways through which both the system of education and the process of hiring practices discrimination both at the institutional and the functional level to impose restrictions on non-elite individuals from having equal opportunities in matters like schooling, access to higher education and employment opportunities (Jodhka and Newman, 2007). As Thorat and Newman (2007) point out, the lower class and caste groups in India have limited economic resources at their disposal and therefore are unable to accumulate human, social or cultural capital resources in par with the dominant caste and class groups; in such a scenario, these groups get relegated to low status and low paying jobs in the market.

Given the emphasis placed on merit as the principal means for determining the market value of an individual and as the criterion used for determining access to education and employment, one has to first understand the process through which merit is constructed. This research tries to problematize the concept of merit. The acquisition of educational credentials is, as the previous chapters elaborate, is not simply a matter of individual effort (unlike what the discourse of merit proclaims); instead it is constructed through several factors like state policies towards education, personal investments in schools, availability of economic, social and cultural resources, availability of social networks and the presence of high status family

backgrounds. Merit is therefore constructed through several unequally distributed factors and is not a homogenous or neutral concept. If the starting point is not the same for all, it is not logically possible for everyone to get equal chances for success (Jodhka and Newman, 2007).

Inequality in job access is preceded by inequality in access to good quality education. Students belonging to low income and low social status groups face difficulties in entering into elite universities; those who do manage to enter into such institutes often face discrimination within the institute on account of their socially marginal identities. Several studies have pointed out that students belonging to SC and ST groups often face discrimination as it is widely believed that they have secured entry through reservation policy and not through merit. Availing of reservation is looked upon as a sign of less merit by dominant social groups who commonly look down upon reserved students (Henry and Ferry, 2017; Subramanian, 2015). While students belonging to dominant social groups are confident to compete for the best jobs in the market, students belonging to disadvantaged groups often choose to opt out of certain placement prospects or alternatively feel more confident to apply for low-paying and low-status jobs. Even a degree from elite universities therefore does not guarantee access to high status jobs. For this reason we find a difference in aspiration among students belonging to socially disadvantaged groups. Due to restricted access to good quality and market-valued education, candidates from socially marginalised groups are institutionally denied the opportunity to access and compete for lucrative and high status job opportunities. The class-bias implicit in the process of hiring therefore converts the existing social inequalities into explicit economic inequalities through the discourse of merit (Rivera, 2015).

The discourse of competitiveness and profitability has been adopted both at the level of education and employment keeping in mind the neoliberal narrative. In trying to build their brand as elite producers of knowledge professionals “suitable” for global markets, colleges and universities in the neoliberal era have developed several means like entrance exams and cut-off lists, interviews and group discussions through which they attempt to pick the “best and the brightest minds” of the country (Coverdill and Finlay, 1998). Such a practice then propagates the belief that failure to secure admission in such institutes is a result of personal failures and incapacities. Rivera (2015) therefore argues that access to elite educational institutes serves as “feeders to the most desirable labour markets” (p. 250); thus inequality in accessing such institutes result in inequality in accessing job opportunities.

In the context of employment, while access is said to be open to all due to the universal principle of merit, but in practice, entry into employment, especially for high-paying and high-status jobs are significantly exclusive as only those individuals who possess the markers of high-class signals are allowed access. Entry into employment is conditioned on educational attainment but as the previous chapters point out, employers typically hire individuals belonging to particular elite high-ranked “targeted” colleges and universities which typically enrol students from privileged families. With skewed access to education, access to employment opportunities also gets limited (Rivera, 2012). Thus from the very start the pipeline for jobs is restricted.

Within such restricted pipeline of eligible candidates, firms make their final selection of candidates through their own conceptions of capability, talent and merit which are in practice much influenced by the candidates’ parental socioeconomic status. Following the principle of cultural matching adopted by firms, final selection of candidates is dependent on the possession of similar socioeconomic backgrounds between the hiring managers and the candidates. Elite hiring organisations have in the neoliberal era adopted several new forms of recruitment mechanisms like campus placements, use of recruitment agencies, preference for referrals of candidates, among others, which acts as a form of “double filter” (Rivera, 2015: 250) for selection of final candidates for high status jobs with high salaries. Further, through the development of newer criteria for selection, like the emphasis placed on family backgrounds, cultural similarity and use of concepts like “fit” and “suitability”, firms ensure that the workforce engaged in such firms belong to a common cultural group, with very limited opportunities for individuals located outside such groups. Therefore while the process for reproducing elite privileges differs in the contemporary period, the positions of privilege are nonetheless retained within the socially dominant groups.

However scholars like Rivera (2015) and Littler (2018) also adds that through claims over professional education and skill training, some individuals in the neoliberal era have achieved social mobility and have been successful in entering the restricted social class of elites. Although the number of such individuals is limited, these individual stories of success are glorified to legitimise belief in this merit-based system of stratification as a system that provides greater opportunities for social mobility than earlier economic systems.

## **5.4 Points for Further Study**

The principle of neoliberalism is no longer just an economic framework; it has evolved as a normative of society influencing all aspects of social, cultural, political and economic life. Against this backdrop, this study aims to explore the ways through which pre-capitalist inequalities get reproduced in modern capitalist societies through the process of hiring. Even though inequality is structural, in modern societies it is culturally appropriated through the system of education and employment which are conditioned by social and cultural resources. The corporate economy and particularly the process of hiring have been previously studied from disciplines like economics, management studies or through journalistic accounts. With the use of available secondary literature in the fields of sociology of work and occupations, sociology of education, elite sociology and business anthropology, this study attempts to conduct a sociological research on the process of hiring to explore its impact on social inequalities and on the process of elite reproduction. As a preliminary exploration of the process of hiring, this study does not aim to provide any precise or definitive explanation regarding the nature of social inequalities in neoliberal Indian society; instead, the study attempts to raise some empirical questions for future research. In this study I have attempted to raise questions regarding the meaning and construction of merit which remains a puzzle mired in contradictions; while on the one hand merit is believed to be a fair system devoid of ascription, but in practice merit is heavily conditioned by the possession of unequal social and cultural resources. As this study points out, merit is closely related to middle class identities and acts as the principal means through which elite reproduction takes place in modern societies. While the scholarship on education and employment proposes several insights regarding the process of hiring, there nonetheless remain several unanswered questions which warrant future empirical study. In my future doctoral research, I aim to explore the process of hiring and its role in elite reproduction and creation of social inequalities by looking at questions like the impact of hiring on the labour market as a whole; on the system of education, particularly in the knowledge economy with prioritises development of scientific and technological education over other types of education; on the process of elite reproduction wherein the traditional elites continue to retain their dominant social status through claims of merit; and on middle class formulations and neoliberal cultural prescriptions which determines an individual's prospects of getting hired, especially in high paying and high status jobs.





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