

Knowledge Economy: Does It Come with a Knowledge Society?

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The euphoria over India's meteoric rise as a knowledge society and information superpower needs a reality-check. Unpacking the phenomenon requires that we reposition our theories and projections for the knowledge economy or the IT industry in relation to recent economic history and current development priorities. Why the glowing rhetoric about the knowledge economy when more than one-third of the population are illiterate and the transfer of knowledge is governed by the hierarchies of class, caste and gender?

Knowledge Society's Subservience to Knowledge Economy

Curiously, while the IT revolution discourse is marked by a glorification of the IT industry, it also trivialises the kind of knowledge society essential to national development policy and practice. The IT policies of most state governments in India are geared to attracting and training the youth to join the IT sector although they are silent about the deployment of IT for strengthening the quality of the educational system. Emboldened by industry employment projections of more than a million jobs in the IT enabled services sector alone, by 2008, states like Andhra Pradesh, Kerala, Gujarat and Maharashtra are emphasising the turnout of "English-speaking graduates with the right domain and functional expertise." The Kerala government is investing Rs2 crore (US\$20 Million) in IT human resource training.

The scramble obscures the opportunity cost (cost is different from opportunity cost and what is meant here is that the money for education may be spent either here or there...and prudent choices need to be made) of "producing an English-speaking workforce." A major failure of independent India is literacy, which has remained low, and therefore any investment to expand

access to computers seems unjustifiable. This is not about arguing against the relevance of technology per se for development; rather, it is about emphasising the conditions that will make the deployment of technology meaningful for the larger goals of equity and justice.

The State's (state here is singular and refers to the government) abdication of responsibility in education is evident not only in the failure to meet targets, but also in the lack of will to improve the quality of education, particularly of the marginalised. Not too long ago, the Chief Minister of Andhra Pradesh declared that his government would amend existing laws to enable compulsory education, complete with deterrent punishment and disincentives to those who refuse to send their children to school. Such transfer of liability to parents indicates the State's repudiation of accountability and distortion of the right to education. According to the National Alliance for Fundamental Right to Education (NAFRE), a large number of parents have indeed been persecuted. State apathy to quality of education and to the education of the poor and marginalised is well-documented in India, and research has repeatedly held that poor quality of education is the primary cause for the low enrolment and high drop-out rates. The community's supposed unwillingness to send their children to school is no more than a myth.

Emphasis on building an IT-savvy human resource pool, in this context, could result in the diversion of resources away from the more crucial expenditure on literacy and primary education—development goals in and of themselves, and requisite to bridging the digital divide.

A lopsided emphasis on higher education, especially engineering, has historically meant large numbers of highly skilled underemployed and unemployed. Fuelled by the promise of a knowledge economy, education policy and planning is marching further down the engineering street. The number of engineering colleges is slated to grow 50 percent to nearly 1,600 in the next four years. Obviously, not all the students who graduate will get into



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elite institutions like the Indian Institutes of Technology, which accepted just 3,500 of 178,000 applicants last year, and a negligible minority will land cutting-edge jobs at home or abroad. Which part of the knowledge economy will accommodate the rest?

The enchantment with IT also coexists with apathy and inaction vis-à-vis development crises of rural unemployment, agrarian distress and the collapse of the manufacturing sector. In India in particular, and South Asia in general, the macroeconomic model of the past decade stressed a substantial reduction in the fiscal deficit. With the substantial reductions in budgetary allocations to food subsidies and social services, the quality of life has been adversely affected. In the case of India, growth has decelerated after an initial spurt in the immediate post-reform years, and growth achieved has had little impact on employment generation, especially in agriculture and industry. Documentation of the demise of the textile industry and subsequent impoverishment of thousands of

workers in Gujarat has been extensive. Agriculture in Andhra Pradesh has had to contend with droughts in consecutive years and farmers' suicides. Yet these are the states that fancy being well-positioned to reap the benefits of growth in the knowledge economy.

Census figures also show the intensified marginalisation of the rural workforce. In fact, employment generation is now the explicit concern of planning and policy documents. However, while the goal has changed from growth in itself to employment generation, the strategies to achieve this essentially involve bigger doses of neo-liberal marketist reform, instead of measures that directly affect employment. Essentially, this means a developed infrastructure in urban pockets—better teledensity and higher private investments in telecoms even though these hardly serve equity goals. Pegging growth to the IT sector also means distortions in cities that join the global information economy—higher real estate prices, an erosion of the survival capacity of traditional industries, the retreat of some industries into the informal economy, and sharper income inequities.

The duality between a positive developmental profile and the worsening impoverishment of the urban poor is stark in states like Andhra and Karnataka. In Karnataka, an industrially advanced state, statistics point to an increase in the absolute numbers of urban poor. As with the small scale industries sector, where large numbers were displaced from their jobs, the slack growth in regular manufacturing employment has pushed large numbers into the informal sector and aggravated urban poverty. In the decade of the 1990s, the growth of slums in Bangalore, India's Silicon Valley, has been exponential, from 444 slum communities with a population of 1.12 million in 1991, to 763 slums with a population of 2.2 million, about 20 per cent of the city's population in 1998-1999.

Sobering Realities of the Knowledge Economy

Recent economic analyses highlight why the euphoria over the knowledge economy is misplaced. Even as it exists today, the contribution of the IT sector's output to GDP is only at 2 to 3 per cent. Also, according to latest figures, growth rates have slowed down. Even if the ITES/BPO (IT enabled services/Business Process Outsourcing) business grows five- or eight-fold in the next five years, per projections, its contribution to India's GDP will remain relatively small.

IT remains what is called an island-phenomenon. It cannot drive the entire country into another epoch or "stage" of development. First, the computer software

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business is nearly 80 percent export-dependent (implying poor linkages with domestic industry). Software exports (US\$7.2 billion) contribute less than remittances, mainly from poor workers in the Gulf (US\$8.1 billion). The geographical distribution of India's IT business is extremely uneven. For instance, of the total exports of computer software and electronics hardware, the South accounts for more than 50 percent, with the North coming a distant second (26 percent), and the East at 2 percent. If Delhi and adjoining parts of Uttar Pradesh and Haryana are excluded, the North's share falls to 4 percent.

Attrition in the IT enabled service sector is high. 28 to 33 percent quit altogether because of job pressure and the work schedule. 15 to 18 percent move on to higher studies. The others stay on, and although we are still in early times to map the future of these workers, career promotion within the sector is nonexistent.

Win-Win for Transnational Capital

At a global level, the story of the knowledge economy is about the impunity of transnational capital. The economics of outsourcing is not only about cheap labour;

every investment decision for transnational capital rests on a calculation of "the cost per unit." Infrastructure, e, the cost per unit of energy, tax policies, interest rates and the flexibility of labour laws all go into the equation. Productivity, efficiency, bargaining norms and the normative concerns that mark the workplace (what management can do, enforce, get away with and cannot do) are all important to the cost/benefit calculation. Transnational capital is inherently self-serving and India need not be tomorrow's destination.

Earlier manufacturing was hollowed out, primarily to China; today countries like India have become offshore locations/centres for Business Process Outsourcing (BPO). However, political decisions in the neo-liberal capital order are still controlled by Northern corporations. Lee may have shut their last factory in the U.S. and moved offshore, but the company has been careful to assuage feelings back home and in asserting their 'identity': "We are still an American company." (read: We still control the rest of the world.)

In countries like the United States, where outsourcing to India and the paranoia about loss of jobs have acquired deep significance, especially in the run-up to the presidential elections this year, new economic theories are being written about how outsourcing need not be looked at as a free-market mechanism. This justification of protectionism, by the votaries of the free market, is a complete contradiction of America's prescriptions for the developing world.

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The excitement over the projections for the knowledge economy and the eagerness to join the global IT bandwagon foreclose the exploration of models that will deploy information technology for building equitable knowledge societies. Being part of the global assembly line is not the only means to harness technology. However, the environment needed to be able to harness the potential of ICTs does not exist in India. The kind of reliance on IT today reflects an inability to rethink policies toward more active state intervention in supporting employment-intensive activities. It also suggests the absence of vision for an equitable and just knowledge society. ☺