

## **Unpacking the Knowledge Economy - Whither Knowledge Society?**

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The euphoria about India's meteoric rise in global and national popular imagination as a knowledge society and information superpower badly needs a reality-check. Unpacking the phenomenon requires that we reposition our inferences and projections for the knowledge economy or the IT industry, relative to our recent economic history, and our current development priorities. How do we understand the optimism in the rhetoric that surrounds us about the knowledge economy, even as more than a third of our population is illiterate, and the transfer of knowledge is governed by the hierarchies of class, caste and gender?

### **The subservience of knowledge society to knowledge economy**

The discourse of the IT revolution marks the over-valorization of the information economy - the glorification of the IT industry - and a trivialization of the critical benchmarks of knowledge society in national development policy and practice. IT policies of most state governments in India look at training youth to join the ITeS sector even as they are unequivocally silent about the deployment of IT for strengthening the quality of the formal educational system. Given that industry projections point to the potential of ITeS to employ over a million people by 2008, states like Andhra Pradesh, Kerala, Gujarat and Maharashtra are giving emphasis to "producing English-speaking graduates with the right domain and functional expertise." The Kerala government is investing Rs 2 crore in ITeS human resource training initiatives.

The scramble for getting there, seems to completely obscure policy attention to the opportunity cost of public expenditure in "producing an English-speaking workforce". A major failure of independent India, is our abysmal score-card on literacy. Given the low level of literacy, the justification for the effort and the investment being made to extend the reach of computers across the country and provide access to all is indeed weakened. This is not about arguing against the relevance of technology per se for development, rather, it is about the conditions that will make the deployment of technology meaningful for the larger goals of equity and justice.

The extreme abdication of state responsibility to guarantee education is exemplified not only by non-achievement of targets, but in the lack of will to improve quality of education, particularly of the marginalized. The Chief Minister of Andhra Pradesh

declared not too long ago that the State government would amend existing laws to enable compulsory education. It was proposed to introduce deterrent punishment and other disincentives to those who declined to send their children to school. Punishing parents has been one of the central issues in the State legislations, and the National Alliance for Fundamental Right to Education (NAFRE) claims that a large number of parents have indeed been persecuted. Such transfer of liability to parents denotes absence of state accountability and a distortion and trivialization of the right to education. State apathy to quality of education and to the education of the poor and marginalized is well documented in India, and research has repeatedly held that poor quality of education is the primary cause for poor enrolment and drop-out and community unwillingness or irresponsibility is no more than a myth.

Excessive emphasis on building an IT-savvy human resource pool, in this context, could result in the diversion of resources away from the much more crucial expenditures on literacy and primary education, which are not just development goals in themselves but a must if the digital divide is not to widen rapidly.

A lop-sided emphasis on higher education, especially on engineering, has historically meant large numbers of highly skilled underemployed and unemployed. Fuelled by the promise of the glorious future in the knowledge economy, education policy and planning is plunging further down the engineering street. The number of engineering colleges is slated to grow 50%, to nearly 1,600, in four years. Obviously not all these students who graduate will get into elite institutions like the IITs, which accepted just 3,500 of 178,000 applicants last year, and a negligible minority will be in cutting-edge, highly-skilled IT jobs at home or abroad. Which part of the knowledge economy will accommodate the rest is of course the moot question.

The enchantment with IT also coexists comfortably with complete apathy and inaction vis-à-vis development crises signaled by rural unemployment, agrarian distress and the collapse of the manufacturing sector.

In India in particular, and South Asia, in general, the macro economic model in the past decade or so has emphasized a substantial reduction in the fiscal deficit. There has been a reduction in real budgetary allocations for subsidies on food and to the social sectors, which is adversely affecting the task of improving indicators of the quality of life. In the Indian case, there is evidence of deceleration in growth, after an initial spurt in the immediate post reform years (reform began in 1991); and evidence that even the growth that is occurring is having little impact on employment growth, especially in the commodity-producing sectors, viz. agriculture and industry. Census figures also show very clearly the intensification of the process of marginalisation of the rural workforce.

In fact, increasing employment generation is now the explicit concern in most of recent planning and policy documents that have been published in the region.

It is strange, however, that while the explicit goal has changed from growth in itself to employment generation, the strategies that are supposed to achieve this essentially involve further doses of neo-liberal marketist reform, rather than policies that would directly affect employment.

The demise of the textile industry and impoverishment of thousands of workers in Gujarat, is now an extensively documented terrain. Agriculture in Andhra Pradesh has had to contend with droughts in consecutive years and the suicide of farmers. These are the states that see themselves as poised to harvest from the projected growth in the knowledge economy. Essentially this means infrastructural development of urban pockets, better urban teledensity, and private investment in telecom infrastructure which can least be expected to serve equity goals. It also means distortions in cities that join the global information economy - the acceleration of real estate prices, the undermining of the capacity of traditional industries to survive, the retreat of these industries into the shadows -the informal economy, and sharpening income inequities.

This duality, between the positive developmental profile and increasing immiserisation of the urban poor is stark in states like Andhra and Karnataka. In Karnataka, which is an industrially advanced state, statistics point to an increase in the absolute numbers of urban poor. The lack of growth in regular manufacturing employment, which has pushed large numbers into the informal sector of work, as also the crisis in the SSI sector which has displaced large numbers from their jobs are factors that have underlined deepening urban poverty in the state. Bangalore, known as India's Silicon Valley, has, ironically, experienced an exponential growth of slums in the decade of the 1990s, from 444 slums in 1991 with a population of 1.12 million, to 763 slums in 1998-99 with a population of 2.2 million, about 20 per cent of the city's population.

### **Sobering realities of the Knowledge Economy**

Recent economic analyses highlight how the euphoria about the knowledge economy is misplaced.

- Even as it exists today, the ratio of gross IT sector output to GDP is only around 2 to 3 per cent. Also, according to latest figures, the rate of growth in the sector has also reduced. Even if the ITES/ BPO business grows five- or eight-fold over the coming five years, as optimistic projections estimate, 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 business is nearly 80% export-dependent (implying poor linkages with domestic industry). Even in external sector accounts, software exports (\$7.2 billion) still contribute less than remittances, mainly from poor workers in the Gulf (\$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 alone accounts for over 50 percent, with the North coming a distant second (26 percent), and the East lagging at a pitiable 2 percent. If Delhi and adjoining parts of Uttar Pradesh and Haryana are excluded, the North's share falls to an embarrassing 4 percent.

Sociological research points to how call centres signal a new kind of work, and a new kind of worker, whose invisibility (in the network) is mirrored by a rhetorical excess of 'national wealth generation', 'new global work culture' and 'cheap labour' that, in the end, renders the conditions that produce this work and the experience of the worker, equally invisible.

Attrition in the ITeS industry is high and industry estimates show that 15-18% of the employees move on to higher studies. Another 28-33% quit the industry altogether because of job pressure and tough timings. The balance continues with the job, and although we are still in early times to map the future of these workers, career paths within the sector are nonexistent.

### **The global knowledge economy -a 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 location in outsourcing is not only about cheap labour. Every investment decision for transnational capital rests on a careful calculation of 'the cost per unit'. Infrastructural capacity, the cost per unit of energy, taxation policies, interest rates, and the relative flexibility of labour laws are all elements in such a calculation. Productivity, efficiency, bargaining norms and the normative concerns that mark the workplace (what management can do, enforce, get away with or even what it cannot do) are all crucial 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 off-shore locations / centres for BPO, but political decisions in the neo-

liberal capital order are still controlled by Northern corporations. Lee may have shut their last factory in the US and moved it offshore, but has been careful to assuage feelings back home and in asserting their 'American identity - "we are still an American company." (read "we still control the rest of the world").

In countries like the USA, where outsourcing to India and the paranoia about loss of jobs has 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 part of the free market mechanism. This justification of protectionism, by the votaries of the free market, is blatantly contradictory to their prescriptions for the developing world.

In the context of the omnipotence of transnational capital and the hypocrisy of the political leadership of the North, the knowledge worker in the global South stands at the vulnerable intersection of class and geography. Thus for countries like India, the ITeS industry and its constituting parts such as call-centres epitomizes a no-win situation for workers and their rights.

### **Reading the Writing on the wall**

The euphoria over the current trends and future projections of 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, as things stand, the supportive environment needed to exploit the potential of ICTs, does not exist in India.

I would submit that the recourse to ITeS reflects the lack of will to rethink policies towards more active state intervention in terms of supporting employment-intensive activities through a range of trade, fiscal and financial measures. It also suggests the absence of vision for building an equitable and just knowledge society.