

India's Demographic Dividend

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Context

- India has 62.5% of its population in the **age group of 15-59 years** which is ever increasing and will be at the peak around 2036 when it will reach approximately 65%.
- These population parameters indicate an availability of demographic dividend in India, which started in 2005-06 and will last till 2055-56.
- According to **Economic Survey 2018-19**, India's Demographic Dividend will peak around 2041, when the share of working-age, i.e. **20-59 years**, population is expected to hit 59%.

Demographic Dividend: Definition

- According to **United Nations Population Fund (UNFPA)**, demographic dividend means, "**the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older)**".
- With fewer births each year, a country's working-age population grows larger relative to the young dependent population. With more people in the labor force and fewer children to support, a country has a window of opportunity for economic growth if the right social and economic investments and policies are made in health, education, governance, and the economy.

Demographic Dividend in India

- India has one of the **youngest populations** in an aging world. By 2020, the median age in India will be just 28, compared to 37 in China and the US, 45 in Western Europe, and 49 in Japan.
- Since 2018, India's working-age population (people between 15 and 64 years of age) has grown larger than the dependant population — children aged 14 or below as well as people above 65 years of age. This **bulge in the working-age population** is going to last till 2055, or 37 years from its beginning.
- This transition happens largely because of a **decrease in the total fertility rate** (TFR, which is the number of births per woman) after the increase in life expectancy gets stabilised.

- A study on demographic dividend in India by United Nations Population Fund (UNFPA) throws up two interesting facts.
 - The **window of demographic dividend opportunity** in India is available for five decades from 2005-06 to 2055-56, longer than any other country in the world.
 - This demographic dividend **window is available at different times in different states** because of differential behaviour of the population parameters.

Advantages Associated with Demographic Dividend

- **Better economic growth** brought about by increased economic activities due to higher working age population and lower dependent population. It will be channelised in following ways:
 - **Increased Labour Force** that enhances the productivity of the economy.
 - **Increased fiscal space** created by the demographic dividend to divert resources from spending on children to investing in physical and human infrastructure.
 - **Rise in women's workforce** that naturally accompanies a decline in fertility, and which can be a new source of growth.
 - **Increase in savings rate**, as the working age also happens to be the prime period for saving.
 - A massive shift towards a middle-class society, that is, the **rise of aspirational class**.
- Demographic dividend has **historically contributed up to 15 % of the overall growth in advanced economies**.
 - Japan was among the first major economies to experience rapid growth because of changing population structure.
 - The country's demographic-dividend phase lasted from 1964 to 2004.
- **Rapid industrialisation and urbanisation** because of higher number of employment seeking population that would force higher economic activities.
- **Rise in workforce:** With more than 65% of working age population, India will rise as an economic superpower, supplying more than half of Asia's potential workforce over the coming decades.
- **Effective policy making:** Fine-tuning the planning and implementation of schemes and programmes by factoring in population dynamics is likely to yield greater socio-economic impact and larger benefits for people.

Challenges Associated with Demographic Dividend

- **Asymmetric demography:** The growth in the working-age ratio is likely to be concentrated in some of India's poorest states and the demographic dividend will be fully realized **only if India is able to create gainful employment opportunities** for this working-age population.

- **Lack of skills:** Most of the new jobs that will be created in the future will be highly skilled and lack of skill in Indian workforce is a major challenge. India may not be able to take advantage of the opportunities, due to a **low human capital base and lack of skills**.
- **Low human development parameters:** India ranks 130 out of 189 countries in UNDP's Human Development Index, which is alarming. Therefore, **health and education parameters need to be improved substantially** to make the Indian workforce efficient and skilled.
- **Informal nature of economy in India** is another hurdle in reaping the benefits of demographic transition in India.
- **Jobless growth-** There is mounting concern that future growth could turn out to be jobless due to de-industrialization, de-globalization, the fourth industrial revolution and technological progress. As per the **NSSO Periodic Labour Force Survey 2017-18, India's labour force participation rate for the age-group 15-59 years is around 53%, that is, around half of the working age population is jobless.**

What needs to be done?

- **Building human capital:** Investing in people through **healthcare, quality education, jobs and skills** helps build human capital, which is key to supporting economic growth, ending extreme poverty, and creating a more inclusive society.
 - **Skill development** to increase employability of young population. India's labour force needs to be empowered with the right skills for the modern economy. Government has established the **National Skill Development Corporation (NSDC)** with the overall target of skilling/ up skilling 500 million people in India by 2022..
 - **Education:** Enhancing educational levels by properly investing in primary, secondary and higher education. India, which has almost 41% of population below the age of 20 years, can reap the demographic dividend only if with a better education system. Also, **academic-industry collaboration** is necessary to synchronise modern industry demands and learning levels in academics.
 - Establishment of **Higher Education Finance Agency (HEFA)** is a welcome step in this direction.
 - **Health:** Improvement in healthcare infrastructure would ensure higher number of productive days for young labourforce, thus increasing the productivity of the economy.
 - Success of schemes like **Ayushman Bharat** and National Health Protection scheme (**NHPS**) is necessary. Also nutrition level in women and children needs special care with effective implementation of **Integrated Child Development (ICDS)** programme.
 - **Job Creation:** The nation needs to **create ten million jobs per year** to absorb the addition of young people into the workforce. Promoting businesses' interests and entrepreneurship would help in job creation to provide employment to the large labourforce.
 - India's improved ranking in the **World Bank's Ease of Doing Business Index** is a good sign.
 - Schemes like **Start-up India** and **Make in India** , if implemented properly, would bring the desired result in the near future.
- **Urbanisation:** The large young and working population in the years to come will migrate to urban areas within their own and other States, leading to rapid and large-scale increase in urban population. How these migrating people can have access to basic amenities, health and social services in urban areas need to be the focus of urban policy planning.
 - Schemes such as **Smart City Mission** and **AMRUT** needs to be effectively and carefully implemented.

Way Forward

- India is on the right side of demographic transition that provides golden opportunity for its rapid socio-economic development, if policymakers align the developmental policies with this demographic shift.

- To reap the demographic dividend, proper investment in human capital is needed by focussing on education, skill development and healthcare facilities.
- This demographic transition also brings complex challenges with it. If the increased workforce is not sufficiently skilled, educated and provided gainful employment, we would be facing demographic disaster instead.
- By learning from global approaches from countries such as Japan and Korea and designing solutions considering the domestic complexities, we would be able to reap the benefits of demographic dividend.