



Demographic dividend- Challenges and opportunities in India

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Abstract

All societal groups must contribute positively to the development of a country, but young people and children in particular must have the chance to express themselves. Investments made by households and the country in children and young people pay off in the long run through the high productivity of the economically active population up until they join the elderly generation. India's population is currently among the youngest in an ageing world, but by 2050, a sizable chunk of it will be elderly. The outcome of demographic transition, which alters the population's age distribution, is the demographic dividend. After experiencing periods of high birth and death rates in the 1920s, India entered into a phase of declining fertility and mortality rate in the eighties. Since 2018, India's working-age population has grown larger than the dependent population consisting of children and senior citizens. This youth bulge is going to last for 37 years. However, the current economic slowdown has led to layoffs, growth decline in various sectors and joblessness.

Keywords: demographic dividend, challenges, opportunities and way forward

Introduction

All societal groups must contribute positively to the development of a country, but young people and children in particular must have the chance to express themselves. Investments made by households and the country in children and young people pay off in the long run through the high productivity of the economically active population up until they join the elderly generation. India's population is currently among the youngest in an ageing world, but by 2050, a sizable chunk of it will be elderly. This necessitates more futuristic policies that take into account population dynamics, education and skill development, healthcare, gender sensitivity, and the provision of rights and choices to the younger generation so they can contribute to the economy of the country to the fullest extent possible in the future.

Demographic dividend is the result of demographic transition which brings about a change in the age structure of the population of a country. After going through phases of high birth rate and high death rate in the 1920s, India entered into a phase of declining fertility and mortality rate in the eighties. India is one of the few countries in the world having a high proportion of its population in the age group of 15-59. While a large proportion of young population increases consumption and provides impetus to production and GDP of the country, high savings and investment by the elderly enhances economic growth.

India's population of working age has surpassed the dependent population, which consists of children and elderly people, since 2018. It will take 37 years for this youth bulge to disappear. However, the current economic slump has resulted in joblessness, growth reduction in a number of industries, and layoffs. To fully use India's demographic dividend and foster the growth and development of the economy, necessary actions such as policy assistance and reforms must be made.

About Demographic Dividend

- According to the United Nations Population Fund (UNFPA), demographic dividend means the economic growth potential that can result from shifts in a population's age structure. The change in age structure is typically brought on by a decline in fertility and mortality rates.
- India has one of the youngest populations (62.5% of its population in the age group 15-59) in an aging world.
- The demographic dividend leads to an increased labor supply that will increase the production of goods and boost savings and investment on the other.

The first demographic dividend happens during the demographic transition phase, when the proportion of the population that is working-age rises relative to the total population and the proportion of dependents, both young and old, falls.

The second demographic dividend is brought about by an increase in adult longevity, which encourages people to save more money in anticipation of their senior years. Thus, this rise in savings may help spur economic expansion and capital formation.

Major Findings of The United Nations Population Fund (Unfpa) On Demographic Dividend

- **Demographic dividend phase in India:** According to the report, based on the following statistics, the demographic dividend phase in India began in 2005–2006 and will extend until 2055–56:
- **India's population composition:** Approximately 30% of people in India are under the age of 14. 8 percent of the population of the nation is still made up of seniors aged 60 and over. In India, 62.5% of the population is between the ages of 15 and 59. The proportion of people who are working age will peak in 2036 at about 65%.

- **Regional differences in the rates and timings of fertility decline:** According to reports, the demographic dividend is not available in all the states at

once because the southern and western states are maturing while the northern states are largely young.

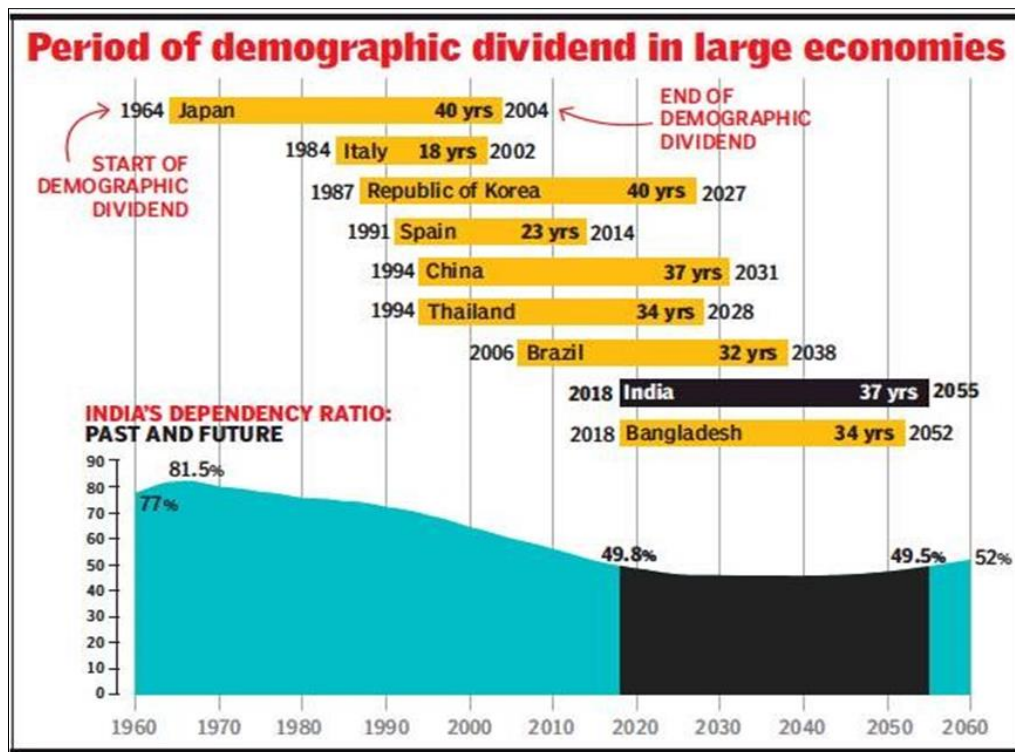


Fig 1

Objectives

- To know and understanding demographic dividend and its opportunities.
- To Understand the challenges faced by India under Demographic dividend.
- To study need to recognize that realization of the demographic dividend in Indian economy.

Methodology

Present paper is based on the secondary source of data. To fulfill this objectives data regarding area of population of major states of India is obtained from census of India 2011 and SRS bulletin.

Opportunities related to Demographic Dividend in India

- 1. Increased labour supply:** As more people reach working age, this is the first advantage of a young population. However, the extent of this gain relies on how well the economy is able to absorb and utilise the additional workers.
- 2. Capital formation:** People save more when the number of dependents falls. The stock of capital in developing nations is growing as a result of the rise in national savings rates, and this presents a chance for investment-based capital formation.
- 3. Female Human Capital:** Healthier women and less domestic financial stress are two benefits of declining fertility rates. This offers a chance to increase the number of women in the workforce and improve human capital.
- 4. Economic expansion:** The rise in domestic demand spurred on by rising GDP per capita and falling dependence

ratios creates yet another opportunity. Demand-driven economic growth results from this. Young demographics are a result of growth, education, improved economic security, and a need for more durable goods.

5. Infrastructure: The government may shift funds from spending on children to investments in physical and human infrastructure thanks to the increased fiscal flexibility made possible by the demographic dividend.

6. Skilled labour force: The majority of India's economic sectors would need a higher skilled workforce than they have now. Developing the necessary skill sets and knowledge for India's workers to enable them to significantly contribute to its economic growth would be both a problem and an opportunity.

7. Movement: It offers certain potential advantages that can result from population shifts, namely the demographic dividend and interstate migration to address the labour shortage in some regions.

Challenges of Demographic Dividend in India

- 1. Enhancing human capital:** Poor human capital formation is reflected in low employability among India's graduates and postgraduates. According to ASSOCHAM, only 20-30 % of engineers find a job suited to their skills. Thus, low human capital base and lack of skills is a big challenge.
- 2. Low human development:** India ranks 130 out of 189 countries in UNDP's Human Development Index, which is alarming. Life expectancy at birth in India (68

years) is much lower than other developing countries. The mean years of schooling and expected years of schooling and need to be improved.

3. **Informal economy:** Informal nature of economy in India is another challenge in reaping the benefits of demographic transition in India. Nearly 216 million people are engaged in the agriculture sector, are in the informal economy where not only they earn lower wages, but with little social security and few days of employment in a year.
4. **Jobless growth:** There is a mounting concern that future growth could turn out to be jobless due to deindustrialization, 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.
5. **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 realised only if India is able to create gainful employment opportunities for this working-age population.
6. **Issue of tilted sex ratio:** Declining female labour force participation: According to data from the International Labour Organization and World Bank, India's female labour force participation rates have fallen from 34.8 % in 1990 to 27 % in 2013. Without women participation India can't dream of reaping demographic dividend.

Way Forward: Indian policymakers will need to recognize that realization of the demographic dividend depends on an economy's capacity to absorb workers into productive employment. This capacity is strengthened by:

1. **Building human capital:** India has to invest more in human capital formation at all levels, from primary education to higher education, cutting-edge research and development as well as on vocational training to increase the skill sets of its growing working-age population.
2. **Skill development:** Skill development is needed to increase employability of young population. Government has established 'Skill India' as a mission to skill India's youth and the National Skill Development Corporation (NSDC) with the overall target of skilling/up skilling 500 million people in India by 2022.
3. **Education:** Enhancing educational levels by properly investing in primary, secondary and higher education is important. As recommended by the National Health Policy 2017 and the National Policy on Education 1986, India needs to increase its spending on health and education to at least 2.5 % in 6 % of GDP respectively from its current levels.

4. **Health:** Improvement in healthcare infrastructure would ensure higher number of productive days for young labour force, thus increasing the productivity of the economy.
5. **Job Creation:** The nation needs to create ten million jobs per year to absorb the addition of young people into the workforce. The number of formal jobs have to be created, especially in labour intensive, export-oriented sectors such as textiles, leather and footwear, gems and jewellery etc.
6. **Good governance:** Effective avenues for citizen input, well-functioning institutions, respect for the rule of law, low level of corruption, respect for property rights, sanctity of contracts etc. are important aspects of good governance that enable equal opportunity to all.

Conclusion

From 1920 until 1980, India had a population change. It has now crossed the demographic divide, where a sizable share of the population is between the ages of 15 and 59. Making the most of the situation for India is both a chance and a problem because the tide could turn against us in another 20 years or more. India may definitely profit from the demographic dividend if it has a favourable demographics, effective policies for job creation and skill development, a thriving financial sector to foster and support entrepreneurial activity, and enough educational and healthcare facilities. Takeoff must occur; the runway is prepared

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