

Demographic Dividend of India: A Blessing or a Curse?

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Abstract- Demographic dividend refers to the economic growth potential from changes in a population's age structure. It occurs when the working-age population (typically 15-64 years) is larger than the dependent population (children and elderly). This shift can lead to increased productivity, higher savings, and more investment. According to United Nations Population Fund "The demographic dividend is 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)".

I. INTRODUCTION

The top 11 economies in the world—contributing to over 70% of global GDP—nine would have a shortage of skilled workforce by 2030, at current rates of growth. India would barely make it, but will struggle to ensure availability of highly skilled workforce to run own businesses. This scenario is expected to encourage migration from populated countries to where jobs exist. Traditionally, migration of the youth triggers from the need for quality education or forced due to domestic political and social unrest. About 4.6 million students globally study away from their home countries, of which 53% are from Asia. India sends out 300,000 students annually, second to China (800,000). This study focused on demographic dividend in India: Challenges and Opportunities.

II. OBJECTIVES

- To study the demographic dividend in India;
- To identify the challenges, opportunities and to suggest way forwards for the development of demographic dividend in India;

III. METHODOLOGY

The Paper is purely based on secondary data. The data have been collected from various national journals, books and websites.

Types of Demographic Dividend

The first dividend period generally lasts for a long time—typically five decades or more. Eventually, however, the reduced birth rate reduces labour force growth. Meanwhile, improvements in medicine and better health practices lead to an ever-expanding elderly population, sapping additional income and putting an end to the demographic dividend. At this stage, all else being equal, per capita income grows at a decelerated rate and the first demographic dividend becomes negative. An older working population facing an extended retirement period has a powerful incentive to accumulate assets to support themselves. These assets are usually invested in both domestic and international investment vehicles, adding to a country's national income. The increase in national income is referred to as the second dividend which continues to be earned indefinitely.

The benefits gotten from a demographic transition is neither automatic nor guaranteed. Any demographic dividend depends on whether the government implements the right policies in areas such as education, health, governance, and the economy. In addition, the amount of demographic dividend that a country receives depends on the level of productivity of young adults which, in turn, depends on the level of schooling, employment practices in a country, timing, and frequency of childbearing, as well as economic policies that make it easier for young parents to work. The dividend amount is also tied to the productivity of older adults which depends on tax incentives, health programs, and pension and retirement policies.

There are four main areas where a country can find demographic dividends:

1. Savings-During the demographic period, personal savings grow and can be used to stimulate the economy.
2. Labour supply-More workers are added to the labour force, including more women.
3. Human capital-With fewer births, parents are able to allocate more resources per child, leading to better educational and health outcomes.
4. Economic growth-GDP per capita is increased due to a decrease in the dependency ratio

Table 1- Size and Age Composition of India's Population, 1991 to 2050

Age-group	1991		2001		2011		2050	
	Population (million)	%						
0-14	312.4	37.2	363.5	35.3	372.4	30.7	328.2	19.8
15-59	464.8	55.4	585.6	56.9	729.9	60.2	996.3	60.1
60 +	57.7	6.7	76.6	7.4	103.8	8.5	332.0	20.0
Age not stated	4.7	0.5	2.7	0.3	4.5	0.3	-	-

Source: www.censusindia.gov.in; for 2050 the projected population is taken from US Census Bureau (www.census.gov).

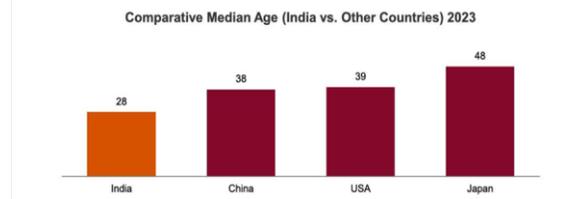
Table 2: Recent and Projected Trends in India's Population Size and Age Distribution

Year	Population (in millions)	Percentage of population in ages			Dependency ratio @
		0-14 years	15-64 years	65+ years	
2001	1,029	35.4	60.2	4.4	66.1
2011	1,211	30.9	63.7	5.5	57.1
2020	1,396	26.3	67.3	6.4	48.6
2030	1,514	22.3	68.9	8.8	45.2
2040	1,611	20.1	68.4	11.6	46.2
2050	1,670	18.0	67.0	15.0	49.3
2060	1,695	16.5	64.4	19.1	55.3
2070	1,690	15.6	61.2	23.2	63.5
2080	1,655	14.8	58.8	26.3	70.0
2090	1,598	14.2	57.6	28.2	73.7
2100	1,530	13.9	56.3	29.8	77.7

Note (@): 100* Ratio of population in ages 0-14 and 65 and over to population in ages 15-64.
 Sources: 2001 and 2011, smoothed populations from census; Registrar General of India (2006) and National Commission on Population (2020); 2020 onwards, UN projections, Medium variant, (UN 2022).

Demographic dividend in India as a blessings

With over 65% of its population under 35 and a median age of 28 compared to 38 in China and 48 in Japan, India possesses a dynamic labour force capable of driving productivity.



1. Increased Labour supply: The first benefit of the young population is the increased labour supply, as more people reach working age. However, the magnitude of this benefit depends on the ability of the economy to absorb and productively employ the extra workers.
2. Capital formation: As the number of dependents decreases individuals save more. This increase in national savings rates increases the stock of capital in developing countries and provides an opportunity to create the country's capital through investment.
3. Rising Female Workforce Participation: Decrease in fertility rates result in healthier women and fewer economic pressures at home. This provides an opportunity to engage more women in the workforce and enhance human capital.
4. Economic growth: Another opportunity is produced by increased domestic demand brought about by the increasing GDP per capita and the decreasing dependency ratio. This leads to demand-driven economic growth. Growth, education, better economic security and a desire for more durable goods are the cause and consequence of young demographics.
5. Increased in Public Expenditure: Increased fiscal space created by the demographic dividend enables the government to divert resources from spending on children to investing in physical and human infrastructure.
6. Skilled workforce: Most sectors of Indian economy would require a more skilled workforce than the present. It would be both a challenge and an opportunity for India to provide its workforce with required skill sets and knowledge to enable them to contribute substantially to its economic growth.
7. Migration: It presents some opportunities that can arise from having demographic changes, particularly the demographic dividend and

interstate migration to overcome labour shortage in some parts.

Demographic dividend in India as a Curse

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.

Is this is a Blessing or a Curse?

India by 2030—with 140 million people in the college-age group. Recent policy changes, including the setting up of a super regulator for managing universities, is an indication of the government's resolve. Also, this comes at a cost. In 2021-22, Indians spent \$4.7 billion towards 'maintenance of close relatives' and 'studies abroad', with these two items accounting for 50% of all outward remittances. Worryingly, for a country that runs a perpetual trade deficit, these outflows have grown day by day. This is a huge drain on our resources. The amount sent out is more than many of our mega federal social support programmes. Most nations where students migrate from also receive foreign students to balance the outflows. In India, it's largely a one-way street—the number of students lodged abroad is more than four times inbound numbers. While we may want to encourage students to study aboard and participate in the global labour force, we must also develop our own institutions to world-class standards. As someone said, we should not stop people from migrating. We have to give them better life at home. Migration is not a problem, it is a process. With over 65% of its population under 35, India has a large youthful workforce, presenting both a challenge and an opportunity.

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