

Demographic Dividend: What Does India's Future Hold?

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Beginning from the 1931 census, until recently (in the past two decades), the conversations about India's rapidly increasing population were mostly concerned with how this growth stood in the way of the country's march towards development, and acted as a major obstacle in the fight against poverty, illiteracy and other human development parameters. Today, with the birth of a baby approximately every two seconds (Kumar 2009) and a population of over 1.2 billion, which comprises about 1/6th of the total human population, the threat of overpopulation still remains a concern (Roy 2014).

However, what has changed is that despite this looming dread of an unsustainable population and a trend towards becoming the most populous country in the world, a new wave of optimism has emerged in the form of a perceived 'demographic dividend'. This has turned the discourse on its head and has for the first time led to viewing the large resource of people as an asset and, moreover, as a tool to solve the very problems which till now were seen to be inextricably linked to it (Sharma 2014b and Chandrashekhar et al. 2006).

This change in view, backed by many research papers and discussions in the recent past, is a result of viewing the population not in terms of numbers but in terms of structure, whereby this large population becomes something which is to be celebrated because it is young. Moreover, this positive turn is also being used as evidence to affirm the ambition of an aspiring nation that this change in demographic profile will usher in widespread development and will push the country to the top of the ladder on the world stage (Chandrashekhar et al. 2006 and Ramkumar 2013).

But there are still multiple views on this newly found optimism. There are many who doubt this celebration of a problem and shift in the historical discourse. These views, however, do not completely disregard the potential of the dividend; they are not entirely pessimistic, but understand that this wave of optimism overlooks the inherent risks and threats that this dividend also possesses—that is, the risk of failure to tap this vast human resource; an existential risk which can lead to a fall as spectacular as the view from the summit.

But before reaching any conclusion about these opposing views, let us delve deeper into

the concept of India's demographic dividend.

The phrase 'demographic dividend' was coined by David Bloom, a Harvard demographer and economist (Spantchak 2009). It is concerned with two interlinked concepts, that is, the concept of a younger population and the concept of dependency ratio. A younger population is concerned with the average age of the population and the number of people in the working age bracket (15-64), whereas, the dependency ratio is the ratio of dependents (people younger than 15 or older than 64), to the working-age population (those aged 15-64) (World Bank 2014).

In terms of age, India's demographic profile points towards a young nation. More than half of the population is under 25 (Mehrotra 2014) and the working age population constitutes approximately 65% of the entire population (Reddy 2015). Furthermore, between the ages of 10-19, there are 225 million people, meaning that the country will have a young workforce for the next 40 years. Analysts consider this "youth bulge" to reach its peak in 2035; where in 20 years the labour force in the industrialised world will decline by 4 per cent, while India will see an increase of 32 per cent (Tharoor 2014 and Raj 2011).

With respect to the dependent population, the dependency ratio in India is around 52 per cent, which is not too different from other developing nations such as Brazil (46 per cent), South Africa (54 per cent), Indonesia (51 per cent), and so on (World Bank 2014). However, what is different about and key to the demographic dividend is the prediction that this ratio will decline over the next 25 years or so (Basu 2007).

This will occur due to a falling fertility rate, which has decreased from 3.8 in 1990 to around 2.9 in 2011 (Basu 2007), and is falling further. A previously higher fertility rate implies that India has a sizeable young population between the ages of 0-15, which will join the workforce in the next 10 to 15 years. However, with falling fertility rates, the number of young dependents (below 15 years) will be less in the future, aiding the youth bulge and lowering the dependency ratio to around 40 per cent in 2020 (Basu 2007; Gudaganavar 2014, Chandrashekhar et al. 2006). As a result, 'until 2020, India will be experiencing a period of demographic bonus, where the growth rate of the working age population would exceed that of the total population,' (FICCI 2013).

Thus, the twin effects of a younger population profile and a lower dependency ratio will lead to a large working age population which according to the concept has a correlation to economic growth, and has been described as the "demographic dividend".

Among the reasons given for this correlation, the first is the significant increase in the labour supply. This, if coupled with higher literacy rates—which have risen in India from 65 per cent in 2001 to 74.04 per cent in 2011 (Sivakumar 2014)—can lead to a more

productive and skilled workforce, which has the potential to increase the per capita income, lead to poverty reduction and improve human development parameters. Secondly, as the number of dependents decline, the economy has a surplus created through greater savings from the working population, which can be invested for further growth. Thirdly, the increase in domestic demand ushered in by a larger working population can boost the domestic industry (Gudaganavar 2014; Roy 2014 and Sengupta 2013).

Evidence of such a correlation can be seen through the example of East Asian countries, especially Japan and South Korea, which had remarkable economic development from 1965 to 1990, while enjoying a demographic dividend. Further, China's rise to become the world's second largest economy in just 15 years from 1995 to 2010 has also been partly attributed to its low dependency ratio and falling fertility rates (Spantchak 2009; Monan 2012 and Krishnamurthy 2011).

However, while looking at the numerous factors and examples of evidence given above which seem to point towards the dividend leading to progress, we need to understand that these require certain conditions to be met in order to be utilised and be effective. Bloom has himself tracked a number of countries that could not utilise their demographic dividends. For example, Latin American countries in the 1980s could not capitalise on their demographic trends that resembled East Asia's as they could not create enough job opportunities (Chandrashekharet al. 2006 and Nilekani 2009).

Therefore, it is the effective utilisation of the large working age population which will determine whether India can achieve a 'dividend or be left to handle a demographic disaster' (Gudaganavar 2014).

Issues

Some of the issues which need to be discussed in relation to the effective utilisation required to achieve the demographic dividend are as follows:

One of the most important issues in this regard is the problem of unemployment. The increase in working age population will only be beneficial if the economy can provide employment opportunities to this bulging population profile. Currently India has a high unemployment rate and not only does this have to be corrected, but the country needs to create jobs for a large number of people who will soon join the workforce, a task which will be further compounded by a shift away from the agricultural sector (Thomas 2014).

However, what is of even greater concern than general levels of unemployment is the unemployment of graduates. In a recent survey, one in three graduates in the age group of 15-29 has been found to be unemployed (MLE 2013), and this rate is highest among

women graduates (Sharma 2014a). With rapidly changing technology and a shift towards a more knowledge-based economy, employability is becoming increasingly dependent upon marketable skills (Tharoor 2014; Gudaganavar 2014 and Arya 2015), and if this skill deficiency is not corrected, India might be in a situation where it has a workforce operating in the “21st century, with the skills suited to the mid-20th century” (Gokarn 2014). Also, if women employment numbers are not improved, which are one of the lowest in the world, a large portion of this demographic advantage will go unutilised (Bhaumik 2015).

But while focusing on future employment present conditions must also be reviewed. Presently, the majority of the population is still employed in agriculture and the farmers have difficulties due to dependence on monsoon, availability of credit and access to electricity. This drives them to take extreme steps such as suicide and if this trend continues, it will be disastrous for a nation, which needs both food security as well as employment.

Apart from unemployment, the interrelated concepts of health, increasing burden on resources and environmental concerns are also important issues. A greater working population will put more pressure on resources and there needs to be a balance maintained between environmental concerns and this need for rapid development, as it can have far reaching consequences on living conditions and the health of the population.

The health of the working population is critical to its productivity and efficient utilisation. India already has poor health indicators, whether in terms of malnutrition, non-communicable diseases or vector borne diseases (Reddy 2015). These indicators can become worse if growing resource needs lead to widespread air, water and noise pollution and if living conditions in Indian urban areas become breeding grounds for infections and allow vector borne diseases to flourish. This will have an impact not only on productivity but also on the capability of the working population to save for the future (Gudaganavar 2014; Chandrashekhar et al. 2006 and Reddy 2015).

This relation can be further applied to health, energy needs and resource burdens not only on humans but also on the ecology at large, as with growing needs a lot of stress will be put upon the ecological balance and biodiversity of the country, with more and more land resources being utilised for urbanisation and shift to non-agricultural activities. This can prove disastrous for the nation both in terms of related concerns such as climate change, and in terms of being left with a nation that has sacrificed its biodiversity to accommodate this perceived dividend.

The positives

Yet, these issues cannot take away the immense optimism that India radiates today. This hope and confidence is rooted in historical reasons, whereby, the country's history is filled

with numerous examples of such notions of impending doom being disproved over the years.

When India became independent, there were concerns about whether it would remain one country or break apart due to the cessation movements by the princely states. Further, the country's journey also began as a poverty-stricken nation that had to build a new economy from scratch. But from the unification of the country into a functioning democracy till the 1991 economic reforms, India has always managed to bring order out of chaos and prove its pessimistic detractors wrong.

It is this spirit and the work of the previous generations that has led India to bring millions out of poverty and build an aspiring middle class, which is the reason that today we can even begin to think about the country's population positively and can dream about being an economic superpower in the future.

So looking further, there are some positive indicators which show that the country can rise above its issues and constraints and utilise the demographic dividend.

An important factor in this context is the domestic demand. As the working age population increases and becomes an earning population, the per capita income will increase, leading to greater demand for goods and services. This can give a boost to domestic manufacturing and service sectors, and will in turn have a cyclical effect on job creation and further economic growth.

Another positive indicator emerging from an evolving India is that the young population has recently demonstrated that it is not risk-averse and is actively engaging in entrepreneurial activities. India has a long history of entrepreneurship with its roots in the freedom struggle, which contributed towards achieving freedom and in nation building. This legacy is now being taken forward in all parts of the country and numerous start-ups, especially in the e-commerce sector, have emerged, giving this a new dimension. If this entrepreneurial spirit flourishes, new ideas and innovations will help in job creation and accelerated growth, and this will relatively free the government to focus on improving infrastructure through improving transport systems and communication, investing in smart cities and promoting renewable energy (Nilekani 2009 and Stewart 2010).

Further, India can also capitalise on the demographic profiles of other countries that have negative population growth and ageing populations which will lead to a huge requirement of skilled labour by those countries in the future. In the era of globalisation, which is leading to increasing mobility of labour, India can become a global supplier of skilled labour, leading to an increase in foreign remittances and investment from Indians abroad,

especially with the recent initiatives by the government to improve linkages with the Indian Diaspora (MOIA 2008).

Conclusion

An important debate with respect to the discourse on India's population in the past, (when it was seen to be caught in a population trap) was its relation with poverty. In this regard, many conversations dealt with how poverty leads to further population growth due to the perception of the marginalised that children can be considered as current and future economic assets in the struggle against their disadvantage (Gupta 2011).

This effectively represents a distinction between quantitative-based thinking as opposed to qualitative, and it can be seen as one of the reasons which reinforces the cycle of the population trap, as it leads to greater burden on the already scarce resources and causes further marginalisation for the poor (Gupta 2011 and Traeger 2011).

While looking at the demographic dividend and the new approach to India's population, the distinction between these points of view comes to the fore again. This is because while contemplating about the future, the country cannot merely rely on the celebration of the quantity of the young population, but needs to focus on their quality and that of the nation as a whole.

In this regard, India has rolled out a National Youth Policy, which envisages a productive workforce through education, skill training and entrepreneurship, along with emphasis on health and social values of the young (MYAS 2014). This has been furthered by the launch of the National Skill Development Mission, a public private partnership which seeks to promote skill development through vocational institutes (NSDC 2015).

However, to improve quality, there is also a need to include a more practical approach to education in schools and colleges. This should involve more hands-on training along with emphasis on sustainability so that the spirit of innovation can lead a more problem solving and skilled workforce.

In terms of job creation, the government has rolled out the 'Make in India' national program which seeks to make domestic manufacturing the most important sector for the future growth of the Indian economy. But here too quality needs to take centre stage and more has to be done to improve the structural problems facing the economy which include infrastructure, financing, labour issues and an overall 'ease of doing business' in India.

The quality of urban spaces (which have now overtaken rural areas in terms of population

growth rate in India) is also an important element (Bhagat 2011). The country's urban population is expected to grow to 590 million people by 2030 (Kattumuri 2014), but in terms of facing this challenge the nation seems unprepared with respect to planning (Natarajan 2014). If this is not rectified, India will consist predominantly of urban agglomerations, which put huge pressure on resources, and have sub-standard living conditions. The government has come up with a vision of 'Smart Cities' for the future along with the Swachh Bharat Abhiyan to address these issues, however, these alone will not suffice as more emphasis needs to be put on the unplanned urbanization occurring in the rural areas so that quality of life is uplifted across the country.

Tied to this, is also the pressure of energy needs. As more people join the working age bracket in this digital age', the energy consumption will rise by a big margin. Here too, a focus on only quantitative measures will not solve issues as it is the quality of service which will determine whether or not these needs can be met. An example of this, is India's power generation, where the country currently has an installed capacity of 274 GW, while present peak demand is only 144 GW (CEA 2015). Therefore, a qualitative approach here would mean focusing not only on ambitious targets to improve generation in the future, but more importantly on improving infrastructure capabilities both in terms of transmission and distribution issues.

Therefore, India needs to shun the opposing views on its demographic dividend which focus either pessimistically or optimistically on what it means for the future of India and instead focus on a new age realism. This would mean channelizing its resources and policymaking towards more inclusive, equitable and sustainable growth, with emphasis on quality in all fields.

For it is what India does in the present that will decide the nature of the shift in the meaning and position of India in the future and which will decide whether this ancient civilization can continue to disprove prophecies of its doom time and again.

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