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Mains Practice Questions

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Q. India is on the right side of demographic transition that provides a golden opportunity for its rapid socio-economic development, if policymakers align the developmental policies with this demographic shift. Discuss. (250 Words)

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Approach

- Start with explaining about the demographic dividend and how it is a golden opportunity for India's socio-economic development.
- Discuss the issues faced in the realisation of the demographic dividend stage in India.
- Suggest what should be the policy for the realisation of the demographic dividend.

Introduction

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)".

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%. 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%.

Body

Demographic Dividend provides golden opportunity

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.

Challenges Associated with Demographic Dividend

- **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 the 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.

Way Forward-Policy making need

- **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 the young population. India's labour force needs to be empowered with the right skills for the modern economy.
 - **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.
 - **Health:** Improvement in healthcare infrastructure would ensure a higher number of productive days for the young labourforce, thus increasing the productivity of the economy.
 - **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.
- **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.

Conclusion

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.