

Demographic Dividend

[UPSC Notes]

What is a Demographic Dividend?

The demographic dividend is the phase in which the working population aged between 15 and 64 years is greater compared to the dependent or non-working population that is 14 or less than 14 and 65 or above. This means that the working population has a greater potential to contribute to the country's economic growth.

According to the United Nations, to maximize the potential benefits of favourable age distribution (working population ages), countries need to invest in further human capital development by ensuring access to healthcare and quality education at all ages and by promoting the opportunity for productive employment and decent work. It is caused by

- a shift in the population structure
- decreasing birth rate.
- increase in life expectancy
- A sustained drop in fertility rate

Warren Thompson proposed the Demographic Transition Model, and the model has four stages:

- Pre-industrial
- Urbanization and industrialization
- Mature industrial
- Post-industrial

Demographic Dividend in India

India is the country where the ratio of the youngest people to other age groups is the highest. And the median age in India is just 28 years by 2020, while the median age in China and the USA is 37, and in Western Europe, it is 45 and 49 in Japan.

India's working age population from 15 to 64 years of age increases sharply compared to the dependent or non-working population. Due to the increase in the standard of living, a largely decreased total fertility rate occurs. (the total number of births a woman gives during her childbearing years).

The United Nation population fund highlights two interesting facts about the demographic dividend in India:

- The opportunity to utilize the demographic dividend in India was available for five decades, from 2005-06 to 2055-56, much larger than other countries worldwide.
- The opportunity to utilize the demographic dividend in India also differs from one state to another state because of the diversity in the population parameters.

Latest Updates Regarding Demographic Dividend

- India is the country with the youngest population in the world. The median age in India is 28.4 years by 2022. In China and the USA, it will be 37, and 45 in Western Europe and 49 in Japan.
- The total fertility rate plays a major role in increasing the working-age population in India.
- The total fertility rate has halved from 1990 till now. However, there are significant differences between states, with Delhi, Maharashtra, and Tamil Nadu having lower total fertility rates of up to 1.5, whereas Bihar, Madhya Pradesh, and Uttar Pradesh have higher total fertility rates of up to 2.5.
- The schemes like Atmanirbhar Bharat, Make in India, and Startup India is helping to utilize the potential of India's demographic dividend.

Opportunities of Demographic Dividend in India

Due to the higher working age population and lower dependent and non-working age populations, the country's manpower will be strengthened and help increase the speed of the economy's growth.

- Personal earnings will also increase due to the demographic dividend phase, resulting in greater purchasing power and further developing the country.
- Demographic dividend also made the women independent and increased their standard of living, resulting in a decline in the Total Fertility Rate (TFR), leading to the economy's growth.
- Many people from the lower middle class and below the poverty level (BPL) have the opportunity to shift toward a middle-class society. who educate their sons or generations, further establishing an enlightened and aspirational society.
- The Demographic dividend also boosts the secondary sector, the manufacturing sector, as more younger people get employed in the factory or industry, and the younger has more potential compared to the older, which enhances the economy's productivity.
- Historically, the demographic dividend has contributed up to 15% of the overall growth in advanced economies.
- The first major economic country to experience rapid growth due to the structural change in population was Japan, whose demographic dividend phase was between 1964 and 2004.

Measures to tap India's Demographic Dividend

Following are the measures to tap India's Demographic Dividend-

1. Increase the investment in the Education sector to improve and boost literacy in the country.
2. Increase the funds to be spent on the Healthcare sector to improve the existing medical facilities.
3. Release proper and required funds for the research and development section of government.
4. Invest more in the field of skill development.

Challenges of Demographic Dividend in India

India cannot utilize the demographic dividend in India, whereas the most populous countries like China have become manufacturing hubs by utilizing the demographic dividend power.

- In India, there is a lack of skills in most of the population in the age group of 15 to 59 years. As seen during the pandemic COVID-19, most people became unemployed. Due to the lower literacy and lack of skills, there is the possibility that the new job will be highly skilled, and the lack of skills will become a major challenge.
- Recently, the United Nations Development Program (UNDP) Human Development Index (HDI) was released, in which India ranks 131 out of 189 countries. So, to make Indian manpower skilled, the perimeter of the Human Development Index, that is, health, education, and standard of living has to be improved.
- In India, approx. 50% of the population is still engaged in agriculture and dependent on agriculture in India, which can be described as disguised unemployed, cyclic unemployed, and less unemployed, among others.
- A huge number of the population are employed in the unorganized sector. In return, they get very low wages, no social security, high working hours, poor employment conditions, etc.
- There is prevalent and vast gender inequality in society. Women with more potential in each group of 15 to 59 for a particular job will not get the opportunity. There are also hurdles for women due to the patriarchal and stereotypical society, as it is seen that most women want to do a job to contribute to their potential for economic growth. Still, they have to leave their job under the pressure of their families.
- According to the National Sample Survey Office's periodic labour survey force 2017-18, India's labour force participation rate for the age group 15 to 59 years is around 53%. This means that 50% of the population is unemployed and jobless.

How Does India Benefit from a Demographic Dividend?

To utilize the demographic dividend in India, the main focus is to improve education, health, job creation, skill development, etc. Here are some recommended actions to make the most of the demographic dividend in India.

- **Education:** In India, almost 41% of the population was below the age of 20 years. They can utilize their potential to contribute to the economy's growth by having a better primary, secondary, and higher education system. The welcome step in this is establishing the Higher Education Finance Agency (HEFA).
- **Skill Development:** Skill knowledge is very important to utilize their potential effects, and it also increases productivity, which further helps in the economy's growth. Recently, the government has established the National Skill Development Corporation (NSDC) with an overall target of skilling 500 million people in India by 2022.
- **Health:** As it is said, health is wealth. The employee or individual must be healthy to contribute to the economy's growth. Aayushman Bharat and the National Health Protection Scheme are examples of successful health schemes.
- **Job Creation:** To absorb all the workforce between the age groups of 15 to 59 years, the nation needs to create 10 million jobs per year. Government schemes like Startup India and Made in India also help job creation but cannot fully utilize the workforce. But if the schemes are implemented properly, we will get the desired result soon.