Demographic Dividend in India - An Overview

Abstract:

This article elucidates full definition of demographic dividend, and how can India get maximum benefit of this working age group. In order to reap the benefit of this young population, what are the factors affecting.

Keyword: Demographic Dividend, Workforce

Introduction:

India is currently going through the phase that is demographic change which refers to the change in the structure of population. This includes population size, age composition, household size, urbanization and so on. The present day demographic structure is recognized in terms of change in the age structure in favor of working age group; which has resulted due to: declining birth rate, long life expectancy and increasing immigration, in economic terms, the optimists are considering this phase to be highly as the output is a direct function of availability of workforce. Since India experienced a slower fertility decline, there for it now has a smaller dependency ratio. Thus window of opportunity (James, 2005) is now open for India to reap the demographic dividend by utilizing its manpower for its own economic growth.

Review of Literature:

Srivastava (2008), points out education and skill requirements of the Indian economy in the context of the changes in the labour market. According to author, overall level of education and formal skill and training is directly related to income level of education, location, and social identity. Education generates strong positive externalities. Arising from education and skill training, a large programme of universal schooling and expanding formal training to cover at least half the labour force needs to be put into place. It opens up avenues for workers and with the help of skills, workers can improve both the development and growth outcomes.

Paul et al (2008) found out that the distribution of the educational levels for the age group of 15-34, taking district as a unit, untravelled the contrast in educational attainment. The bulge of youth population in India, educational attainments cannot match the requirements of ever sprawling global labour market. In the context of emerging knowledge economy, these young people need to be appropriately trained to fit in the dynamic labour market.
According to Ramdas (2012), there are few disconcerting features of employment growth in recent years. India’s significant record on employment growth has not been adequate in view of a faster growth of labour force/population: 1) Employment rate has decelerated. 2) Employment context of growth has shown a decline. 3) Sectors of higher employment potential have registered relatively slower growth. 4) Agriculture, despite a sharp decline in its importance in GDP, continues to be the largest employer as the non-agricultural sectors have not generated enough employment to affect a shift of workforce. 5) Most of the employment growth has been contributed by unorganised and informal sector, which is characterised by poor incomes and conditions of work. 6) Employment growth in organised sector which seems to have picked up in recent years has been mostly in the categories of casual and contract labour.

Ghatak (2010), addresses that India’s present demographic profile with a bulk of population in the working age group has raised the importance of discussing health issue for the sustenance of economic growth realised in terms of the benefit of demographic dividend. The human capital theory argues that health has pervasive effect on wages, earnings participation, hours worked, retirement, job turnover and benefits packages. Higher growth evidently improves health outcomes while better health outcomes in turn raise economic growth. Higher labour productivity not only pushes up the overall growth of the economy but its spill-over effect is substantial at the individual level too. This is expected to increase the wage level in general.

Objectives:

a) To discuss about the conceptual understanding of the term demographic dividend.
b) To discuss how India will be able to reap the benefits of working age group.
c) To identify the various factors affecting the demographic dividend.

Demographic Dividend

Demographic change and economic growth are inter-related and economic gains through demographic change are commonly defined in terms of demographic dividend.

The Population Reference Bureau defines Demographic dividend as follows:

The demographic dividend is the accelerated economic growth that may result from a decline in a country’s mortality and fertility and the subsequent change in the age structure of the population. With fewer births each year, a country’s young dependent population grows smaller in relation to the working age- population. With fewer people to support, a country has a window of opportunity for rapid economic growth if the right social and economic policies are developed and investments made.

In economic terms, demographic dividend refers to the as the benefits derived from a rise in the ratio of working age ( usually 15-59 years) population to dependents or non- working age population ( usually under 15 and over 60 years old).

Education

Education is a key factor for the process of development in a country. It works as driving force in the economy. In India, young population is an exceptional strength as compared to the rapidly ageing
population in countries like Japan, Sweden and Germany. In India, out of 600 million youth nearly 60 percent live in village (Swaminathan 2011). However, education among them has been under-utilized for the development of villages. According to 2011 census which shows increase in the literacy rate at 74 per cent, 10 per cent points of from 2001, according to World Bank data, India’s literacy rate for ages 15 & above places it in the last quartiles of 114 countries (Swati et al., 2013). There are serious problems with both primary and higher education in India. In rural and urban areas the net attendance ratio is as low as 57 per cent and 65 per cent respectively, the shortage of faculty in higher education, lack of infrastructure facilities like classroom, benches & lack of quality of education services.

Skill Development

In India, there some factors which are affecting, that is the lack of skill and mismatch between of job skills and job availability (Basu 2011). It has required increasing skill development programme. Policy formation will have to be tailor – made to face the challenge of skill development in quantitative and qualitative terms. Skill provision will have to go hand in hand with general education as well as vocational and technical education (Sahoo et al., 2013). In order to get maximum benefit of this working age group, skill development programs will have to target not only the new entrants into the workforce but also the unskilled workers at present in the labour force.

Employment

Growing young population of India is its demographic dividend. It gives India the potential to become a global production hub as well as a large consumer of goods and services. Since age group of 40-60 years the key contributors in household saving, which has increased rapidly in the last decade, will get a further boost. It means people will have more money for investment and the surplus amount can be diverted to betterment of our infrastructure. India is expected to have youngest population in the world by 2030. Low dependency ratios will give better investment option to people further boosting the economy. According to projected census data, there will be approximately 63.5 millions new entrants to job market between 2011 and 2016 (Swati et al., 2014). It is important to enhance employment opportunities, more productive labour force and increase saving and investment, better human capital and increasing demand. India has to generate a sufficient volume of good quality employment like, IT enabled services, telecom services, tourism, transport, real estate and retail insurance (Shruti et al., 2014).

Health

Health assumes to be important as a basic human right. Health influences the labour supply behavior and labour productivity. In India, it is very important because right now India has the largest youngest population in the world. The current demographic profile of India in the working age group has further raised the importance of discussing health issues for sustained economic growth which is identified in terms of the benefits of demographic dividend. The effects of health have impact on household’s consumption, production, earning and investment. Health has a two – way relationship with wealth or income. It increases the productivity of individual or a nation to accumulate income or wealth.
Conclusion

Demographic change in India is opening up new economic opportunities. So if we want to take advantages of this working age group, we should pay attention on quality of education, increase job opportunities and skill development programme. With the help this programme and policy we can able to get maximum benefit of the young age group. If we enhance the quality of education with appropriate structure and policy, it will directly help us to get advantages of this working age group. To enhance the employment opportunities, adequate growth of investment in both domestic and foreign, investment in the nonformal segment and proper combination of output growth and employment elasticities in the formal segment is required in order to lead to a high employment growth. We can also reduce barriers like position of women in society, low level of literacy, less work participation, low incomes and extremely uneven distribution of assets against balanced economic growth.

References