Demographic Dividends - Opportunities and Challenges

What is the issue?

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- By 2020, it is estimated that the average age in India will be just 29.
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- The dependency ratio will be as low as 0.4.
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- While this demography provides an opportunity, there are multiple challenges that need to be addressed.
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What is the labour force scenario?

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- 12 million young people enter the labour force each year.
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- Millions transfer out of low productivity agricultural jobs to better paying alternatives.
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- There is hence a need to create a large number of jobs to accommodate these people and drive productivity up.
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- But even the most liberal estimates of employment generation do not suggest that the increase is commensurate with the requirement.
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- Inability to deliver as many good jobs as required is partly responsible for India’s labour participation rate falling to around 50%.
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- Labour force participation is the ratio of working age population that is employed to that of those not employed.
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- India has one of the lowest labour force participations (world average is 63).
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- Women have been dropping out of the labour force in large numbers.
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What are some positive trends?

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- Despite the overall low job creation, allocation of labour is improving in areas where it is difficult to measure it, i.e the informal sector.
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- The informal sector combines services of old and new types.
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- Sometimes the old type gets converted into new internet based businesses.
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- Business is also migrating to where labour is rural.
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- Rapid growth in rural non-agricultural employment is a promising prospect for enhancing incomes.
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- Notably, 70% of India’s workforce is rural based.
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- But agriculture labour now accounts for only around 64% of rural employment.
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- Unfortunately, as skill shortage is a big hindrance and skill sets needs to be enhanced by training programs.
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- India is also urbanising rapidly and the rapid growth in “census towns” again suggests a rapid pace of non-rural employment growth.
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- Steps to increase productive employment is essential for social cohesion, sustainable growth, and to constructively harness the country’s youthfulness.
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What are the ways for enhancing productivity?

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- **Short term measures -** Addressing skills shortages, and ensuring flexible adaptability to industry requirements for the immediate needs.
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- Three-month training can equip first-generation literate rural school-leavers

with skills for working in retail malls and related services.
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- Also, similar three-month nano degrees can also re-train and equip industry workers with new skills that enhance their adaptability.
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- Ensuring timely delivery of completion, certificated to the concerned workers is key to this initiative.
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- This is mainly because, coordinating with multiple private agencies that are involved in the skilling programmes is proving difficult.
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- There are also other issues to be addressed like lack of common standards, which is making in-house training in one industry irrelevant in another.
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- **Medium term -** Employment elasticity in Indian manufacturing sector is estimated to be only 0.09, as compared to a world average of 0.3.
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- This points to the need for encouraging relatively low-skill labour-intensive industries like textiles, chemicals and food processing.
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- Construction already has high employment elasticity of 0.19 and hence stimulus to low income housing is needed to improve job creation.
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- The service industry will continue to be a major employer.
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- Health and education services are currently severely under-provided.
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- While their expansion at all levels will generate a lot of jobs, there is a dire need for capability enhancement of the workforce to fit the sector.
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- The Indian Medical Council that creates entry barriers and chokes the expansion in the supply of doctors and nurses needs to be reformed.
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- New teaching facilities should be judged on the basis of accreditation, and outcomes and structures for the same need to be strengthened.
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- **Long-term measures -** The quality of primary education needs to improve.
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- This requires government schools to be freed from state control, and allowed

to compete and innovate in response to community needs.
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- It is feared that automation will destroy jobs (especially low-skill ones), and the role of robotic is slated to increase drastically in manufacturing.
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- Even in the services sector, answering robots are already replacing workers in call centres and even IT sector is seeing some automation.
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- But historically, although technological change makes some occupations obsolete, it also creates new jobs, and raises income levels.
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- Hence, rising levels and quality of education are essential for seamlessly adapting to the new highly productive jobs of tomorrow.
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Source: Business Standard

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