

## Reaping India's Demographic Dividend

### Why in news?

A nation's growth requires the productive contribution of all segments of society, particularly the children and the youth and India has a unique opportunity to develop and grow richer before ageing sets in.

### What is demographic dividend?

- Demographic dividend refers to the growth in an economy that is the result of a change in the age structure of a country's population.
- The change in age structure is typically brought on by a decline in fertility and mortality rates.
- As fewer births are registered, the number of young dependents are smaller compared to the working population.
- With fewer people to support and more people in the labor force, an economy's resources are freed up and invested in other areas to accelerate a country's economic development.
- The dividend which is available for a period of time is known as 'the window of demographic opportunity'.

### What are the main areas where a country can find demographic dividends?

- **Savings-** During the demographic period, personal savings grow and can be used to stimulate the economy.
- **Labor supply-** More workers are added to the labor force, including more women.
- **Human capital-** With fewer births, parents are able to allocate more resources per child, leading to better educational and health outcomes.
- **Economic growth-** GDP per capita is increased due to a decrease in the dependency ratio.

### What is the scope for India?

- India is in the middle of a demographic transition
  - With falling fertility (currently 2.0)
  - Rising median age (from 29 years now and expected to be 36 years by

2036)

- A falling dependency ratio (expected to decrease from 65% to 54% in the coming decade)
- This provides a window of opportunity towards faster economic growth and India has already begun to get the dividend.
- But, the benefit to the GDP from demographic transition in India has been lower than its peers in Asia and is already tapering.

### **What are the challenges for reaping the benefits of the demographic dividend?**

- **Unemployment-** Without proper policies, the increase in the working-age population may lead to rising unemployment, fueling economic and social risks.
- Jobless growth is prominent in India where existing working age population is not even absorbed.
- **Skill development-** Lack of skilled labour force is a major concern.
- **Lack of public investment-** Human development parameters like education and healthcare lacks public investment.
- **Informal economy-** More than 85% of Indian economy is unorganized in nature.

### **What is the need of the hour?**

- Countries like Singapore, Taiwan and South Korea have already shown us how demographic dividend can be reaped by adopting forward-looking policies and programmes to empower the youth in terms of their education, skills and health choices.
- **Updated NTA assessment-** The National Transfer Accounts (NTA) data for India needs to be updated to capture the progress made on such investments since 2011-12.
- State-specific NTAs need to be calculated every year and States need to be ranked for investing in the youth.
- **Increased investment in human capital-** India ranks poorly in Asia in terms of private and public human capital spending.
- It needs to invest more in children and adolescents, particularly in nutrition and learning during early childhood.
- A greater focus needs to be on transitioning from secondary education to universal skilling and entrepreneurship, as done in South Korea.
- **Health investments-** The public spending on health has remained flat at around 1% of GDP.

- It is important to draft policies to promote health during the demographic dividend.
- **Reproductive healthcare-** Reproductive healthcare services must be made accessible on a rights-based approach.
- The unmet need for family planning in India at 9.4% as per the latest National Family Health Survey-5 (2019-21) needs to be bridged.
- **Bridging gender differentials-** In Japan, South Korea, and Indonesia, the gender differences are rather minimal.
- In India, boys are more likely to be enrolled in secondary and tertiary school than girls which needs to be reversed.
- **Female workforce-** As of 2019, 20.3% of women were working or looking for work, down from 34.1% in 2003-04.
- South Korea's model can be replicated where it has a female workforce participation rate of 50% being built on
  - Legally compulsory gender budgeting to analyse gender disaggregated data and its impact on policies
  - Increasing childcare benefits
  - Boosting tax incentives for part-time work
- Diversity between States- In India, the status and pace of population ageing vary among States.
  - For instance, Southern States are advanced in demographic transition and they already have a higher percentage of older people.
- India needs to address the diversity between States.
- **Federal approach-** A new federal approach will need to be put in place for policy coordination between States on various emerging population issues such as migration, ageing, skilling, female workforce participation and urbanisation.
- Inter-ministerial coordination for strategic planning, investment, monitoring and course correction should be an important feature.

## References

1. <https://www.thehindu.com/todays-paper/tp-opinion/reaping-indias-demographic-dividend/article38262900.ece>
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