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

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