With India's Demographic Transition, Come Challenges

What is the issue?

Should a focus on demographic performance continue to trump principles of equity?

What is Demographic dividend?

- Demographic dividend refers to economic growth that stems from the decline in fertility and mortality rates.
- A country that experiences low birth rates in conjunction with low death rates receives an economic dividend from the increase in productivity of the working population.

What are the regional variations in demographic transition?

- NFHS-5 places the total fertility rate (TFR) at 2.0. known as replacement level of fertility.
- This decline is spread evenly across the country.
- 29 states and UTs have a TFR of 1.9 or less, with seven below 1.6.
- All southern states have a TFR of 1.7-1.8, similar to that of Sweden.
- Even states that have not reached replacement fertility — Bihar and Uttar Pradesh — seem to be head in that direction.
- Madhya Pradesh and Rajasthan that were part of the lagging states have achieved TFRs of 2.0.

What are the challenges associated with this transition?

- The proportion of population greater than age 60 was 8.6 % for India.
- As fertility declines, the proportion of the older population grows, and **societies face the challenge of supporting an ageing population with a shrinking workforce.**
- This is evident in southern states of Kerala and Tamil Nadu.
- As per NSO the proportion of population greater than age 60 was 12.6 % for Kerala and 10.4% for Tamil Nadu.
- It is projected to increase further to 20.9 % and 18.2 % respectively by 2031.

How southern states meet the challenge of shrinking workforce?

- Nowadays economic activities of these states started increasingly rely on semi-skilled migrant labour from northern and eastern states of Bihar, Uttar Pradesh and Odisha.
- They often work under contractual arrangements.

How demographic goals influence delimitation of Lokshaba seats and devolution of central resources to states ?

- **Delimitation of Lok Shaba seats -** The Indian constitution mandates allocation of Lok Sabha seats across states in proportion to their population
- However 42nd amendment froze seat allocation to the states based on the 1971 Census.
- It was further extended till 2026 based on 2001 census.
- This has led to a much greater population per constituency in northern states than in southern states.
- In 2011, Uttar Pradesh had an average of 25 lakh persons per constituency, while Tamil Nadu had 18.5 lakh.
- **Devolution of central resources to states -** The division of central allocation to states is another area where population concerns have dominated equity considerations.
- The sixth to fourteenth Finance Commissions allocated resources between states based on 1971 Census.
- However the 15th commission used Census data from 2011, but it also added the criteria of demographic performance, rewarding states with lower TFR.

Should we focus on demographic performance over proportional distribution of resources?

- The answer depends on our view of India’s demographic future.
- Concern with population growth and a desire to not reward non-performing states have shaped inter-state relations in India over the past decades
- It shapes the allocation of political power and central resources devolved to states.
- As southern states struggle with the growing burden of supporting the elderly, northern states will supply the workforce needed for economic growth
- So it may be time for us to change our mindset about critical dimensions

of India's federalism.

- If we choose to follow this path of moderate fertility decline coupled with inter-state sharing of demographic dividend, there is little justification for continuing to punish states that entered the demographic transition later.
- The Sixteenth Finance Commission and the next Delimitation Commission must be freed from the burden of managing the demographic transition, focusing on carrying out their tasks in the best interests of Indian federalism.

What are the lessons from china?

- Trying to aim for a very low fertility of TFR below 1.5 will be a serious mistake for India.
- **A very low fertility provides a temporary demographic dividend** with a reduced number of dependents to workers
- Over time burden of caring for the elderly may increase sharply.
- India is fortunate that its demographic dividend may be smaller, but is likely to last for a more extended period due to regional variation in the onset of the fertility decline
- We are well-positioned to head in this direction. Little needs to be done beyond improving the quality of family planning services for couples already desirous of small families.

Reference

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