

# Demographic Dividend vs Disaster

Source: Financial Express



The demographic dividend, if not given the treatment of skills, may simply turn into a demographic disaster. The imbalance between too few skilled workers and even fewer jobs for the medium and low-skilled workforce is pointing towards the impending disaster.

## Demographic Dividend in India : Challenges and Way Forward

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# What is the Demographic Dividend??

- *“United Nations Population Fund ( UNFPA) defines demographic dividend as the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working age population ( 15-64) is larger than the non working age share of the population (14 and younger, 65 and older)”*.
- Demographic dividend refers to a period-usually 20-30 years-when fertility rates fall due to significant reductions in child and infant mortality rates.
- This fall is often accompanied by an extension in average life expectancy that increases the portion of the population that is in the working age group. The demographic dividend is defined as a rise in the rate of economic growth due to a rising share of working age people in a population.

- However, this drop in fertility rates is not immediate. The lag between produces a generational population bulge that surges through society. For a period of time this “bulge” is a burden on society and increases the dependency ratio.
- *Eventually, this group begins to enter the productive labour force. With fertility rates continuing to fall and older generations having shorter life expectancies, the dependency ratio declines dramatically. This dramatic shift initiates the demographic dividend.*

# MECHANISMS FOR GROWTH IN THE DEMOGRAPHIC DIVIDEND

- During the course of the demographic dividend there are four mechanisms through which the benefits are delivered.
1. **Labour Supply:** The first is the increased labour supply. However, the magnitude of this benefit appears to be dependent on the ability of the economy to absorb and productively employ the extra workers rather than be a pure demographic gift.
  2. **Increase in savings:** The second mechanism is the increase in savings. As the number of dependents decreases individuals can save more. This increase in national savings rates increases the stock of capital in developing countries already facing shortages of capital and leads to higher productivity as the accumulated capital is invested.
  3. **Human Capital:** The third mechanism is human capital. Decrease in fertility rates results in healthier women and fewer economic pressures at home. This also allows parents to invest more resources per child, leading to better health and educational outcomes.
  4. **Increase in Demand:** The fourth mechanism for growth is the increasing domestic demand brought about by the increasing GDP per capita and the decreasing dependency ratio.

# Demographic Dividend in India

- *India has 62.5% of its population in the age group of 15-59 years which is ever increasing and will be at the peak around 2036 when it will reach approximately 65%.*
- These population parameters indicate an availability of demographic dividend in India, which started in 2005-06 and will last till 2055-56.
- *India's demographic bulge can translate into a demographic dividend lest this human resource takes shape of a productive quality workforce through interventions in the areas of healthcare, education, skill training and creation of sustainable employment opportunities, failing which the supposed demographic advantage could turn into a demographic disaster.*

# Challenges Associated with the Demographic Dividend in India

- India's challenge is to create conditions for faster growth of productive jobs outside of agriculture, especially in the organized manufacturing and in services, even while improving productivity in agriculture. Whether we can reap this demographic dividend to the nation's advantage or let it become a curse depends on two factors-
- ***Drastic quality improvement in this new workforce by much better education, health and skill development and Creating better livelihood opportunities.***
- According to the document on the framework of implementation of the National Mission for Skill Development (2015), "India currently faces a severe shortage of well-trained, skilled workers. Large sections of the educated workforce have little or no job skills, making them largely unemployable. Therefore, India must focus on scaling up skill training efforts to meet the demands of employers and drive economic growth."

- In India, the broad picture shows a lack of highly-trained, quality labour and job skills contributing to poor demographic dividend realizations.
- A closer look implies various factors such as poor health which although obvious, play a major role in the poor performance of working population.
- The status of institutions in India regarding caste discrimination, gender inequalities, widening income gap between the rich and the poor, religious differences, inefficient and slow legal system- all contribute to the poor standard of living of the masses.

# Government's Initiatives

- To capitalize on the demographic bulge, the Government has undertaken a number of policy initiatives, programmatic and systemic interventions. Efforts are being made to equip youth with the skills required by today's industries and address the demand & supply gaps, but this is turning out to be a daunting task.
- **National Skill Development Corporation (NSDC)** incorporated on 31<sup>st</sup> July, 2008, is a first-of-its-kind Public Private Partnership (PPP) in India set up to facilitate the development and upgrading of the skills of the growing Indian workforce through **skill training programs**.
- The vast majority of the unorganized sector does not possess the means to afford development workshops and training. NSDC supports skill development efforts by funding skill training and development programmes and engages in detailed research to discover skill gaps in the Indian workforce and developing accreditation norms.

➤ ***National Skill Development Agency***: Currently, skill development efforts are spread across approximately 20 separate ministries, 35 State Governments and Union Territories and the private sector. The Office of the Advisor to the Prime Minister on PM's National Council on Skill Development has been set up with the mandate to:

- Develop a strategy for skill development at the national and state level.
- Map the gaps in the area of skill development and develop strategies to address the deficit.
- Identify new areas for employability and promote skill development in such sectors.
- Promote greater use of Information Communications Technology.
- Develop and implement an action plan for skill development to maximize job generation within the country and create human resources for global needs.

➤ Under the ***National Skill Certification and Money Reward Scheme*** encouragement is given for skill development for youth by providing monetary rewards for successful completion of approved training programs.

# What can be the Way Forward

Improving Human  
Capital

Skilling

Health &  
Education

Creating Jobs

Promoting the  
growth of labour-  
intensive sectors

Providing  
necessary policy  
support

Innovation &  
Infrastructure

# Conclusion

- Strategies exist to exploit the demographic window of opportunity that India has today, but they need to be adopted and implemented.
- In addition, the challenge of meeting a range of goals related to education and health is bound to grow.
- *The dreams of huge income flow and resultant economic growth due to demographic dividend could be realized only when we inculcate the required skills in the work force to make it as competent as its counterparts in the developed world.*