

THE POWER OF INDIA'S DEMOGRAPHIC STRUCTURE: SIZE DOES MATTER!

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ABSTRACT

India is currently in a phase of demographic dividend due to its favorable Demographic Structure. Though, high proportion of working age population boost economic growth but the pace of growth is determined by enhanced abilities of the working age population and creating human capital. In this context this paper aims at understanding the concept of demographic deposits, demographic dividend and demographic debts and exploring how the rate of economic growth increases with enhancing the capabilities of human workforce. The paper also highlights the key areas to focus for leveraging best of the demographic dividend stage and also highlight the challenges and how the country needs to prepare for the future challenges through maximizing the present returns from the current demographic structure.

KEYWORDS: Population, Demographic Dividend, Economic Growth

INTRODUCTION

India is in the phase of Demographic Dividend which is expected to continue till 2055 and peak in 2041. This means that the next 30 years belongs to India and are crucial for the growth of the economy in terms of taking maximum advantage of the demographic structure. India's young population and skilled workforce position it as a global leader. The world looks at India with the hope of prosperous India for a prosperous world. The United Nations estimates suggest that the proportion of the working population will continue to rise till 2041 before it begins to decline. Thus, the population is one of the most significant assets and strengths of India's growth story.

It is essential to focus on some key areas that accentuate the benefit of the present demography, with a large proportion of the working population, and utilizing the workforce to its maximum potential and ensure greater returns in terms of rising growth rate and income in the economy. Another interesting feature that will accompany this pattern is the changing composition of the dependent population as we move ahead in the future, with a falling proportion of the population below 15 years of age and rising population of 65 years and above as the proportion of working population declines and that of the dependent population rises in around the next 20 years, thus creating a pool of demographic debts and changing the pattern of demand in future. It is thus important to understand the difference between demographic deposits and demographic dividends, as well as the demographic debt that will occur in the future with changing demography. The economic progress of India is directly linked to its population composition, which at present is in its most favorable form.

This paper aims to analyze the concept of demographic deposit, dividend and debt. It also highlights the importance and contribution that the working-age population adds to the growth story of India. Additionally, some policy implications are identified in terms of crucial areas that are important to harness the maximum benefit from the present demography and at the same time, the challenges that are foreseen for the future and the solutions to prepare for caring for the elderly.

LITERATURE REVIEW

James, K.S. (2008) Studied the effect of change in age structure on India's economic growth using two stage least square modeling. The results show that despite low health and education attainment there is a positive impact of high percentage of working age population on economic growth.

Nagar, Parul. & Aditya Dhawan (2018) found that demographic dividend leads to economic growth given the availability of employment opportunities. Economic growth can accelerate with higher social expenditure in health and education, increased savings, small family norms and increasing investments in infrastructure sectors and energy, labour force migration, women participation and urbanization.

Kelly, Allen. C.(1988) found that capital swallowing of growth of population negatively affect economic development of third world countries. Hypothesis like impact of age dependency on savings and effect of population growth on physical and capital investments or shift in it towards education has not been supported by empirical studies and there have been evidences of human capital deepening in the third world.

Agarwal, A.K. (2016) in his study highlighted two views on population transition in context of India. The optimists view that demographic dividend results in low dependency stress and more economic opportunities for growth whereas pessimists that if policies are not in alignment with productive employment opportunities then the full benefits of demographic dividend will not be achieved .With gear towards resolving the challenges India can achieve modest dividend and greater outcomes in coming decades.

OBJECTIVES OF THE STUDY

The objectives of the study are:

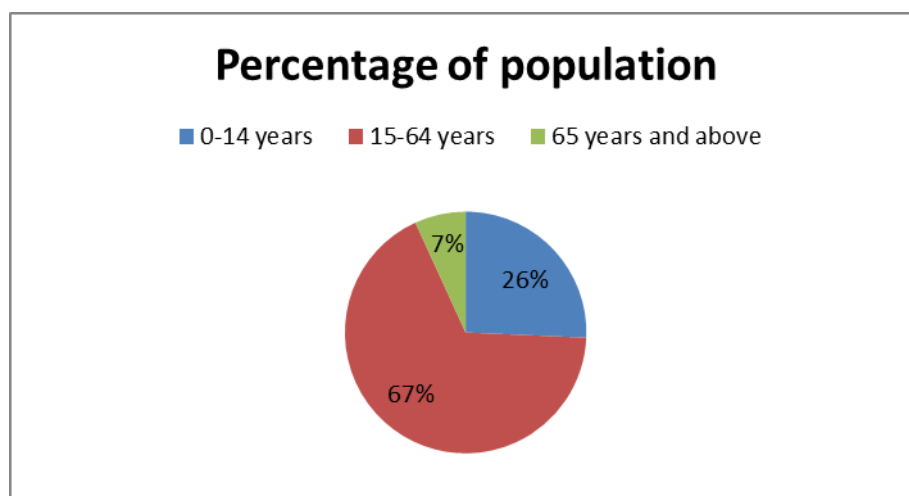
1. Understand the concept of demographic deposits, dividends and debts in context of India.
2. Policy implications to leverage the maximum benefit of India's demographic structure.
3. Identify the future challenges arising due to changing demographic structure.

UNDERSTANDING DEMOGRAPHIC DIVIDEND OF INDIA

India is in the best phase of population structure and shall remain so for next twenty years as it has the majority of its population belonging to working age group of 15 to 64 years. However there are some very peculiar features of Indian demography. In this section we will understand about the demographic features and trends in India. India is a country of 1.44 billion of people. The demography structure of this population is divided as 67.49% of population belonging to the age group of 15-65 years, 25.68% of population in the age group of 0-14 years and rest 6.83% in the age group of 60 years and above. As per United Nations 2013 projections the working age population is expected to rise till 2040 before it starts falling, however it will remain between 50-60 percent until 2100. Therefore this century belongs to India in terms of its demographic structure. Beyond 2040 the percentage of aged population will start rising however given the present total fertility rate of India that is closed to replacement level is currently at 2.03 births (as per the world bank official reports) and below the replacement level for many States. Therefore the future demographic pattern projects increase dependency ratio after 2040 with rising share of aged population and falling

percentage of 0-14 years age group accompanied by falling working age population, though it will remain above 65% for a long period beyond 2040 as per United Nation Projections.

Figure 1: Demographic Structure of India 2021



Source: United Nation World population estimation 2021

Given the changing demography of India in coming years and in order to leverage the maximum out of the demographic window it is important to understand the difference between demographic deposits and demographic dividend along with the concept of demographic debts. The high and rising share of working age population i.e of people belonging to the age group of 15-64 years refers to demographic deposits. When the world is facing the falling population and shortage of working age group in countries like Australia and Japan etc., where the fertility ratio is also going below the replacement levels, India has an advantage due to its demographic deposits that makes it one of the youngest countries in terms of working population availability.

The demographic deposit advantage can be maximized to its full potential when this demographic deposit is leveraged as demographic dividend which requires greater skill impartment, high literacy, quality education, better health status, equal opportunities to women, their financial inclusion and creation of skilled workforce along with encouragement to entrepreneurship. The policies and programs of Government plays an important role in this context and policies like Make in India , women reproductive and maternal health targeting, women empowerment schemes, building of new colleges and more institutions such as AIIMS, IITs of quality education, the role of financial sector in supporting startups and convincing and supportive macro environment and stable and strong Government is imperative to produce the efficient level of output and attain maximum productivity of human capital.

The third stage foreseeing the future in Indian context is demographic debts which refer to rising share of aged population. Beyond 2040 there are projections of rising dependent population especially old age one needs to be prepared as per their needs in terms of their financial and health support. There is a need to foresee the standing challenges and prepare oneself by looking at possible solutions to meet the future needs of rising old age population.

POLICY IMPLICATIONS TO RECEIVE MAXIMUM BENEFITS OF INDIA'S DEMOGRAPHIC STRUCTURE

The population increased by 9.7 million in 2022-23 out of which 48.4 percent is female population. Though the overall sex ratio of India is low as compared to many other developed countries still a significant proportion of the workforce are females. Of the total population in working age group i.e between 15-64 years 51 percent are males and 49% are females. However, there is a difference between working age population and the workforce. The labor force participation rate of women has been low as compare to many other countries despite a sizeable proportion of women belonging to the working age group. The percentage of women who are part of workforce or are looking for job has considerable remained below the global average of 47% since many years, though, now improving at stood at 32.8% according to periodic labor force survey of 2021-22. The rise in women participation is the result of improved policies and programs encouraging women empowerment and improved education. The improved participation of women has resulted in an increase of 9.5% between 2017-18 and 2021-22 from 23.3% to 32.8 %. The trends have also shown better increase in rural areas (12.4%) than in urban areas (3.4%) between this same period.

Also, the relationship between women labor force participation and education has been U shaper which is high at low level of education falls as the level of education improves from no education to primary level, hit the bottom and revives again which then increases with increased education beyond grade twelfth when women finds desk and office jobs. The trend shows that some of the jobs which are open to males at lower level of education are close for females due to societal norms and pressures for example carpenters, drivers. Either there employment is high where education is not a prerequisite job requirement i.e mainly the manual labor jobs but as they attained some education women do not want to work in these same manual jobs and find it hard to find employment in semi -skilled sectors that mainly remains dominated by males.

Thus it is important to understand the role of women in maximizing the demographic dividend of India and they should be given due importance and encouraged to be a part of the workforce to attain high growth outcomes at the full potential of the demographic structure

Education is another important determinant of demographic dividend. According to National family health surveys 78.1% of men and 55.1% women were literate in 2005-06 which increased to 85.7% men and 68.4% women in 2015-16 and 84.4% men and 71.7% women in 2019-22. The percentage of men and women with more than 10 years of schooling has increased from 47.1% to 50.2% and 35.7% to 41% respectively between 2015-16 and 2019-21. In past few years India is showing good improvement in education attainment. It is imperative to provide good quality education to large number of masses if we want to harness the full potential of demography structure. The latest trends have shown falling participation of the younger force of the working age group. The reason for the same is that they are mainly engaged in up skilling their talents and skill and are [part of the student force, which may lead to smaller workforce at the moment but in long run will give higher returns. Therefore it is of utmost importance to improve the level of education and provide skilled labor force in the economy so as to maximize the productivity and output. Government role is highly important in this context and there is a need of public private partnership to create more technical, skill based and vocational studies workforce.

Health is crucial determinant of one's productivity. A person with better health is more active physically and mentally, has better concentration skills, takes less off days and can lead a healthy happy life. The percentage of underweight women has gone down from 22.9% to

18.7% and that of men has gone down from 20.2% to 16.2% between 2015-16 and 2019-21 but in this same period the percentage of overweight population has increased from 20.6% to 24% among women and 18.9% to 22.9% among men, which is a matter of concern (National family health Surveys). Good health encourages greater participation at present and high future expected returns through well brought up healthy children joining the workforce in later years as they grow as adults. Hence it is important to have developed a good health care system along with awareness among masses for healthy lifestyle and dietary habits. Traditional health practices should efficiently work towards preventive health care measures encouraging good sanitation and hygienic upkeep and behavior. Along with primary care, a well-developed system of secondary and tertiary healthcare must be put in a place to take care of routine health visits and major medical assistance affordable through insurance coverage and out of pocket expenditure.

At the macro level stable macroeconomic policies, Friendly relations with rest of the world encouraging investments, favorable balance of payments, controlled inflation and creation of employment opportunities in different sectors along with entrepreneurs encouragement through startups are all important areas that must be supported and

FUTURE CHALLENGES ARISING DUE TO CHANGING DEMOGRAPHIC STRUCTURE.

Beyond 2041 the percentage of elderly would be on rise and that of working age population would start falling as per United Nation population projection. Therefore it is important to prepare for the future demographic challenge which will erupt as demographic debt in terms of taking care of the elderly. The average life expectancy on an Indian is 72.03 years which is 70.5 years for females and 73.6 years for males. Since in future there would be less hands to work and increased dependent population mainly the elderly. The country needs to prepare for rising expenditure to take care of them and their health requirements. Pension schemes and health insurance should all be well place and in force so to avoid the financial and budgetary burdens in future. This is the third concept of demographic structure which is bound to follow the stage of demographic dividend and creation of demographic debts. If properly prepared the stage would not be difficult to sail through. India needs to make the maximum out of the demographic dividend window so as to firmly and positively face the challenge of demographic debts in future.

CONCLUSION

India is well placed and is at advantage because of its demographic structure. The high percentage of working age population has significantly contributed to the current annual GDP growth rate of 7.2 percent. However there is imperative to understand the difference of working age population and the actual workforce and by realizing this distinction it is possible to leverage the demographic benefits to best of its efficiency. The benefits of high working age group population can be maximized by enhancing the skills, focusing better health and encouraging women participation in the workforce through encouraging education and autonomy and empowerment. In this context it is also important to understand the difference of demographic dividend and debts so as to prepare oneself for future because this stage of demographic dividend is expected to stretch until 2040. Therefore the next two to three decades are very significant to maximize the returns of India's demographic structure and enhancing the productivity and human capital contribution in the growth and development of the nation.

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