

# **Unleashing India's Demographic Dividend: A Pathway to Sustainable Development**

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## **Summery**

The demographic dividend is a phenomenon that occurs when a country experiences a significant increase in the working-age population relative to the dependent population. It is driven by declining fertility rates and improvements in healthcare and education. This demographic shift creates a window of opportunity for accelerated economic progress and sustainable development. The demographic dividend can fuel economic growth, reduce poverty, and enhance human development. By investing in education, job creation, healthcare, and social protection, countries can effectively harness the demographic dividend and unlock the potential of their growing working-age populations.

The chapter analyzes the factors contributing to India's demographic dividend, such as its large youth population and the demographic transition. Additionally, it investigates the challenges hindering the realization of this dividend, including employment generation, education, healthcare, and gender equality. By understanding the significance of this demographic advantage and devising targeted strategies, policymakers can effectively harness the youthful energy and drive sustainable economic progress in the nation. This chapter delves into the concept of demographic dividend in India and explores its implications for economic growth and development and the strategies required to fully capitalize on this potential.

## **1. Introduction**

The demographic dividend is a phenomenon that arises from the interplay of favorable demographic factors, economic growth, and human development. It occurs when a country experiences a significant increase in the working-age population relative to the dependent population, creating a window of opportunity for accelerated economic progress. This essay explores the concept of the demographic dividend, its implications, and how countries can effectively harness this potential to achieve sustainable development.

In an aging globe, India has one of the youngest populations. The median age in India will be 28 years old by 2022, compared to 37 years in China, the US, 45 years in western Europe, and 49 years in Japan. With our average yearly population growth rates practically halving in the previous ten years compared to what was experienced in the 1970s, the working-age population in India is currently growing due to fast dropping birth rates. The gradual fall in

India's total fertility rate (TFR), or the number of births per woman or children anticipated to be born to a woman in her reproductive age, has been a major contributor to this trend.

It's interesting to note that India has a TFR of 2.2, which is a little lower than the 2.4 TFR for the entire world. Despite the fact that the national fertility rate has decreased by half since 1990, there is still a significant interstate difference, with states like Bihar, Madhya Pradesh, and Uttar Pradesh having higher TFRs of up to 2.5 and lower TFRs of 1.5 than states like Delhi, Maharashtra, and Tamil Nadu. The demographic dividend window is open at different periods in different states due to their varying TFRs; this necessitates specialized approaches rather than a pan-Indian strategy. Recently, a minister in the Indian government spoke about the demographic dividend India may use to create an Atmanirbhar Bharat. Comparing Bihar's poverty rate to those for all of India, it remains stubbornly high.

Surprisingly, more than half of the population of Bihar is classified as "multidimensionally poor" by the 2018 global multidimensional poverty index. Bihar is one of the youngest states in India, but in order to take advantage of its demographic edge, it must first do its fundamentals well. The much-touted demographic dividend can only be realized by a young, educated, and healthy population.

## **2. Understanding the Demographic Dividend:**

Demographic dividend refers to the economic benefit that arises from a favorable demographic structure within a country. It occurs when a larger proportion of the population is in the working-age group (typically between 15 and 64 years), while the dependent population (children and elderly) is relatively smaller. This demographic composition creates a window of opportunity for accelerated economic growth and development, as the working-age population can contribute to increased productivity, innovation, and consumption. The demographic dividend is driven by factors such as declining fertility rates, improved healthcare, and educational advancements, which lead to a shift in the population structure and the potential for economic advantages.

The demographic dividend is driven by two primary factors: declining fertility rates and improvements in healthcare and education. As fertility rates decline, there is a gradual shift in the population structure, resulting in a larger proportion of the population entering the working-age group. Simultaneously, investments in healthcare and education improve the health and productivity of the population, equipping them with the necessary skills for employment and economic participation.

India's demographic dividend is a result of declining fertility rates and improvements in healthcare and education. The country has experienced a decline in its Total Fertility Rate (TFR) over the past few decades, indicating a shift towards smaller family sizes.

India's working-age population is rising and stood at 68% compared with 67.3% in 2020 and 66% in 2015, according to the UNFPA's State of World Population Report 2023. China, on the other hand, has a working-age population of 69%, but it is declining from 70.3% in 2020 and 73% in 2015. India's population in 2023 stood at 1,428.6 million compared to China's 1,425.7 million, according to the UN report on world population. While India is a young country, the status and pace of population ageing vary among states, according to the UNFPA. Southern states, which are advanced in demographic transition, already have a higher percentage of older people. These differences in age structure reflect differences in economic development and health and remind us of states' very different starting points at the outset of the 2030 Sustainable Development Goals Agenda, according to the UN report. India needs to address the diversity between states, according to the UNFPA, but this also offers boundless opportunities for states to work together, especially on demographic transition, with the north-central region as the reservoir of India's workforce. This demographic advantage presents a unique opportunity for India to harness its human capital and drive sustainable development.

### **3. Implications of the Demographic Dividend:**

The demographic dividend, when effectively harnessed, can have several significant implications for a country's economy, society, and overall development. These implications arise from the favorable age structure of the population, with a larger proportion of the workforce and a relatively smaller dependent population. Below are some key implications of the demographic dividend:

- **Economic Growth:**

The demographic dividend can fuel economic growth by expanding the labor force, increasing productivity, and generating higher savings and investment rates. With a larger working-age population, there is a potential for increased production, innovation, and entrepreneurship, leading to higher GDP growth rates. India's demographic dividend has the potential to fuel robust economic growth. With a large and productive workforce, the country can experience increased labor supply, higher productivity, and a rise in savings and investments. This, in turn, can lead to higher GDP growth rates, increased tax revenues, and a reduction in poverty.

- **Poverty Reduction:**

As economic growth accelerates, the demographic dividend offers an opportunity to reduce poverty and improve living standards. The increased availability of productive employment opportunities can lift individuals and families out of poverty, contributing to inclusive development.

- **Job Creation:**

The demographic dividend presents an opportunity for India to generate productive employment opportunities. However, to reap the benefits, there is a need for skill development initiatives that align with market demands. Upskilling and vocational training programs should be promoted to ensure that the workforce is equipped with the necessary skills for a rapidly evolving job market.

- **Human Development:**

The demographic dividend can facilitate human development by enabling investments in education, healthcare, and social protection systems. These investments create a virtuous cycle, as improved human capital further enhances economic productivity and contributes to long-term development. By prioritizing quality education, India can enhance its human capital, fostering innovation, entrepreneurship, and productivity. Furthermore, investments in healthcare infrastructure and access to affordable healthcare can improve the overall well-being of the population.

#### **4. Harnessing the Demographic Dividend:**

Harnessing the demographic dividend is crucial for India's development and economic growth. Here are some strategies that can help India effectively utilize its demographic dividend:

- **Education and Skills Development:**

Governments should prioritize investments in quality education and skills development to equip the growing working-age population with the necessary competencies for employment and entrepreneurship. Emphasis should be placed on technical and vocational training aligned with market demands.

Emphasize access to quality education at all levels and enhance vocational training programs to bridge the skill gap. Align curriculum with industry requirements and promote entrepreneurship education to foster innovation and job creation. India has a new education policy, and the government plans to invest 6% of GDP in education. However, the actual investment is only 2.9% of GDP.

- **Job Creation and Entrepreneurship:**

Policies should foster an enabling environment for job creation and entrepreneurship, promoting private sector growth, reducing bureaucratic hurdles, and encouraging innovation and investment. Special attention should be given to sectors with high employment potential, such as manufacturing and services.

- **Economic Reforms:**

Encourage investment in sectors with high employment potential, such as manufacturing, services, and technology. Create a favorable business environment, reduce bureaucratic hurdles, and promote ease of doing business to attract both domestic and foreign investments.

- **Health and Social Protection:**

Ensuring access to quality healthcare and reproductive services is crucial for maintaining a healthy and productive workforce. Investments in healthcare infrastructure, disease prevention, and family planning can contribute to improved health outcomes and demographic transition. Strengthen healthcare infrastructure and increase access to quality healthcare services. Experts suggest that the Indian government needs to accelerate investment in health and education to improve the employability of its workforce. The 15th Finance Commission has recommended that India's public expenditure on health should increase to 2.5% of GDP by 2025. Similarly, public investment in education needs to be increased from its current level of 1% of GDP.

- **Social Protection and Inclusive Policies:**

Social protection programs, including income support, healthcare coverage, and pension schemes, should be expanded to provide a safety net for vulnerable populations, reducing inequality and enhancing social cohesion.

- **Gender Equality:**

Empowering women through equal access to education, employment, and decision-making positions is vital for maximizing the demographic dividend. Gender disparities must be addressed to unlock the full potential of the workforce and promote inclusive development.

- **Women Empowerment:**

Promote gender equality by providing equal access to education, employment, and decision-making positions. Address social and cultural barriers that limit women's participation in the workforce, unlocking their potential and contributing to the demographic dividend.

- **Rural Development:**

Focus on rural development by investing in agricultural productivity, rural infrastructure, and rural non-farm sectors. This will create employment opportunities and improve living standards in rural areas, preventing migration to overcrowded cities.

The demographic dividend presents a unique opportunity for countries to achieve sustainable development and improve the well-being of their populations. By investing in education, job creation, healthcare, and social protection, governments can unlock the potential of their growing working-age populations. However, effective implementation of policies and strategies, along with a focus on inclusive development and gender equality, is crucial for

reaping the full benefits of the demographic dividend. With careful planning and proactive measures, nations can transform this demographic opportunity into long-term economic growth, poverty reduction, and human development.

India's demographic dividend holds tremendous potential for economic growth, poverty reduction, and human development. By adopting a multi-faceted approach that encompasses education, skill development, job creation, healthcare, and social protection, India can fully capitalize on its demographic advantage. It is imperative for policymakers, businesses, and civil society to collaborate and implement targeted strategies to unleash India's demographic dividend, ensuring inclusive and sustainable development for the nation and its people. By adopting these strategies and implementing them effectively, India can harness its demographic dividend and pave the way for inclusive and sustainable development. It requires a comprehensive and integrated approach that involves the collaboration of government, private sector, educational institutions, and civil society to unlock the full potential of India's young and dynamic workforce.

## **5. Conclusion-**

India will have the world's youngest labor force thanks to a median age that is substantially lower than that of China and other affluent nations. There will be a 56-million-person labor deficit in the other nations due to a bigger percentage of the population that is not in the working-age group. This gap may be filled by the Indian labor force both domestically and overseas, which will boost economic growth. Personal savings will increase throughout the demographic dividend period, increasing purchasing power that could fuel economic development.

India's demographic dividend provides a golden opportunity for accelerated economic growth and development. However, converting this potential into tangible outcomes requires concerted efforts, smart policies, and inclusive strategies. By investing in education, healthcare, skill development, and infrastructure, India can harness the youth power and chart a path towards a prosperous and sustainable future. The demographic dividend can be a game-changer for India, positioning it as a global economic powerhouse and improving the well-being of its citizens.

In conclusion, India's demographic dividend presents a critical opportunity for accelerating economic growth and development. The youthful and expanding working-age population has the potential to become a significant driver of the nation's progress if harnessed effectively. However, to realize the full benefits of this demographic advantage, several challenges must be addressed promptly. Furthermore, ensuring the overall health and well-being of the population, especially women and children, is crucial for fostering a productive workforce. By promoting gender equality and empowering women, India can further enhance the positive impact of the demographic dividend.

Strategic investments in infrastructure are imperative to support economic activities and attract both domestic and foreign investments. Improved connectivity and reliable resources will enhance India's competitiveness on the global stage and facilitate inclusive growth across regions. Policymakers must adopt a holistic approach, considering various interrelated factors, to fully harness the demographic dividend. Targeted and inclusive policies, informed by data-driven decision-making, will play a vital role in unlocking the potential of the youthful population. While India's demographic dividend presents a promising prospect for the nation's progress, there is an urgent need for proactive policy actions and collaborative efforts by the government, private sector, and civil society. By effectively addressing the challenges and capitalizing on the opportunities, India can position itself as a dynamic and thriving economy on the global stage.

In conclusion, the demographic dividend is not an automatic outcome but requires strategic planning and visionary policies to transform it into tangible economic gains. As India navigates its demographic transition, a well-coordinated and sustainable approach will be instrumental in reaping the demographic dividend's benefits, fostering inclusive growth, and improving the quality of life for its citizens in the years to come.

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