India’s demographic dividends could be a boon – or bane

With India’s working age population reaching 65% by 2030, it has to resolve its jobs crisis, which is the scale of which has never been seen before in human history. By ASIT K BISWAS AND CECILIA TORTAJADA

India, the world’s largest democracy, started its multi-stage election for its lower house, Lok Sabha, on April 11. Some 900 million people – about one in eight people in the world – are eligible to vote during the six-week electoral process. While its GDP is now growing at the fastest pace of any major economy, India’s biggest challenge is it’s not creating enough jobs to lift hundreds of millions of people out of poverty as its neighbour China has already accomplished.

The UN Population Fund (UNFPA) pointed out in a recent report that India may receive demographic dividends because of its increasing working age population. By 2050, 98.8% of India’s population is below 14 years of age, with the working age population (15-59 years) constituting another 62% per cent. Only 8% per cent of its people are 60 years or older.

UNFPA estimates that India’s working age population will reach a maximum of 65 per cent by 2030, and then start to decline thereafter. Also, the country’s demographic dividends will be available for five decades, from 2005 to 2025, longer than any other country in the world.

By 2050, India’s current population is estimated to increase to 1.73 billion, adding some 400 million extra people. By 2020, India is expected to overtake China as the world’s most populous country. India’s median population age is now 28 compared to China’s 37. UNFPA and many Indian institutions and politicians have pointed at the significant demographic dividends the country is expected to enjoy over the next several decades, thus increasing its economic growth potential.

If India’s growing working age population can find productive employment, with reasonably decent incomes, the country will benefit significantly from the demographic dividend. This, in turn, would propel its economic and social development like China.

However, some signs may this may occur. India’s democracy is solidly entrenched. It is now the world’s largest working age population. Foreign direct investment at $54 billion in 2018 was a record. For the past 20 years, all major multinational companies seeking growth have eyed India in one way or another.

UNMET POTENTIAL

Despite these positive signs, India’s record in creating jobs since 2000 has been dismal. During the 1970s and 1980s, annual GDP growth rates of around 4.3 per cent contributed to annual employment growth of about 2 per cent. In the 2000s, GDP growth nearly doubled, at around 6.7 per cent, but employment growth declined by half, to 1 per cent or less. During the post-2000 period, the relationship between GDP and job growth has become progressively weaker.

A plethora of reasons are contributing to India’s joblessness. Of its estimated 480 million working age people, 30 million cannot get jobs. It now has the largest number of unemployed people of any country in the world. This is compounded by two other factors. First, 10 to 12 million young people are entering the job market each year. Second, millions of existing jobs are disappearing each year.

The Centre for Monitoring Indian Economy, a think tank, estimates that 11 million jobs were lost in 2018. All India Manufacturers’ Organization noted that 3.5 million manufacturing jobs were lost between 2016 and 2018. This has especially affected women who have lost millions of jobs. According to ILO and World Bank data, the percentage of women in the workforce increased in most Asian countries – but declined from 37.7 per cent in 1996 to 24.4 per cent in 2018 in India. For example, in 2018, women’s labour participation rate in China was 43.5 per cent, Philippines 40 per cent and Malaysia 38.5 per cent.

Prime Minister Modi came to power in May 2014 promising to create employment for millions of Indians, and thus propelling the country into an era of unprecedented prosperity, somewhat similar to China. His “Make in India” plan, launched in a blaze of publicity in September 2014, has not created jobs at the rate India needs. It became a hostage of bureaucratic red tape and inertia, as well as numerous structural problems which must be solved before the country can show good results.

PM Modi’s invincible persona has slipped somewhat in recent months after the drubbing his Bhartiya Janata Party received in state polls. By PTI- EPA

One recent poll by The Times Group, in mid-February, indicated a whopping 40.21 per cent of respondents considered jobs to be the most important issue for this election. Nearly 30 per cent of the respondents believed job creation to be one of the biggest failures of Modi’s government.

The government is aware of the importance of job creation, however, if its responses have been poor. The Prime Minister’s Economic Advisory Council was heavily criticized for exaggeration when it claimed that over 12 million jobs were created in 2017.

The report of the National Sample Survey Office (NSSO), a government agency, notes that unemployment in 2017, at 6.1 per cent, was at a 45-year high. However, this report was suppressed. The government

India has many structural problems to solve before good paying jobs can be created. Currently, 90 per cent of India’s labour demand comes from informal sectors such as agriculture, construction, tourism, and other low-paid services and trades. Only 2.3 per cent of this labour force has undergone formal training, unlike 75 per cent in Germany and 30 per cent in China. India’s 769 universities and 37,204 college graduates churn out graduates who are mostly unemployed. For example, 6,214 engineering and technical institutes graduate 1.5 million engineers every year, the overwhelming majority of whom do not have the skills required by employers.

There is thus a mismatch of jobs available and the skills of job seekers. Even after graduation, they lack basic work and communication skills. Not surprisingly, unemployment among the well-educated is at 16 per cent, nearly three times the national average. Many entry-level jobs are being automated with robots and artificial intelligence tools. This is also the case for repetitive manufacturing jobs. Such trends are likely to accelerate in the future, reducing the country’s employment generation capacity.

Furthermore, 38 per cent of students do not even complete primary education, thus struggling to read and write. They find it difficult to acquire skills, which constrain their employment potential.

India is facing an employment crisis, the magnitude and complexity of which has never been witnessed in human history. To solve it will require increased and effective investment in education, improved capacity building at all levels and sectors, improved health and public services, significantly improved connectivity, and sustained investments in infrastructure development.

Unless all these enabling conditions are fulfilled, job creation will remain elusive. It will be a daunting task for any future government. A determined effort has to be made to create new jobs and maintain existing ones. There is now a distinct possibility that instead of harvesting demographic dividends, India may witness social unrest and worse gender inequality by frustrated, restless and worried jobseekers who are disproportionately young, 60 per cent of whom are between 15 to 25 years of age.