

# Demographic Dividend and its Implications

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## 1. INTRODUCTION

Demography is a combination of 2 words i.e. Demo + Graphy, where demo means "People" and Graphy means measurement. Demography is the tool of the study of population. It is the quantitative or statistical study of living population, because population is much important issue in 21st century. India is the 2<sup>nd</sup> most populous country in the world with over 1.271 billion populations in 2015 which is more than a sixth of world's population. After already containing 17.5% world's population India is to be projected to be world's most populous country by 2025, surpassing china, its population is projected to reach 1.69 billion in 2050 & at peak with 1.72 billion in 2065. (UN World Population Projections, 2010 revision). And after deciding the millennium development goals 2015 population issues become central reason to the success and failure of all other goals.

## 2. DEMOGRAPHIC DIVIDEND:-

The **demographic dividend** is rise in the rate of economic growth due to rising share of working age population in the total population. When the fertility rate decline and the youth dependency ratio also declines, this phenomenon shows the falling birth rate and the consequent shift in the age structure of the population towards the adult working age group. It is commonly known as demographic gift/bonus/dividend. It refers to a period – usually 20 to 30 years – when fertility rates fall due to significant reductions in child and infant mortality rates. As women and families have realized that having fewer children will help them to live their life with good standards and it will help their children too in fulfilling their dreams and aspirations. As families will begin to have fewer desired number of children, it will further reduce the proportion of non-productive dependents. 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. This cuts spending on dependents and spurs economic growth.

Demographic dividend, as defined by the United Nations Population Fund (UNFPA) means, "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 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older)." In

other words it is "a boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents." UNFPA stated that, "A country with both increasing numbers of young people and declining fertility has the potential to reap a demographic dividend."

## 3. DEMOGRAPHIC TRANSITION THEORY

But before understanding the concept of demographic dividend we should know the demographic transition theory because demographic dividend concept is an outcome of phases of demographic transition theory. Each country has to pass three stages of demographic transitions which are empirically verifiable.

In the first stage high birth rate associated with high death rate, hence the population growth remains more or less stable for a long period because high birth rate is matched with an equally high death rate. Decades of 1950's & mid 60's came under this phase when population growth rate as well as mortality rate was too high and health facilities was not available in rural India in satisfactory mode. They were equally offsetting each other so that net increase in population could not become a matter of concern for that time.

But in the decades of 1970's 80's & mid 90's population growth rate was around 2.8 % because National Family Planning program (1952) to promoting a small family norm had completely failed to achieve the objectives it was made for. And mortality rate decline significantly due to improvement in health facilities. And this was the second stage of demographic transition, which is characterised by the rapid growth of population because high birth rate is associated with low death rate and this stage is responsible for population explosion in the developing countries. And decades of 2000 & after will come under the third stage because low death rate is associated with the low birth rate means birth rate decline significantly thus the rate of population growth remains low. Thus, Demographic dividend is outcome of second stage of transition theory because increased population reach into working age and dependency ratio falls due to declining in fertility rate. This population "bulge" in the working age groups, however large the total population, is now seen as an inevitable advantage Characterised as

Demographic Dividend. This is why India which is beginning to be characterized by such a “bulge” is seen as an advantage, despite the large population.

The proportion of working age population with highest potential growth will be higher in second phase. This is expected to be a short phase in any population depending upon the pace of fertility decline. If the fertility decline is slow and steady as occurred in western countries, then this phase may even pass un-noticed. But in the context of developing countries which are experiencing a rapid and sudden decline in the fertility rate. The growth of working age population is higher in this period as compare to the growth of child population leading to a lower dependency ratio. Because young and old age population tend to consume more output than they generate. Unlike working age individual whose contribution in output and saving are greater than their consumption.

But it is often argue that contribution of demographic dividend in the economic development depends upon the abilities of the countries to take full advantages of this stage in providing gainful employment to the workforce. Also the age structure transitions due to drastic decline in the fertility provide several economic benefits particularly at the household level. It increases the per capita income of the people that why it has argue that the demographic dividend played an important role in the “economic miracles” of the east Asian tiger countries .Especially developing countries of Asian continents experiencing a rapid decline in the fertility and there has been overwhelming optimism that the demographic bonus will take these countries to greater economic heights.

### **Relationship between Demographic Dividends & Economic Growth**

on the basis of empirical evidences, A strong & positive association have been found between the age pattern and economic outcome and now the country entered into a phase of augmented economic growth indicating a clear association between the Demographic change and economic growth. But often it is argued that only Demographic changes are not sufficient to provide an upward push to the rate of economic growth, Because there is no automatic links between Demographic change and economic growth. Fruits of Demographic Dividend are crucially determined by the policy environment and particularly good governance. Generally Demographic variables impact on the economy of household level and need not necessary to solve a direct connection with macroeconomic environment. As In 1958, **Coale & Hoover** particularly mentioned three Demographic forces adversely affected to development.

#### **1.) The size of the population**

#### **2.) Growth rate**

#### **3.) Age structure**

There is a capital swallowing effect as rapid population growth leads to a fall in the ratio of capital to labour. The age dependency effect creates a worsening dependency ratio, due to rise in the young population which will ultimately erode the saving of the household and finally investment diversion effects leads to a large amount of money being spent by the government on the social sector, rather than productive growth oriented investment. Then they suggest that only decline in fertility can promote growth through decreases in the dependency ratio.

But In contrast **KELLY**(1988) he suggested that population growth both has positive and negative impact on the development, And the net impact depends upon the specific condition in each country. And no universal conclusion can be derived on this relationship. Thus population growth is an important variable determining economic development.

Although there had been wide Criticism of **Coale & Hoover** arguments, because he projected a pessimistic view of the impact of population growth in India.

But both of the arguments are based upon the same premises. The only difference or point of disagreement seems to relate whether India will be able to take advantage of the Demographic Dividend with low literacy level and several other adverse human development indicators.

### **Demographic dividend and economic growth**

The age structure transition can create a spurt in the economic growth in the several ways.

1. **Saving rate** – a population bulge in working age group tends to earn more and more because they have passion for fulfilling all their desires. They can save more money because of their earnest desire. They can contribute in national and their personal saving for a long time. Saving rate also increases due to low dependency rate and partly increases in the life expectancy. And the major part of the saving is contribution of the household sector. The increased saving is not due to large number of adult members, but due to fewer number of children and their personal saving increases and serve as a partial resource for investment that fuel economic growth.
2. **Increases in work participation rate (especially female WPR):** - due to decline in the fertility rate, & increase in women literacy rate women are educated and enjoying the greater economic life activities. And their participation will not only improve work participation or labour supply in the Economy but also it would lead spurt in economic growth, because one of the measure hurdle of the women, entering in the labour market had been the high fertility and the time spent on the child care. But decline in the fertility give women the freedom to spend more time on the economic activities resulting in the higher economic growth. And it will also raise the economic condition at the household level.

**3. Productivity increases due to better and advance health facilities.**- when dependency Burden is really low. Then the economic condition of the people improve and people are in condition the invest more on their health, nutritious food and their own basic necessities. While earlier they had to spend more money on upbringing, care and needs of their larger number of children. But now people's investment over themselves is leading them to a better productive contributor in economic growth of a nation.

**4. Government investment increases-** Due to declining in the dependency ratio or fertility rate. Government are also in position to spend or invest more on direct productive activity, because the expenditure over social infrastructure health facilities, education and mass consumption items can be diverted to more productive activities and this leads to the economic growth of the country.

#### **5. Human capital formation**

Due to population bulge in working age group and decline in the dependency ratio, the quality or standard of living of the people increases because Per capita availability of food and income both increases and expenditure over unproductive things decreases. And their investments on themselves are making them educate, healthy, skilled and productive human capital labour force which can easily absorbed in the industrial sector and can Contribute in the nation's economy.

**6. Reduction of poverty-** due to rising number of working population, per capita income increases as well as national income improves. With higher income, people keep a larger amount of saving and invest it on their children's upbringing and education. And finally education through its forward linkages helps to reduce the poverty from the country.

**7. Elimination of un-employment** - Earlier due to industrialization, demand of skilled and educated labour force increases but our country has a lack of skilled and trend labour force, so there is large number of unemployment. But now people are spending moreover on themselves & women also join the market to take job outside of the home and peoples are taking various types of skill education so these productive labour forces can easily absorb in industrial demand.

#### **Future challenges in realising the benefits of Demographic Dividend**

A population bulge in working age groups is seen as inevitable advantage & characterised as Demographic Dividend. But if we don't use these populations productively then it can transform into curse for the nation. There are many hurdles which stop India to take advantage of the Demographic Dividend . it is future challenges for the government to remove all these obstacles, create the environment in which

people can enjoy the benefits or advantage of Demographic Dividend.

**According to Chandrasekhar (2006):-**“ India facing a major deficit in the area of education & health, the conversion of a growing labour force into a quality work force is difficult to achieve, then this will ultimately result in a waste of the Demographic advantage. That's why our government should adopt those policies which can help to take the advantage of demographic dividend in the country.”

#### **4. BETTER HEALTH FACILITY**

Evidences suggest that better health facilities reduces people's expenditure on health services and enhance their individual productivity in household sector and it resultant improves economic production and growth. Hence Importance of government policies to promote health become important to realise all benefits of demographic dividend.

- Ensuring that infants receive good medical facility.
- Protecting the women's reproductive health and enhancing their health knowledge since they play central role in health of their families.
- Stressing the health of the children and teenagers to improve educational performance.
- Focusing specially on low income population with strong public sector programmes, because Poor health is an important cause of low income of households.

#### **5. REDUCTION IN TOTAL FERTILITY RATE**

- One fourth of the all birth in developing world outside china is unwanted or ill timed.
- About 20 millions unsafe abortions occur there annually.
- About world's 175 million pregnancies annually are unwanted and mistimed.
- Choice of contraception should be easily increases in expensive choices should be available.
- Awareness program should be continue through various medias

#### **6. EDUCATION**

- Many Indian states have already achieved universal primary enrolment and some are currently approaching towards it But at the same time there are larger concerns must be taken for the quality of school /college education which is spoiling all quantitative efforts of government. So quality should be central focus in all efforts/ program of Indian government, so that after getting education they can easily get employment and contribute in nation GDP.

- A study based in rural India found that on any given day the average attendance rate in the rural India is only 75% of India. It should be increases.
- According to a learning test administered among children, half of the children in rural India are at least three grade levels behind where they need to be.
- Another serious concern is the lack of sufficient infrastructure in higher education. Only 10 % of the students pursue higher education which is significantly below the developing countries average of 21%.
- Now a day's school deviate from the purpose it has been made for and become a place of distributing government benefits rather than imparting education, it must be taken care off.

## 7. EMPLOYMENT

- The Demographic Dividend can be fruitful for the country only if policy maker formulate the policy according to the long term employment generating strategy.
- Special concern must be skilful education for women which provides them employment.
- Policies are required to improve human resources capabilities, provide them good training for jobs, so they can easily absorb in the jobs.
- Policies are required to generate to human capital which are needed for optimum growth of the economy because its work as fuel for economic growth.
- Government policies main motto should be to remove unemployment and create greater job opportunity for educated unemployed and get rid off from the concept of jobless growth.

## 8. CHANGES REQUIRED IN POLITICAL STRUCTURE

- Demographic disparity may cause considerable social turbulence to political stability in the country. It is expected that representation of parliament will undergo rapid changes.
- The northern states gaining a substantially high number of seats on the basis of population, once the freeze on the number of seats is withdrawn.

- Since 1976, the number of seats in parliament and the state legislature has been frozen till 2026, On the basis of population enumerated in the 1971 census report.
- But this move was to prevent the states being punished in the terms of number of parliamentary seats because they were successful in implementing family planning initiatives.
- Once the freeze is lifted, it is likely to create more political imbalances & conflicts in the country.
- To remove this situation the government should adopted the appropriate policy which can save the country from domestic imbalances.

## 9. CONCLUSION

Demographic are the key importance to development, but this link is often ignored. Because always population considered as liabilities for the economy but almost all economist consider it as curse for the economy like Coale & Hoover, Nurkse etc. But after a long time economist understand the concept of Demographic Dividend .If we use the policies to integrate the solution of all basic problems and provide employment to all unemployed persons then the large working population of the country can become the reason of the development. And India facing a major deficit in area of education and health, the conversion of growing labour force into skilled human capital can result the demographic advantage for the country.

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