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Source: *The Business Times*, p21
Date: 17 April 2019

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, 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. It noted that 30 per cent 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 2055, longer than any other country of 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.

There are some signs this may occur. India's democracy is solidly entrenched. It is now the world's largest fastest growing economy. Foreign direct investment at S$40 billion in 2018 was a record. During 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 3-4 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 jobless growth. 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 27.7 per cent in 1990 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.

PM Modi's invincible persona has slipped somewhat in recent months after the drubbing his Bharatiya Janata Party received in state polls. PHOTO: EPA

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 Bharatiya Janata Party received in state polls. His party lost in Rajasthan, Chhattisgarh and Madhya Pradesh during the December 2018 elections. Unemployment was an important electoral issue. Congress leader Rahul Gandhi noted during an election rally in Karnataka in March 2018: "While China is creating 50,000 jobs every 24 hours, our Prime Minister Narendra Modi, despite launching Make in India, Startup India, and Digital India, creates only 450–500 jobs!"

Job creation has become a major political issue. An online 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, its responses have been poor. The Prime Minister's Economic Advisory Board was heavily criticised 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 came under fire for withholding vital information that would discredit its economic performance before the latest election. The Acting Chairman of the National Statistical Commission and a member resigned for the delay in releasing the NSSO report. The document come to light because the newspaper *Business Observer* managed to get a leaked copy.

Competition for the few jobs available is fierce. When Mumbai advertised vacancies for 1,137 police constables in 2018, requiring only grade 12 education, it received 200,000 applicants. A constable receives a salary of Rs 25,000 (US$352) a month and quarters to live in. Among the applicants were 423 engineers, 167 MBAs, and 543 with postgraduate degrees.

Similarly, when Indian Railways advertised 90,000 jobs for high school graduates for lowly technical jobs as assistant train drivers, carpenters, welders, porters, gangmen, etc, it received 28 million applicants. The starting salary offered was a mere Rs 18,000-19,000 (US$252-US$263).

STRUCTURAL MALAISE

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 789 universities and 37,204 colleges churn out graduates who are mostly unemployable. For example, 6,214 engineering and technical institutions 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 jobseekers. Even after graduation, they lack basic work and communication skills. Not surprisingly, unemployment among the well-educated is 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 anaemic. 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 more 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.

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