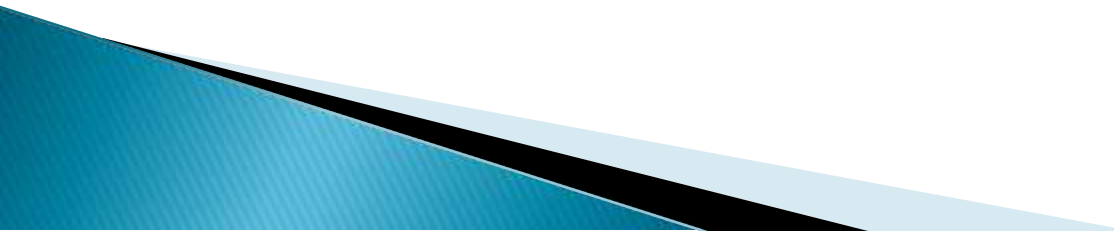


DEMOGRAPHIC DIVIDEND



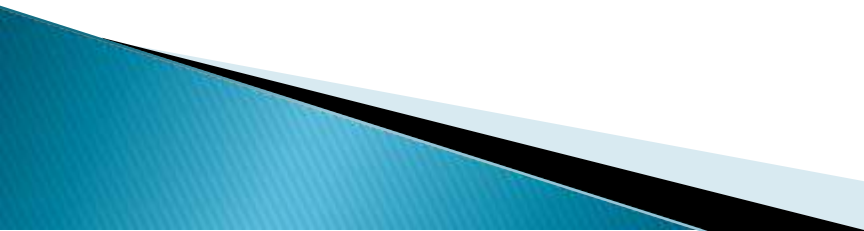
DEFINITION

- ▶ It is defined as a rise in the rate of economic growth due to a rising share of working age people in population. The phenomenon occurs with a falling birth rate and the consequent shift in the age structure of the population towards the adult working ages
 - ▶ It is also known as demographic bonus or demographic window
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IMPACT ON ECONOMIC GROWTH

Age structure transition i.e. (the growth of working age population will be higher as compared to the child population) will lead to lower dependency ratio and this will have a positive impact on economic growth

- ▶ Saving rate is expected to increase during the age structure transition. Thus, demographic dividend that accrues to a country will automatically generate capital resources that the country needs for investment purpose. Higher the share of working population to non-working population larger is the surplus available for investment

- ▶ With the decline in fertility more women are likely to enter into the labour market resulting in increased economic activity
 - ▶ People invest more on their own health when children are fewer in number, leading to better productivity and economic benefits to the household
 - ▶ Government will also be in a position to spend and invest in more productive activities with the decline in the number of children as public spending on education and health can be diverted to more productive activities
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Some studies have shown a strong positive correlation between demographic variables and economic outcomes

- ▶ The study of Bloom and Williamson (1998) of 78 Asian non Asian countries showed a powerful positive impact of growth of the working age population on economic growth. The estimates showed that nearly one-third of the economic miracle of East Asian countries can be attributed to demographic dividend
- ▶ A study by Behrman (1999) using data for several countries since 1950 found a strong positive association between age pattern and economic outcome.
- ▶ Andersen's(2001) study of Scandinavian countries using data since 1980 also found a positive correlation between economic growth and share o working age population
- ▶ Bloom(2003,2006) using a panel data of countries from 1996 to 2000 established a positive correlation between age structure transition and economic growth in India and China

AGE STRUCTURE OF INDIA'S POPULATION

There has been a drastic change in the age structure of the population in the 0-14 and 15-59 age groups in many Indian states over the four decade period 1961-2001.

Important trends are;

- ▶ States like Gujarat, Karnataka, Kerala, Tamil Nadu, Maharashtra and Punjab recorded more than 14% points decline among children of 0-14 age groups between 1961-2011
- ▶ States like Bihar and Uttar Pradesh have registered declines of less than 5% points
- ▶ Rajasthan has registered a decline of 8% points and Madhya Pradesh has registered a decline of 7.4% points
- ▶ In the working age of 15-59 years, phenomenal increase of over 12% points was registered in Kerala and Karnataka over the 5 decade period 1961-2011
- ▶ Other states recording significant increase in the proportion of the working age population include Gujarat, Andhra Pradesh, Punjab, Maharashtra, West Bengal and Tamil Nadu. All these states also have more than 60% of the population in the working age group

INDIA AND DEMOGRAPHIC DIVIDENT

- ▶ Low dependency ratio gives India a comparative advantage and a progressively lowering dependency ratio will result in improving our competitiveness [dependency is defined as the percentage of the dependent population(0-14 and 60 and above) divided by the working age population(15-59)]

1971- 0.9

2001-0.75

2011-0.65

- ▶ The age structure of the population presents an unprecedented opportunity to India and this has been called India's demographic dividend

In 2020 the average Indian will be only 29 years old, compared with 37 in China and the United States, 45 in Western Europe and 48 in Japan.

2001-out of total population 102.9cr, 61.9 cr ppl were in the age group 15-65 yrs(60.2%)

this number is likely to increase to 90.8 cr by 2021(67.8%)
further to 95.7 cr by 2026 (68.4%)

- ▶ The demographic dividend is also likely to accrue from increasing participation of women in the workforce as the ‘reproductive span shrinks during demographic transition’.
 - ▶ Demographic bonus accrue from the change in the working age population structure. The share of the youth segment will decrease from now on while that of the mature labour force will be increasing. This indicates that there will be less pressure on the economy to generate new employment opportunities and that can lead to a possible reduction in unemployment, which can be described as another window of opportunity for India
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