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## RESEARCH ARTICLE

### INDIA'S DEMOGRAPHIC DIVIDEND: OPPORTUNITIES AND OBSTACLE OF SKILL DEFICIENCY

**Dr. Shashi Lata Singh \***

Associate Professor, Department of Economics, University of Lucknow

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\*Corresponding Author:  
Dr. Shashi Lata Singh

#### ABSTRACT

The present study tries to India is in a unique position of demographic dividend, i.e., its ratio of working age population to total population is greater than 50 percent and is expected to remain so will the next two decades. But is India in a position to reap its demographic dividend. On the face of it, India does not appear to be well prepared. To take advantage of an overwhelmingly young population, it is important that it should be healthy, well-educated and adequately skilled. Along with this, employment opportunities should be available. Otherwise, this boon could easily turn into a bane. India ranks very low on HDI index, making it clear that human capital in India is not well equipped. Joblessness, especially among the youth, is at a high. Manufacturing sector in India is not well equipped to provide jobs to the vast number of rural migrants coming to cities in search of jobs. Moreover, there is a skill mismatch. On the one hand well-paying formal jobs are not available to a large segment of employment seekers while on the other hand, vast number of employers complain of poorly skilled manpower available for work. The vocational training institutions like ITIs Score poorly in this regard. Our educational and technical institutions seem to be churning out unemployable youth. This leads to huge amount of resources of nation going to waste. It leads to disappointment and could lead to social strife. So, the skill mismatch needs to be corrected by revising and modernizing curriculum, industry-academia interactions and public private Partnerships in training. Also reskilling of labour whose skills have become redundant due to changes in technology has to be done.

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## INTRODUCTION

As a country develops, demographic transition from high fertility and high mortality to low fertility and low mortality comes about. During this phase of transition, the age structure changes substantially. The change in age structure has Economic implications. The lower number of elderly and children leads to lowering of consumption, while greater numbers of working age population, leads to higher production, lower consumption, higher savings and growth. As per several studies (Bloom, Canning and Malaney (2000); Mason (2001), Bloom, Canning and Sevilla's (2003) Bloom and Canning (2004)) higher ratio of working age population to total population along with labour productivity, better quality of human capital, savings rate, trade policies etc. determine long term growth rate. Later on, as aging begins people tend to save more for later years leading to higher savings and growth. This is often termed as an opportunity provided by demographic dividend. But gains from demographic dividend are not the same across regions and countries. It has caused productivity to increase substantially in East Asian countries but the same has not been the case for Latin American countries or South Asian countries like India. The Gain from demographic dividend has been uneven.

This is so because to reap the benefits from this window of opportunity, certain pre-existing conditions need to be fulfilled. Also, these conditions need to be in place beforehand and not when the demographic dividend is upon us. IS INDIA IN A POSITION TO REAP ITS DEMOGRAPHIC DIVIDEND: Very often, we keep hearing that India has a demographic dividend. As per the United Nations Population Fund, demographic dividend is the potential for substantial national economic payoff in a period in which the working age population is healthy educated, gainfully employed and has a low proportion of dependents. Of the above-mentioned conditions, it is only the last which is being fulfilled in India I.e., the dependency ratios have declined to below 50 percent by 2010 and are expected to remain low for the next three decades. The percentage of people who are of working age has of course increased, but are they working? As per Bloom et al. (2010), a higher share of working age population provides a supply side opportunity for potential economic growth, but it will be converted into reality only if these extra workers are productively employed. India falters substantially in providing good quality education and health facilities to its people. India's public expenditure on health as a percentage of GDP is amongst the lowest. Similar is the scenario regarding public expenditure on education. India is home to the largest number of malnourished children and anemic women.

Our children perform abysmally in learning outcomes as per yearly ASER reports. The less said for the skills available with the youth as only about 3% are vocationally trained. So, we do not have an educated, skilled and healthy workforce available for work.

#### **DWINDLING OPPORTUNITIES FOR BURGEONING WORKING AGE POPULATION:**

Earlier people used to try to secure Government jobs, but since LPG (Liberalization, Privatization and Globalization) in the early nineties, and downsizing of the public sector along with VRS (Voluntary retirement from service) the number of such jobs has declined significantly. The opening up of the economy has certainly led to a faster pace of growth but it has not led to increased employment opportunities. In fact, these are termed as decades of jobless growth. After a decline in public sector employment opportunities, it was expected that the private sector would grow and provide jobs. But due to immense red tapisms, policy delays and reversals, lack of proper infrastructure in form of inadequate transportation, proper roads, power, water, internet connectivity etc. Land prices are very high, and land is not available in continuous parcels at the right locations and proper rates for setting up industries. Land acquisitions are often marred by agitations. Labour laws are very restrictive in the formal sector. Therefore, India despite being a labour surplus economy, it does not attract much foreign investment on this account. All this has led to manufacturing not taking off. It is the secondary sector including manufacturing and construction which provides low skilled jobs to surplus agricultural labour. But in India the growth story has mostly been powered by the services sector which has lower elasticity of employment. Moreover, the services sector provides jobs either in the low paying informal sector or a miniscule of high paying jobs requiring highly skilled workforce.

#### **HIGH LEVEL OF YOUTH UNEMPLOYMENT AMIDST LOW LABOUR FORCE PARTICIPATION RATE:**

Among those unemployed, the greatest percentage appears to be of that of youth. Youth Unemployment Rate increased from 13.6% in 2011-12 to 27.2% in 2017-18. (NSSO surveys) It is still high at 22.9% (MOSPI Ministry of Statistics and Program Implementation). This problem appears even more stark when the abysmally low labour force participation rate among the youth is taken into consideration. (LFPR for youth aged 25 to 29 years declined from 44.6% in 2011-12 to 38.2% in 2017-18) (various NSSO surveys). This fall has precipitated gender difference because the decline has been starker for females, especially, rural females. LFPR for females as a whole, keeps hovering around 20%. At present LFPR for all ages in CWS (Current Weekly Status) is 48.2 percent as per October to December NSSO quarterly survey. If we want to see India's low LFPR in context we should compare it with other countries. In 2011, when LFPR in India was 55.6%, it was 69.9% in Brazil and 74.1% in China. As a country progresses one factor causing lower LFPR among youth is the fact that as they enroll in greater numbers for education, both secondary as well as higher education, LFPR typically falls. Even among youth, there is variation in LFPR across gender and categories. Among females, LFPR is much lower as compared to males especially general category urban females. The low female LFPR pulls down total LFPR and to see it in proper context it is even lower than LFPR in Saudi Arabia an Islamic country. It appears that social norms are one of the determinants in their case, while they might also be able to afford to remain unemployed if economic conditions are better. But the male youth cannot be assumed to have any such inhibition. Therefore, worker population ratio is high amongst illiterate or less educated, (ILO DWT for South Asia and country Office for India) as because of low incomes they cannot afford to live without working to meet their consumption needs. So, in the case of educated youth a low LFPR can be safely assumed to arise from disappointment in not achieving a job despite continuous search for one. The rural youth earlier engaged in primary sector activities, is now trying to join nonfarm activities to enhance his income. But he has not found much success as there appears to be little demand for them as employees.

The supply of labour in rural areas overwhelms demand leading to their spillover to urban areas as migrants in search of work, swelling the ranks of unemployed over there.

**SKILL DEFICIT AMONG JOB SEEKERS IN INDIA:** The people entering the workforce are unable to secure employment of a satisfactory nature. They are often underemployed, not getting jobs commensurate with their education, or may not be getting full time employment. Some have to make do with seasonal or part-time employment while a very high percentage is openly unemployed. Even those who are employed may have a job of an uncertain nature. All of this points to the fact that India has problems of both kinds i.e., supply side: excess supply of unskilled labour, and on the demand side; low demand for semiskilled labour but high demand for highly skilled workers which is unfulfilled. Thus, in India we can observe the presence of 'skill gap'. A skill gap is a considerable gap in attributes and capabilities possessed by the workforce and the skills demanded of them, by the industries. The skill set acquired through various educational and technical institutions, training etc. are found to be wanting when they apply for vacancies. As per Skill India Report 2015, of all the people who applied for jobs only 1/3 were found to have matching skills for them. The extremely high level of unemployment at least partly reflects the mismatch between skills demanded and skills possessed by those applying for work. The dropouts from schools, who join the labour force early are more likely to be skill deficient. Quite a few economists have warned that skill deficiency could lead into a capability trap situation. IISR 2022 has pointed out that higher education does not automatically convert into employability. Moreover, employability is not the same across diverse types of education. Engineers have the top employability quotient at 55.15%, closely followed by MBAs at 55.09%. But surprisingly it is the ITIs which appear to be churning out the less employable at 31.3% employability. MCAs are also suffering from low employability at only 29.3% even though computer professionals from engineering fields are in huge demand. They even fall behind ordinary graduates.

This bursts the myth that every person with a technical certificate will land a suitable job. ISR 2022 points out the great diversity in the employment scenario. Maharashtra, Uttar Pradesh, Kerala and West Bengal had the most employable youth. Women were found to be more employable at 52.44% as compared to males at 45.97%. Yet India has one of the lowest participations in labour force of females with only about 32.8 percent of total employment. IT, Tech, Engineering and manufacturing sector reported about 80% skill deficit. Similarly, BFSI (Banking, Financial Services and Insurance) employers perceived a 67% skill deficit. The figure for the Pharma industries was lower at 50% while for the retail sector it was at the highest with 100% of employers finding their employees skill deficient. The ISR report also mentioned that 75% of corporates expressed that there was a skill deficit in the work force. It implies that the youth entering the workforce is not conversant with the requirements of jobs. This makes it clear that our technical institutions except for a few premium ones, are failing India's youth. Within the IT sector, despite the advent of AI (artificial intelligence), there are several soft skills such as communication, crisis management, interpersonal relations etc. which are still required. As per ISR 2022 most employers surveyed expressed their desire to employ persons with good work ethic and positive attitude. If these are paired with domain knowledge and experience along with effective communication skills such candidates become invaluable assets to the company. It becomes clear that companies are not getting such employees in large numbers.

**NEED FOR JOBS FOR LOW SKILLED PERSONNEL:** The above situation is present in the case of high-end jobs where most of the technically educated English speaking personnel are looking for jobs. What about the rural youth who are less educated and unskilled or the vast number of slum dwellers in urban areas? They are not competitive globally. They too need employment which provides an adequate salary and social security. Opportunities for them will increase only with the growth of manufacturing sector which has been a laggard in the Indian growth story.

To enable it to perform up to its potential several reforms will be required of which land and labour reforms are of paramount importance.

**RISKS OF DEMOGRAPHIC DIVIDEND BECOMING A DEMOGRAPHIC DISASTER:** If this problem of high level of unemployment and underemployment remains unresolved it could lead to several repercussions. It could easily lead to a very frustrated youth and this frustration could lead to social strife and agitations. These agitations may turn violent leading to destruction of public and private properties. It is a well-known fact that agitations lead to lowering of GDP growth rate. Deterioration in law-and-order conditions could drive away foreign investment leading to yet again lower opportunities for employment. It could also lead to loss of social cohesiveness and enmity between different groups of people with each group accusing the other of being cause of lost opportunities (e.g., Anti reservation feelings or anti outsider feelings regarding people from different language, region or language) i.e., finding of scapegoats. Even otherwise, those who do not get any work also need to get their basic needs fulfilled India is not a developed country which can provide unemployment benefits to the unemployed in any significant manner. Having no support from State and society could lead to increased mental stress resulting in depression and even suicides. Others may give in to crime and violence. It is of utmost importance that this problem of lack of employment opportunities is resolved to a considerable extent without much delay. Otherwise, this demographic dividend could easily turn into a demographic disaster. What can be done to resolve this crisis?

**POSSIBLE SOLUTIONS:** 1) Recognition of prior learning (RPL) One important step taken by the government is certification provided under Pradhan Mantri Kaushal Vikas Yojana. This scheme needs to be implemented fully and enhanced in scope. It has had a beneficial effect on personnel with traditional skills or informal workers who have learnt their drills on the job. People with RPL Certificates have led them to become more confident about getting a job leading to better bargaining power and enhanced incomes (Sambodhi Research and Communications), 2) Public Private Partnerships in training and apprenticeship. Companies often complain that they do not get skilled employees and have to provide on the job training in the beginning. Moreover, as soon these employees learn new skills they move on to other companies. This leads to a loss to the earlier company. Hence, they are not particularly interested in up-skilling employees. This is a form of externality, where private benefit is much lower than social benefit. It would be better if the cost of such skilling is subsidized by the government, while industry provides the training. In this way a pool of skilled labour will be available to the industry, which can lead to increased productivity and competitiveness. The government has launched 'Skill-up India' for precisely these very reasons Initiatives like SANKALP, PMKVY, ASAP, MSDE, AICTE etc. have come up. Of the employers surveyed for ISR 2022, 51.28% are considering hiring products from these skilling initiatives.

**Incentivizing the manufacturing sector:** The PLI (production linked incentive scheme) is a step in the right direction. But the problem is that most of the investment under this scheme is being made in capital intensive industrial sector which will not provide substantial number of jobs. It is important that labour intensive industries are set up, which would lead to greater number of jobs being created. For this it will be important to implement land and labour reforms, which being a politically sensitive matter is easier said than done. Only a rejuvenated manufacturing sector can provide a vast number of jobs to low skilled personnel and help them to move up the value chain.

**Removing regulatory hurdles:** Despite India being a democratic country and having a large pool of English-speaking personnel, international investments are low in India as compared to China. This is due to red-tapism of Indian bureaucracy to a significant extent. It is important to reduce procedural hurdles and avoid policy reversals.

**Improvement of infrastructure.** Improvement in basic infrastructure such as power, water, roads, transportation, Internet connectivity will

lead to crowding in by the private sector industries. Scaling up of MSMEs: It is not only absence of employment but the quality of employment in terms of salary and social security that is agitating today's youth. Most of the jobs available are in the micro segment in the informal sector, where the workers are low paid and highly vulnerable. In such situation, there is hardly any incentive for them to up-skill. This is despite the Government's Skill Up India initiative. It is important to convert micro and small enterprises to medium and large industries making them technologically advanced and globally competitive. Collaboration between Industries and Academia: It is very important that higher education institutes and industries come together so that the students coming out from academic institutions are acceptable to employers in industry. Only when industry specifies the skills it is looking for, is involved in curriculum designing and provides apprenticeships to students, will it get a skill ready workforce. Then they will have to spend less time and money to train their fresh employees and also candidates without experience will get employed easily. Transition from learning to employment will be seamless. It will be a win-win situation for both of them. It is not only the youth who are skill deficient. In a fast-changing and modernizing economy, there is a problem of redundancy in several industries leading to lay-offs. These people, with families to support, are suddenly rendered unemployed. They too need safety nets and social security. They need to be reskilled so that they get jobs in new industries. It is important to identify skills that will be required in the future and provide training accordingly. For this purpose, academicians and doyens of various sectors should come together and frame a new curriculum removing obsolescence. This will also prevent mismatches of skills and wastage of scarce resources. Providing financial help to universities and technical institutions could be considered as part of CSR (Corporate Social Responsibility) so as to provide adequate funding for imparting skills. Upgrading of vocational institutions should be done on a priority basis.

## CONCLUSION

India does have a demographic dividend, but it can be properly utilized only if they have job relevant skills and are gainfully employed. Only then can they contribute to productivity and growth. If employment opportunities with proper wages are not available the youth may become disappointed and may either give up looking for jobs (reflected in low LFPRs especially among females) or start working in informal, low productivity jobs. Female LFPR being abysmally low, pulls down total LFPR. If half the population is disillusioned and uninterested in finding jobs and working, it will lead to a great loss of potential output. But for this, employment opportunities need to be created, societal norms will also need to undergo changes. It is a very rapidly transforming and challenging world. We need to be agile and acquire new skills as old ones are continuously getting redundant. If we cannot adapt our educational and technical institutions to provide skilled work force commensurate with needs of industry, we will waste our demographic dividend.

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