



Turning Demographics into Development

This editorial is based on “[Defusing the demographic time-bomb: Tackling the jobs-and-care crisis](#)” which was published in Business Standard on 01/07/2025. The article highlights that India must shift from an industry-led to a community-driven, care-centered model to truly harness its demographic dividend.

For Prelims: [United Nations Population Fund \(UNFPA\)](#), [Demographic Dividend](#), [Elderly Population](#), [Samagra Shiksha Abhiyan](#), [Right to Education Act](#), [ASER 2024 \(Annual Status of Education Report\)](#), [PM Kaushal Vikas Yojana](#), [Startup India](#), [Pradhan Mantri Mudra Yojana](#), [Gig workforce NFHS-5](#), [PLFS 2024](#), [Geriatric Care](#), [International Labour Organization's \(ILO's\)](#) .

For Mains: The role of government policies and interventions in unlocking India's demographic dividend.

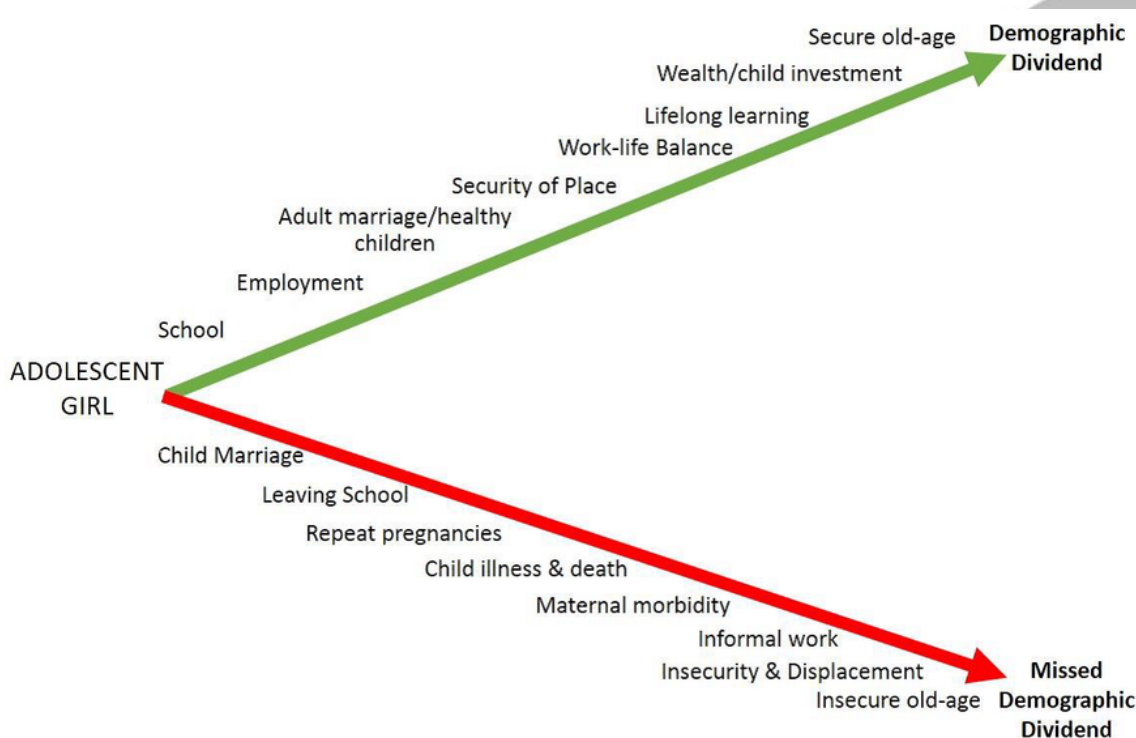
The world stands at a **demographic crossroads**, where **youth bulges** and **ageing populations** coexist uneasily within strained economies. With **1.2 billion people** in emerging markets, especially India, seeking jobs, and only **400 million** likely available, the promise of a **demographic dividend** risks turning into a social time bomb. As life expectancy rises and traditional safety nets weaken, India must move beyond industry-led models and embrace **community-centric, care-driven policies** to transform its population challenge into a foundation for [inclusive and sustainable development](#).

What does the Term 'Demographic Dividend' Mean and What are the Trends?

- **UNFPA Definition:** The [United Nations Population Fund \(UNFPA\)](#) defines [demographic dividend](#) as growth due to changing age structures.
 - This occurs when the **working-age population** (15–64) outnumbers the non-working-age population (under 15, over 64).
- **Demographic Prime:** India's population has reached its **demographic prime** (a period when a country has a large proportion of its population in the working-age group), with 67.3% of the population aged between **15–59 years**, a demographic advantage expected to persist for another three decades.
 - This will contribute to India's potential for sustained economic growth and productivity as a young, active workforce drives innovation and development.
- **Youthful Population:** Around **26%** of India's population is below 14 years of age, compared to 17% in the US and 21% in Europe.
 - This demographic trend ensures a future workforce that will support India's economic growth and contribute to its global competitiveness as they mature into working-age adults.
- **Elderly Population:** Only 7% of the population is **above 65 years**, significantly lower than the US (17%) and Europe (21%).
 - A shift from **demographic pyramids** (a large youth population and a smaller elderly

population) to obelisks (a larger elderly population and a smaller youth population) indicates a rising **elderly population** globally, including in India.

- India's current **youth bulge** presents its most crucial demographic opportunity, enabling a focus on youth development and productivity without the burden of a growing elderly population.
- **Future Projections:** By 2030, the working-age population in India will reach 68.9%, with a **median age of 28.4 years** and a **dependency ratio** of just 31.2%.
 - This shift will result in a more **dynamic and productive workforce**, boosting economic output while keeping the dependency ratio at a manageable level.
- **Largest Workforce:** India will have the world's largest workforce, with 1.04 billion working-age persons by 2030.
 - This positions India as a critical global economic player, with a vast labor market capable of driving growth in industries and attracting international investments.
- **GDP Impact of the Dividend:** As per McKinsey Global Institute, the dividend contributed **0.7% to GDP per capita growth** in past decades.
 - However, this is projected to drop to **0.2% annually by 2050**, signalling an urgent need for action.



How is India Harnessing Its Demographic Dividend for Growth?

- **Services-Led Growth Trajectory:** Since the 1990s, India's growth has been **led by services**, especially IT and **digital technology** sectors.
 - India **currently** exports **4.6% of global services**, showcasing **skilled labour utilisation** and comparative advantage.
- **Global Remittance Leadership:** India receives over **\$125 billion in remittances annually**, contributing about **3% of GDP**, exceeding merchandise exports.
 - Despite this, migrants make up just **1.3% of India's population**, compared to Mexico's 8.6%.
- **Workforce Expansion and Composition:** India adds **9.7 million potential workers** each year during this decade, increasing global labour supply.
 - This creates global implications for labour market **supply chains and productivity dynamics**.
- **Youth-Centric Policy Frameworks:** India's youth-focused policies include **National Youth Policy**, **PM Kaushal Vikas Yojana**, **Startup India**, **Pradhan Mantri Mudra Yojana** and **YUVA Mentorship Scheme**.

- These initiatives aim to enhance **aspiration fulfilment**, digital literacy, and **entrepreneurial capacity**.
- **Gig and Platform Economy Growth:** **Gig workforce** increased from **2.5 million (2011-12)** to nearly **13 million today** and expected to reach 23 million (NITI Aayog).
- **Education Reforms and Literacy:** Initiatives like **Samagra Shiksha Abhiyan**, and **Right to Education Act** have pushed enrolments and access in primary and secondary education.
- **Migration as Global Strategy:** India aims to become a **global talent hub**, supplying **medium to high-skilled labour** to aging economies.
 - Strategic alignment of skills with host countries' demand is supported by **bilateral frameworks and certification reforms**.
- **Sectoral Diversification for Jobs:** Focus sectors like **tourism, apparel, toys**, and **logistics** provide job intensity and regional growth balance.
 - These can integrate under-employed youth into the economy while **upgrading value chains**.
- **Future-Ready Skilling and AI:** With AI expected to become a **\$826 billion global market by 2030**, India is focusing on future-ready skilling by integrating AI and emerging technologies into education and vocational training programs.
 - Initiatives like the **National AI Mission** aim to equip the workforce with the necessary skills to thrive in a rapidly evolving digital economy.

What can Cause a Demographic Disaster in India?

- **Youth Unemployment Crisis:** According to the **India Employment Report 2024**, youth comprise **83% of India's unemployed population**.
 - The labour market is failing to **absorb rising entrants**, posing risks of mass underutilisation of human capital.
- **Skill Development Landscape:** The **India Graduate Skills Index 2025** reveals a concerning decline in employability, with only **42.6% of graduates** deemed employable in 2024, down from 44.3% in 2023.
 - Skill mismatch continues to challenge **labour absorption**, necessitating curriculum redesign and **job-ready training**.
- **Education and Learning Deficits:** Only **34% of girls** and **35.9% of boys** (ages 15-24) have completed 12+ years of education (NFHS-5).
 - According to the **ASER 2024 (Annual Status of Education Report)**, 23.4% of Standard III children in government schools could read Standard II-level text.
 - Further, **NFHS-5** reveals that only 50.2% of men and 41% of women have completed 10+ years of schooling, highlighting the challenge of improving access to quality education and addressing gender disparities in education.
- **AI Skill Gap Challenge in India:** A significant challenge for India lies in the **51% skill gap** in its AI sector, despite having the world's second-largest AI talent pool.
 - This gap hinders the full potential of **AI adoption and innovation**, requiring urgent focus on skill development and **training** initiatives.
- **Malnutrition and Cognitive Stunting:** NFHS-5 reports show **35.5% of children under 5 are stunted**, and **67.1% are anaemic**.
 - Only **11.3% of children (6-23 months)** receive a minimum adequate diet- down from 9.6% in NFHS-4.
- **Female Workforce Integration:** The Female Labour Force Participation Rate (FLFPR) in India, as per the **PLFS 2024** annual report, is 41.7%, below the **47% global average**, thus limiting demographic dividend potential.
 - Barriers include cultural norms, workplace inflexibility, and **limited access to skilling and job security**.
- **Informal Employment Trap:** The majority of India's workforce is in the **informal sector**, facing **low wages, no contracts**, and **no protection**.
 - This reduces job quality and suppresses the **long-term fiscal and economic gains** of the demographic advantage.
- **Poor Working Conditions in Gig Economy:** A 2024 report finds **83% of app-based drivers** work more than **10 hours daily**.
 - More than **60% work over 12 hours**, violating **ILO's standards on decent work and safety**.

- More than **70% of platform workers** say their earnings are **insufficient to meet expenses**.
- Precarity, exploitation, and excessive hours **undermine the sustainability** of the youth employment model.
- **Shortened Work Life Span:** A study in 2024 found most platform workers exit the workforce by **age 40**, not the typical **retirement age**.
 - This reduces the **productivity window** and adds to the ageing burden without long-term social security.
- **Regional Disparities in Fertility:** States like **Bihar (TFR 2.98)** and **Sikkim (TFR 1.05)** show opposite demographic trajectories.
 - Without state-specific approaches, India may face simultaneous problems of **overpopulation and depopulation**.
- **Ageing Without Preparedness:** By 2030, **193 million Indians** will be elderly, forming **13% of the population**, needing advanced [geriatric care](#).
 - Without planning, the dividend will turn into a **dependency crisis**, increasing health and pension burdens.

What More Should India Do to Reap the Dividend?

- **Reform Education for Relevance:** Only **50.2% of men** and **41% of women** (15–49) have completed 10+ years of schooling (NFHS-5).
 - Curricula must evolve to embed **digital skills, critical thinking**, and employment-aligned content.
- **Expand Skill Matching Ecosystems:** India must create platforms for **international skill certification**, language proficiency, and cross-border placement services.
 - This aligns with demand in **labour-deficient economies**, improving remittance flow and employment quality.
- **Build a Global Talent Hub:** India should pursue a formal **“India for the World” workforce strategy** alongside domestic skilling efforts.
 - As per MoSPI, India will add **4.2 million workers annually post-2030**, useful for global productivity.
- **International Labour Mobility Framework:** Proposed reforms include a **central migration authority**, mutual recognition agreements, and **skill financing mechanisms**.
 - India can adopt the **Philippines' model** with a central **migration authority, regional offices, and migrant support abroad**, coupled with mutual recognition agreements and skill financing mechanisms.
- **Guarantee Labour Rights in Gig Work:** Policy must enforce **working hour limits, wage floors, and healthcare rights** in gig and informal sectors.
 - Aligning work with [International Labour Organization's \(ILO's\)](#) **“decent work” norms** is vital to sustaining productivity and inclusion.
- **Invest in Women's Economic Participation:** Provide **job-linked skilling, credit access**, and workplace safety for women to enter **value-added economic activities**.
 - This can raise household income and **aggregate female contribution to GDP**.
- **Leverage AI for Digital Skilling:** To address the 51% skill gap in India's AI sector and maximize its potential, the country must prioritize AI-focused skill development programs and align them with global standards.
 - **Collaboration between government, industry, and academia** can foster innovation, while enhancing AI training initiatives will bridge the gap and drive economic growth.
 - AI-driven training platforms can address **scale, customisation**, and regional accessibility gaps.
- **Improve Data for Policy:** Reliable, timely **demographic and labour market data** must inform targeted policy design and tracking mechanisms.
 - This is critical to **monitor, adjust, and course-correct** India's approach to harnessing its dividend.
- **Policy Coherence and Multisectoral Alignment:** All ministries must synchronise efforts in **health, education, labour**, and **external affairs** to optimise outcomes.
 - The **demographic dividend** is time-sensitive; its policy window narrows with each passing year.
- **Prioritise Early Nutrition and Health:** NFHS-5 shows **only 11.3% of infants** (6–23 months)

receive a minimum adequate diet.

- Interventions in early childhood **brain and physical development** are foundational for building cognitive productivity.

Drishti Mains Question:

What are the risks of demographic transition in emerging economies like India, and what structural reforms are needed to holistically unlock its demographic dividend?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. To obtain full benefits of demographic dividend, what should India do? (2013)

- (a) Promoting skill development
- (b) Introducing more social security schemes
- (c) Reducing infant mortality rate
- (d) Privatization of higher education

Ans: (a)

Q. Consider the following specific stages of demographic transition associated with economic development: (2012)

1. Low birthrate with low death rate
2. High birthrate with high death rate
3. High birthrate with low death rate

Select the correct order of the above stages using the codes given below:

- (a) 1, 2, 3
- (b) 2, 1, 3
- (c) 2, 3, 1
- (d) 3, 2, 1

Ans: (c)

Mains:

Q. "Demographic Dividend in India will remain only theoretical unless our manpower becomes more educated, aware, skilled and creative." What measures have been taken by the government to enhance the capacity of our population to be more productive and employable? (2016)

Q. "While we flaunt India's demographic dividend, we ignore the dropping rates of employability." What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. ? (2014)

