



Mains Practice Question

Q. India is poised to reap a demographic dividend due to its young population profile. Discuss the opportunities and challenges of leveraging India's demographic dividend for economic and social development. (250 words)

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Approach:

- Provide a brief introduction to India's demographic profile and the concept of demographic dividend.
- Highlight the opportunities presented by India's demographic dividend for economic and social development.
- Discuss the challenges that hinder India's ability to fully leverage its demographic dividend.
- Conclude suitably.

Introduction:

India is currently experiencing a demographic window of opportunity, with **65% of its population under the age of 35**, making it one of the youngest nations globally. This demographic shift provides India with a potential "**demographic dividend**," where the **working-age population (15-64 years)** outnumbers the dependent (young and old) population. With the right investments in education, & infrastructure, this youthful demographic can contribute significantly to India's development.

Body:

Opportunities of India's Demographic Dividend:

- **Economic Growth and Increased Consumption:** The working-age population, which is projected to make up 59% of India's total population by 2041, can drive productivity and GDP growth.
 - With the rise of the **middle class and increasing incomes**, India is set to account for **30% of global consumption by 2050**, up from 12% in 1997.
 - This shift presents vast opportunities for businesses and will help fuel growth through consumption-led economic expansion.
- **Increased Savings and Investments:** A smaller dependent population allows individuals to save more, thereby contributing to capital accumulation. India's gross domestic savings rate stood at **30.7% of GDP** in March 2024, this rate is significantly higher than the global average, indicating a strong propensity to save among the population.
 - These savings can be redirected towards **investments in infrastructure, technology, and economic development**
- **Innovation and Entrepreneurship:** With **1.59 lakh startups**, India is now the world's 3rd largest startup ecosystem. The schemes like **Startup India and Atal Innovation Mission** are aimed at fostering this entrepreneurial spirit among the youth.
 - The demographic dividend can fuel India's entrepreneurial ecosystem, making it one of the **world's leading startup hubs**.

- **Labor Force Expansion and Gender Inclusion:** The expansion of the labor force, including a **higher participation rate of women**, is crucial for India's economic progress. Currently, India has a relatively **low female labor force participation (32.8% compared to the global average of 47%)**.
 - If India is able to increase female participation, the available workforce will expand, leading to higher productivity and economic output.

Challenges in Leveraging the Demographic Dividend:

- **Unemployment and Underemployment:** Despite having a large labor force, India faces the challenge of insufficient job creation. In 2022, **83% of India's unemployed population was under the age of 35**, highlighting the mismatch between the growing workforce and the availability of jobs.
 - A significant proportion of this **demographic is either underemployed or not employed at all (youth unemployment rate- 20%)**.
 - The mismatch between education outputs and market needs contributes to rising unemployment, especially among graduates (Over 42 % of India's graduates under 25 were unemployed in 2021-22).
 - Informal employment also continues to dominate (Over 90%), where workers face low wages, job insecurity, and lack of social protection.
- **Skill Mismatch:** A significant challenge is the skill gap in India's labor market. According to the ILO, **47% of Indian workers, particularly 62% of females, are underqualified for their jobs**.
 - A large portion of the **working-age population lacks the necessary skills** to meet the demands of the modern job market (**only 5% of the young workforce is formally skilled**).
 - This skills mismatch limits the potential of India's workforce and hinders its ability to compete globally in advanced sectors.
- **Health and Nutrition:** India still grapples with **health challenges such as malnutrition, inadequate maternal health care**, and limited **access to quality healthcare**. These issues impact the workforce's overall health and productivity, diminishing the effectiveness of the demographic dividend.
- **Regional Disparities:** The benefits of the demographic dividend are not evenly distributed across India. While some states like **Bihar have high fertility rates**, others like **Sikkim are already experiencing aging populations**.
 - This regional disparity demands subnational policies tailored to specific demographic trends to ensure the benefits of the dividend are realized across the country.
- **Gender Disparity:** **Female labor force participation is at 37%**, much lower than **75% for males**, with **gender-based barriers** still prevalent. addressing this gender disparity is key to maximizing the economic potential of the demographic dividend.

Measures to Address the Challenges to Demographic Dividends:

- **Investing in Human Capital:** **Aligning curricula with the needs of the labor market** and expanding access to higher education will ensure that the youth are equipped for the demands of the global economy.
 - **Investing in healthcare and nutrition** is essential to improving the overall health of the workforce and ensuring long-term productivity.
- **Creating Employment Opportunities:** To effectively absorb the **growing labor force**, **India needs to create more formal sector jobs**. Government policies should focus on entrepreneurship, **business-friendly reforms**, and the **expansion of industries that generate high employment**.
 - Special efforts should be **made to boost female labor force participation** by implementing gender-inclusive policies, ensuring safe workplaces, and addressing wage disparities.
- **Managing Aging Populations:** As India approaches the peak of its demographic dividend by 2041, the government should gradually **raise retirement ages and create incentives for older workers** to remain in the workforce. Pension system reforms will also be necessary to ensure sustainability.

- **Regional and Subnational Policies:** Given the regional disparities in **fertility rates and aging populations**, a tailored approach focusing on regional challenges like aging populations in some areas and youth unemployment in others, is required to address the specific needs of different states.

Conclusion:

By investing in **human capital, creating formal sector jobs, and implementing policies** to ensure inclusive growth, India can maximize the benefits of its demographic dividend and ensure long-term prosperity for its population.

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