

Population Dynamics in India: Navigating the Opportunities and Challenges of Demographic Transition



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India's population dynamics have been making headlines this year as it has overtaken China to become the world's most populous country. The United Nations World Population Prospects projects that India's population will reach 1.4 billion in 2023, marking a significant milestone since the UN began tracking global population numbers in 1950. Since then, India has added over 1 billion people to its population, which is forecast to continue increasing until 2064, when it will peak at 1.7 billion people under the UN's medium variant projection. According to the high variant scenario, the population is expected to reach over 2 billion by 2064.

This growth prompts whether India can seize its demographic dividend, which is the opportunity to accelerate economic growth through its large, youthful population. Over 40% of India's population is under 25, with a median age of 28, in contrast to China's 39. This trend is projected to continue, as India's population is not aging as rapidly as many other countries; only 7% of Indians are aged 65 or older, compared to 14% in China

and 18% in the US. Under the UN's medium variant projection, the percentage of Indians aged 65 and older is expected to remain under 20% until 2063. Most importantly, India's working-age population now represents more than 60% of its population and will peak at approximately 65% around 2036.

This demographic dividend offers significant opportunities for growth and development, as India has the potential to become a major economic powerhouse. However, the degree to which India can use its growing population to increase GDP growth will be determined by several factors, including the speed and size of population growth and the percentage of the working-age population who can secure employment. Furthermore, ancillary factors, including but not limited to investment, governance, and the cultivation of human capital, are poised to play an integral role in this context.

The anticipated surge in the working-age proportion will be predominantly concentrated in several of India's most impoverished states. Thus, India's potential demographic dividend can only be fully realized through the creation of gainful employment opportunities for this population. While India experienced high economic growth rates in the mid-2000s, it did so without a corresponding increase in employment, a phenomenon known as "jobless growth." To support its growing population, India needs to generate adequate jobs and address its chronic shortage of skilled labor. Shortage of skilled labor is a major concern for the country. Despite having a large workforce, India's human capital is relatively low-skilled compared to other countries. The problem is reflected in India's ranking of 132 out of 191 countries on the Human Development Index, which highlights the need for improvement in education, health, and inequality. Although India has a strong digital workforce with the potential to excel in the future, it is crucial to prepare the workforce for the highly skilled jobs that will be created in the future. The World Bank data shows that India's human capital index in 2020 was 0.5, which is lower than China's 0.7. Therefore, addressing the issue of skilled labor shortage and investing in human capital development should be a priority for India.

India needs to make significant improvements to its workforce to join the labor market effectively. India's labor force participation rate (LFPR) is currently 52%, which is lower than many other countries, such as the United States, China, and the United Kingdom. India's female LFPR is even more concerning, with a rate of only 20.3%, consistently declining from 29.4% in 1990. Additionally, the gender gap in the country is one of the highest in the world. Even when Indian women do participate in the economy, they are often relegated to low-wage, low-productivity jobs.

India also needs to address the issue of poverty and inequality that is further compounded by the uneven distribution of resources and opportunities across regions. A significant proportion of the population lives below the poverty line, and the distribution of wealth and income is skewed. The country's large population also makes it difficult to reduce poverty and inequality. To address these challenges, India must focus on implementing policies promoting inclusive growth, such as investment in education, healthcare, and infrastructure, and creating more formal job opportunities.

India's policymakers have focused on various measures, such as skill development, infrastructure investment, and labor market reforms. The government has launched several initiatives, such as Make in India, Digital India, and Skill India, to boost employment and entrepreneurship. However, there is still a long way to go to fully realize India's demographic dividend and ensure that the working-age population is gainfully employed and contributing to the country's economic growth. **KIEP**

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