



RESEARCH ARTICLE

EFFECT OF CORONA VIRUS PANDEMIC ON THE DEMOGRAPHIC DIVIDEND OF INDIA

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Abstract

Demographic Dividend is a much discussed term as the shape of the nation can be changes completely due to the benefit of this dividend. This term is used when there is more percentage of working class in the population. In India currently there are growing number of people in the working group so the nation has the opportunity to get the benefit of demographic dividend. The corona virus pandemic can be major hurdle in this opportunity as the entire world has slowed down affecting the business in many countries. This study analyzes the impact of pandemic on “Demographic Dividend” of India by looking at the damage done to the unemployment status in the nation.

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Introduction:-

There is a relation of economic growth with many factors like technological development and human development. Demographic dividend is one of such factors which impacts the economic growth and is much discussed. Demographic dividend is a phase when the rate of increase in the labor force is temporarily more than the increase in the rate of dependent population. As per study by Bloom and Williamson in 1998, there is an effect of increasing working population on the economic growth. The demography in any country goes through five stages of changes which is also known as demographic transition (Blacker, 1947). As per the data compiled by World Bank for World Development Indicators, India is right now in the third stage of demographic transition which means the in India the crude birth rate and crude death rate are declining¹. This phase of the transition can be an opportunity for any country as this is a “chance to grow”. In this phase of the transition as the infant mortality rates decreases so the children will be able to give productive benefits to the nation. According to the United Nation 2019 data, the dependency ratio in India is decreasing and is likely to decline till 2025. This means that the working population can devote their time to the productive activities which will benefit the nation as a whole. The growing labor force will not automatically grow the economy. Proper measures are to be taken by the government to take the advantage of this transition. Proper measures for the long term comes with some risk which sometimes cannot be foreseeable like some pandemic. Such unforeseeable risks can change the future of a nation. In recent time the “corona virus pandemic” had affected many countries in different ways. In India the government had announced a lockdown as protective measure and due to this lockdown many companies had to close the operations. This study examines the effect of one such recent pandemic i.e. coronavirus pandemic on the future of demographic dividend in India.

Scope of Study:-

The study uses the data compiled by United Nations in the “World Population Prospects 2019” for understanding the demographics of the Indian population whereas to understand the impact of the pandemic this study uses the data

¹ Ronald Lee and Andrew Mason, What is the Demographic Dividend? Finance and Development, volume 43, 2006

collected by CMIE. For the forecasted population data this study uses the data which has assumed that there is no change in the effecting variables. To understand the impact of the pandemic on the demographic dividend only one factor is analyzed in this study i.e. job loss in the nation due to the pandemic.

Significance of understanding demographic dividend:-

This factor is much discussed as it can benefit the economy in many ways according to an article on demographic dividend in RBI bulletin of July 2019. The growing population in the working age group will also increase the labor availability in the nation and so a country will not be dependent on other countries for labor. Also if the labor force increase then a nation can carry out many manufacturing and labor-incentive activities easily. Many countries are dependent on other countries as they do not have enough population in the working age group. Nowadays slowly the alternatives of labor like machines are developed to overcome the issue of labor shortage. Moreover as the fertility rates will be decreasing in this stage and so there is a chance that more women enter the labor force. (Bailey, 2006). The second benefit of understanding demographic dividend is that this can also indirectly benefit the economic by increasing the savings and the investments. In India the fertility rates are decreasing and so this means that there will be more money with the working group to save and invest. Also as there are more number of working people in the economy the tax collected by the government will also increase and hence the revenue of the government will increase. Hence with the increase in the revenue it is likely that the fiscal deficit might decrease so government will have to borrow less from other nations. If the borrowings of the government decrease then the increase payments on those borrowing will also decrease and hence the money will be used for productive purposes.

Trends in the population:-

The demographics of the India population is suitable to reap the benefit of the demographic dividend. The population in the working age group can support the economic growth in the country. As per the forecasts by UN population department, the population in India will reach 1447 million by the year 2100. India and China will have the same population by the year 2025 and after that India will have more population as shown in the figure 1.

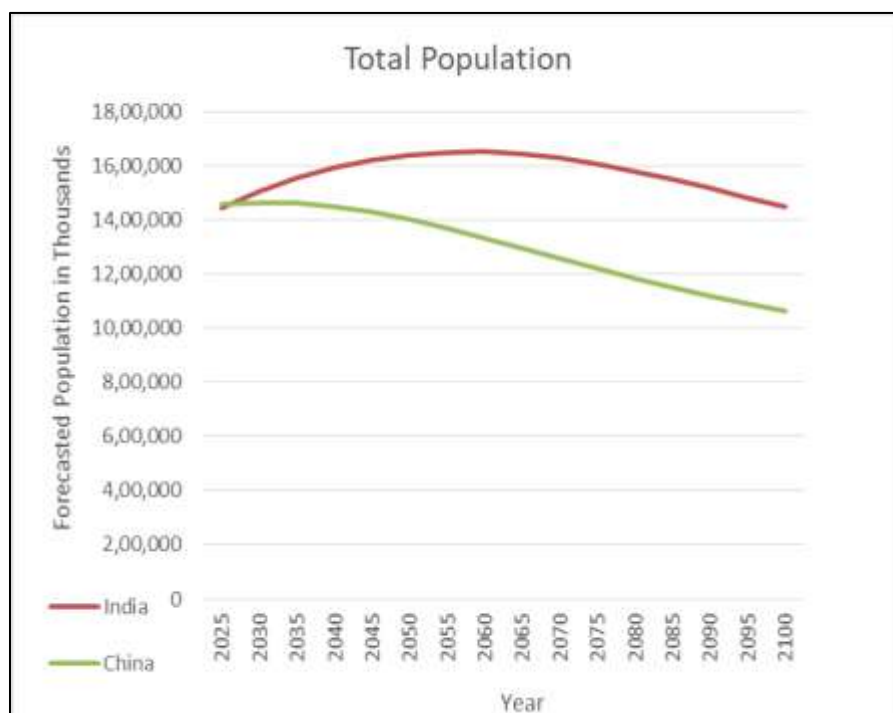


Fig. 2:- Percentage of different age groups in the Indian population (UN, 2019).

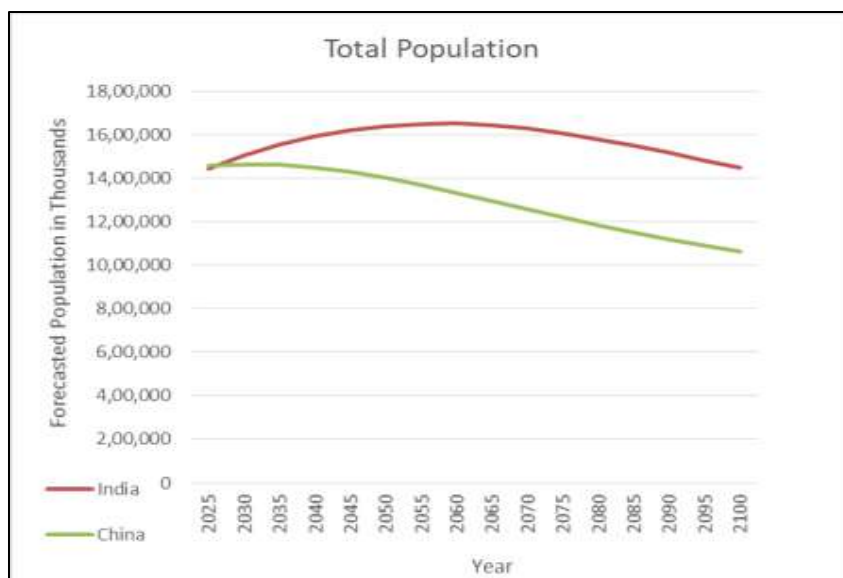


Fig. 1:- Forecasted Population (UN, 2019).

Looking at the percentage of the various age group in the total population of India from the figure 2, we can see that the age group of “25-69” (which is considered as “working age group” for this study) has more than 50% of the people. In the year the population in the age group of “0-24” was maximum but from the year around 2015 the trend has changed and the population in the working age group is maximum. It is projected that the trend will be the same till 2100 as the lines are stable and flat. The graph is as per the projections by population division of United Nations assuming there will not be any changes in the variables. Moreover India has a very young population and so the median age of India is also very less. Though the median age is increasing but still the forecasts shows that the median age in India till 2100 will remain between 30 to 40 years. As per the U.N. forecasted data the median age will increase from around the year 2015 till the year 2045 and thereafter the graph becomes flat.

In India the child dependency ratio is showing a decreasing trend since the year 1975 as shown in the figure 3. It is projected by the population department of United Nations that by the year 2035 the graph will become flat. This means that the dependence on the working population is decreasing since around the year 1975 and so the working population can contribute more time towards the productive work.

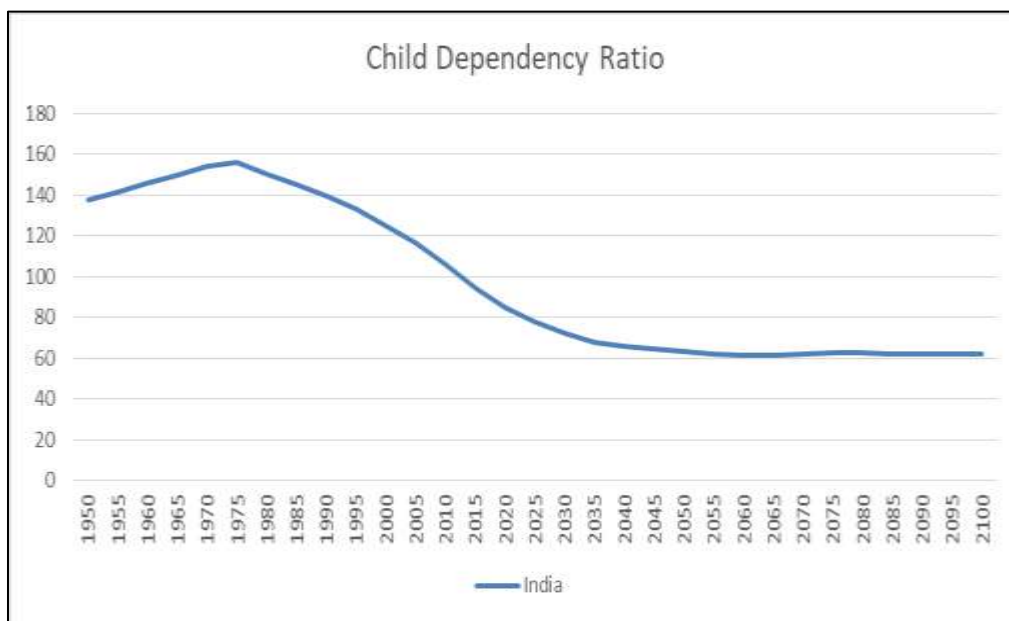


Fig. 3:- Child Dependency Ratio (<25) / (25-69) (UN, 2019).

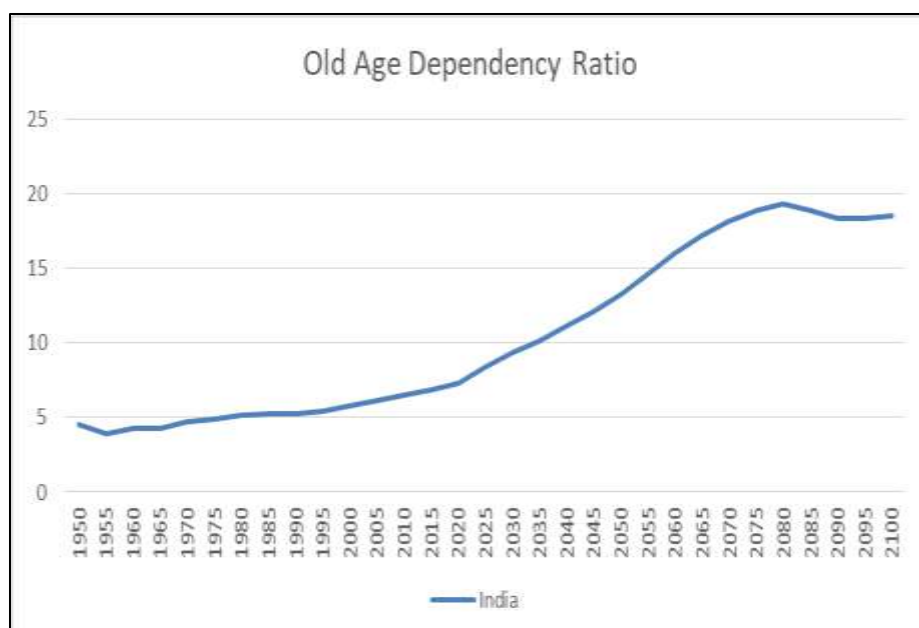


Fig. 4:- Old Dependency Ratio (70+) / (25-69) (UN, 2019).

By comparing the graph in the figure 3 and in the figure 4, it can be seen that the dependency in India is more because of the children which will be the trend till the year 2100. Even though the “Child dependency” ratio is decreasing and the old age dependency is increasing but the ratio of the child dependency will be higher in India till the year 2100. As seen in the figure 5 the old age dependency ratio will show an increasing trend from 2020 till the year 2080.

Impact of pandemic:-

According to CMIE reports, 303 million people were employed in the month of May 2020. Though this number was less than the average number of employed in the nation but still the number of employed were more in May than in April. The total number of employed decreased from 410 million in the month of January 2020 to 282 million in the month of April 2020. Whereas the number of people unemployed increased substantially in the month of April but there was an improvement in this rate in the month of May. The employment rate in the month of May was 29.19% as compared to 27.21% in the month of April so there was an improvement in the employment rate. The unemployment rate in the urban area was at 25.79% as compared to the unemployment rate of 22.48% in the month of May. As shown in the figure 6, the unemployment rate increased to a great extent in the month of April and the rate is still high in the nation. The lockdown in India had affected the unemployment rates as the companies had to lay off employees to manage the company’s expenses. There are chances that the unemployment rate might improve very fast with the improving situation but currently the rate is very high. (CMIE, Unemployment rates)

The unemployment rate across all the age group have increase in the month of April but the unemployment rate among the age group of 20-24 years is maximum. The unemployment in the age group of 25-29 has increased a lot as in the month of January 2020 the rate was around 10% but in the month of April the rate rose to more than 25% which later in May increased to more than 30%. The pandemic has affected more in the younger age group and comparatively lesser in the older age group as shown in the figure 6. Even before the lockdown in India the unemployment rate among the age group of 20-24 years was much higher than unemployment rate in the rest of the age groups but after the lockdown the unemployment rate among the age group of 20-24 years increased from around 35% to around 50%. Around 50% unemployment among the age group means that the companies are not willing to hire the fresher.

According to the data compiled by CMIE the age groups of 20-29 years had almost 30-50% unemployment in the month of May. Whereas the age group of 60 and above had the least unemployment as compared to the other group.

One of the reason can be that the labor force in the 60 and above age group can be less and so they have a better rate.²

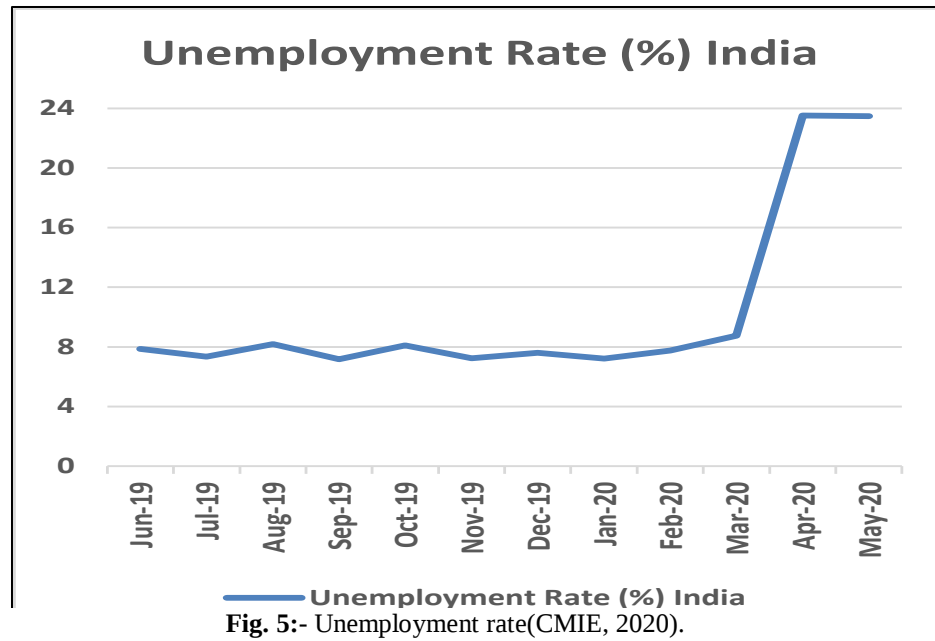


Fig. 5:- Unemployment rate(CMIE, 2020).

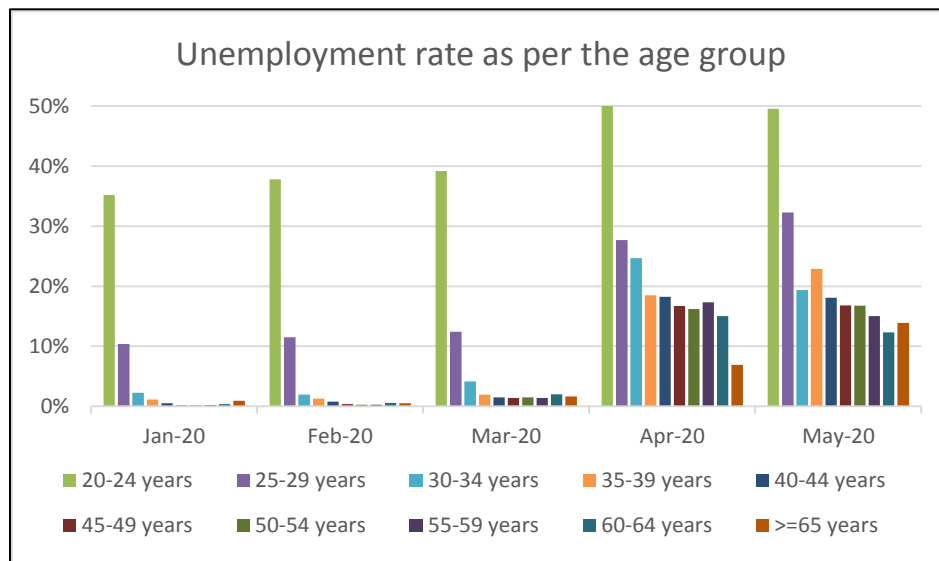


Fig. 6:- Unemployment rate(CMIE, 2020).

The unemployment rate shows the impact of pandemic on the youth of the nation. Even though India has the perfect demographics for the demographic dividend but due to the pandemic there was an impact on this dividend. Due to the pandemic many companies had to close the manufacturing and the operations which ultimately resulted in job loss. The age group which was major impacted due to the job loss was the 15-29 which means that the age group which had to work towards the economic growth does not have any job. Even though the literacy rates in India has improved a lot in recent years as the literacy rate among the age group of 15-24 has increased from 53.78% (1981) to 86.14% (2011), the unemployment rate in the same age group is maximum during the pandemic. In India the literacy rate in the year 2018 was 91.66% in which 92.99% male were literate whereas 90.17% females were literate

²Consumer Pyramids Household Survey, CMIE (2020)

in the country.³ This means that even though the population is ready for the demographic dividend but there are not enough job opportunity available in the nation. The nation is slowly showing improvement in the unemployment rates but still the rates are comparatively higher than in the last year.

Conclusion:-

There are many factors which decides that whether the country will have the benefit of demographic dividend or not. It is discussed in many studies that just having the young population will not lead to demographic dividend. When the population is young then it is called as the “Window of Opportunity” as young population can just open up the opportunity of economic growth but if the population is not ready for the dividend then the nation cannot get demographic dividend. The country have to take proper steps to get the fruit of demographic dividend. As discussed in the section of “Trends in population” the Indian population is at the right stage to take the benefit of the demographic dividend but the nation should take measure to ensure that the population have proper education, health, skills and job opportunities. If the nation is not ready with any one of the four factors then the country might not be able to take advantage of demographic dividend. As discussed in the section of “Impact of pandemic” there is an effect of pandemic on job opportunity. Hence this can hamper the demographic dividend of India as if there is no job opportunity then the population will be a demographic burden rather than being a demographic dividend. The nation has a population with more than 90% literacy but still there is an unemployment of around 23% in the economy.

The country will have to borrow from other countries and institution which will lead to increase in the external debt. With the increase in the external debt the interest payment on the debt will also increase and hence the revenue of the government will be used on non-productive purpose. According to IMF the GDP growth rate of India in the 2020 will be at 1.87% which is very less for a developing country like India.⁴ Demographic dividend brings economic growth but currently in India the young population has become unemployed to a great extent which will increase the burden on the government. There is a chance that soon the conditions will get better and the companies will hire back the workers but this will take time. The corona virus has slowed down the process of reaping the benefit of demographic dividend for India.

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