

Demographic Transition: Opportunities And Threats

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Abstract

With the passing of time, every country's age structure of population passes through different stages. This age structure transition opens opportunities for demographic dividend. This opportunity comes in the middle stage of demographic change where the population pyramid indicates that the share of youth or working-age people is large in the total population and the dependency ratio becomes low. If a country engages this section of the population in a productive way, this can raise per capita income and higher the living standard of the people. It has been seen that youth are facing problems to get working opportunities in the formal economy due to inadequate skills, training and education. If this continues and youth are not absorbed productively in the formal economy then this demographic dividend will turn into a demographic nightmare. To get the benefits of this large share of the working age population, the government must come up with proper plans and policies to honing them so that they can cope up with the changing demand of the global market.

Keywords: Demographic dividend, Skill, education, employability

1. INTRODUCTION

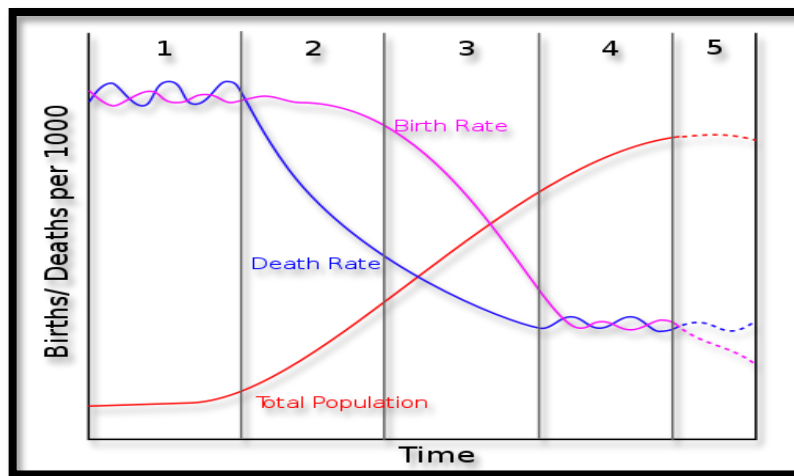
Demographic transition is a kind of move of population size from one demographic equilibrium to another. In early stage mortality and fertility rates are high and approximately balanced between mortality and fertility and hence size of population gets balanced. During transition the mortality rate drops faster than the fertility rate due to this gap between mortality and fertility rate, and population size increases. Here the share of youth or working age people is large and dependency ratio is small. The dependency ratio relates the number of children (0-14 years old) and older persons (65 years or over) to the working-age population (15-64 years old) (World Bank). In this situation the country enjoys demographic dividend. In this stage of demographic transition, the government and policy makers must take special attention to the youths or new entrants to the job markets about their Education, Skill, and training so that they can be absorbed in the formal economy.

However over a period of time the share of old age people will increase in the total population due to decline in the fertility rate and improvement of life expectancy. In this stage special health care service will require and increase the health care expenditure. In the next 50 years, the share of the world population aged 60 or more will double from 10% to 22%, tripling to 30% by 2100. The root causes for this are advances in medical care, improved nutrition, changes in lifestyle, and decreased fertility (A K & M E, 2008).

2. STAGES OF DEMOGRAPHIC TRANSITION

The demographic transition model was initially proposed in 1929 by demographer Warren Thompson. The model has four stages: pre-industrial, urbanizing/industrializing, mature industrial, and post-industrial. In the pre-industrial stage, crude birth rates and crude death rates remain close to each other keeping the population relatively level. During the urbanizing/industrializing stage,

however, improvements in health care delivery and medicines, coupled with investments in sanitation and infrastructure, bring a sharp drop in the crude death rates. Note that crude birth rates remain roughly the same during this stage, thus prompting an increase in the population rate. During the mature industrial stage, crude death rates continue to decline, and it is theorized that economic development within the society brings incentives to bring the crude birth rates down slightly, however, the overall population continues to climb in an exponential j-curve. In the post-industrial stage, the population growth begins to level off because the crude birth rates have reduced to closely follow the crude death rates (Baum, 2011).



Demographic transition model (<https://www.eeducation.psu.edu/geog30/book/export/html/205>)

3. DEMOGRAPHIC DIVIDEND

Demographic dividend elaborated by (Rao & Varghese, 2009) where a huge share of adolescence was embodied in the total population. Demographic dividend is the economic growth resulting from declining in the fertility and mortality rate and changes in the age structure in the total population. Demographic dividend occurs when this large share of working age (15-59 years) people contribute to the economy.

Economists identify four possible ways to reap the benefits of Demographic dividend. First increase the supply of labour however the magnitude of this benefits rely upon the capacity of economy to productively engaged and retain this new entrants in the job markets, second is the increase savings (resulting from low dependency ratio) and expand investment, third is the formation of Human Capital and forth is the growth of the domestic demand caused by raise in per capita income and reduce dependency ratio (Arefin, 2018)

4. REVIEW OF LITERATURE

(Majumder, 2003) In his study Demographic dividend: Opportunities and threats with the objectives of current status of Education and skill among youth and their employability estimated that more than 200 million working people will be added in the country's workforce in the next decades. However the current skill and education are not compatible with the emerging global economies. In the globalized economy employers are always trying to maintain competitiveness and productivity of their employees. Hence without updated market demand for training and skill, only educational qualification will not be enough to get a desired job. Without marked required skill and training there will be huge unemployment and these unemployment will lead to demographic disaster rather than demographic dividend.

(Bloom & Finlay, 2009) in their study they reexamine the role of demographic transition in contributing to cross country differences in economic growth through to 2005, with a particular focus on East Asia and highlighted the need for policy to offset potential negative effects of an aging population in the future. In their study they found that demographic factors remain an important contributing factor to economic growth in East Asia and will remain continue to do so. Growth of the share of working age people had a positive effect on economic growth and decline in the share of working age people will tend to depress the economic performance. They also suggest some policy measures to overcome the shrinking labour forces are to encourage women to participate in formal economic activities, increase the normal retirement age, relaxation of immigration policy etc.

(Swami, 2016) In his study he emphasized on the challenges of Demographic transitions. He pointed that skill development and job creation are the prerequisites to reap the benefits of demographic dividend, high medical expenses often deplete the lifelong earnings of the poor and lead to indebtedness.

(Maria, 2019) In her study she emphasized on the nature of youth employment and recommended how to overcome the challenges of youth unemployment. She stated that the country has a large share of working age people as compared to the dependency ratio. 79.6% of unemployed are youth. A quality education and sufficient avenues for professional skill training can offset the social factors that hinder the women's labour market participation. The success mantra of transforming the demographic dividend into economic growth does not lie only in having a large share of working age people but generating large numbers of better skilled, healthier and more dynamic people.

5. STATEMENT OF THE PROBLEMS

With the emergence of globalization and technological development the need for skilled manpower also emerged to survive in the competitive market. India is one of the most populous countries in the world having a large share of working age (15-59 years) people. But many studies reveal that due to inadequate skills, training, and education youth of the country remain unemployed. There is also a large section of educated unemployed youth because of little or no job skills. In the study an attempt has been made to describe the importance of education and skills among youth for employment and ways to overcome the expected old age medical expenditure problems of present unemployed youth in future.

6. OBJECTIVES OF THE STUDY

1. To explore the importance of Education and skill among youth.
2. To understand how aging people affect a country.

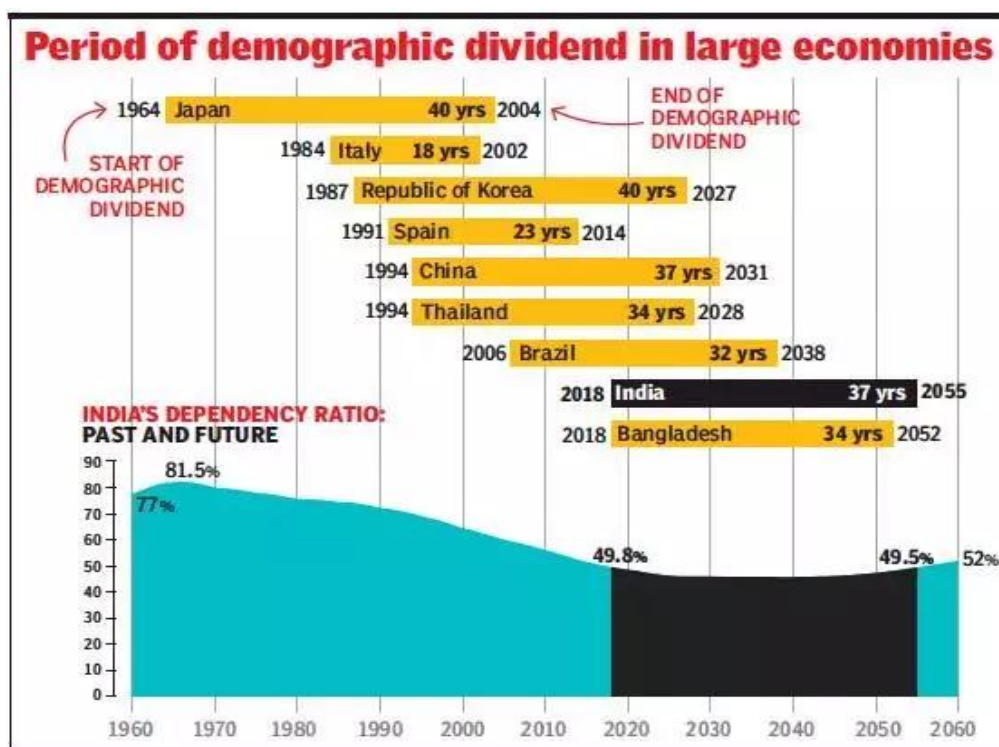
7. RESEARCH METHODOLOGY:

The study is based on secondary data only. Data for this study has been collected from the government database and other agencies like (World Bank, ILO), academic journals, newspapers and other relevant publications. The study also involved review of relevant literature.

8. DISCUSSION

World population prospect report released in 2019 predicts 65 years or older people in Japan will increase from the present level of 28% to 38% by 2050. There is also a shortage of young labour force. It needs to increase/extend retirement age to 77 years to maintain workers to retiree ratio. Declining share of young people and increasing retirement age lead to aging people in the workforce provoked a decline in production, innovation and therefore drop of export in global share. Farmers are also aging. In 2015 63.5% of the people engaged in agriculture were aged 65 years or more.

Some of Japan's big industries like Motor Vehicle and Electronics do not possess the manpower to continue at the current level of production (Walia, 2019). Japan healthcare expenditure reached 10.9% of the GDP in 2018. It has been seen that healthcare expenditure for the people aged over 75 years, more than four times as compared to people aged under 75 years (D'ambrogio, 2020). India can learn from Japan and other countries which have already exhausted their demographic dividend and enter into the ageing people's country and adopt well prepared policies to face the problems which they have been facing after exhausting their demographic dividend.



Source-<https://economictimes.indiatimes.com/news/economy/indicators/india-enters-37-year-period-of-demographic-dividend/articleshow/70324782.cms>

Presently India has been enjoying demographic dividend and will continue till 2055. Figure I shows that a large share of people are below the age of 40 years this include a huge share of youth. If this share of youth is prepared with dynamic education, updated skill and proper training they can act like an engine to run all round development of a nation. Countries like Japan, Italy etc which have already exhausted their demographic dividend have been facing shortage of manpower. This shortage can be met only by extending retirement age, adopting technology and allowing immigration. By sending Dynamic educated and well trained youth of India to those countries as human capital. To get these benefits, the government of India must adopt plans and policies to equip its youth with dynamic education, updated skill and proper training. A quality education system will produce more highly skilled, competitive workers who can produce more goods and services for the population as a whole (Ferreira, World Bank, 2016).

Population of India 2022

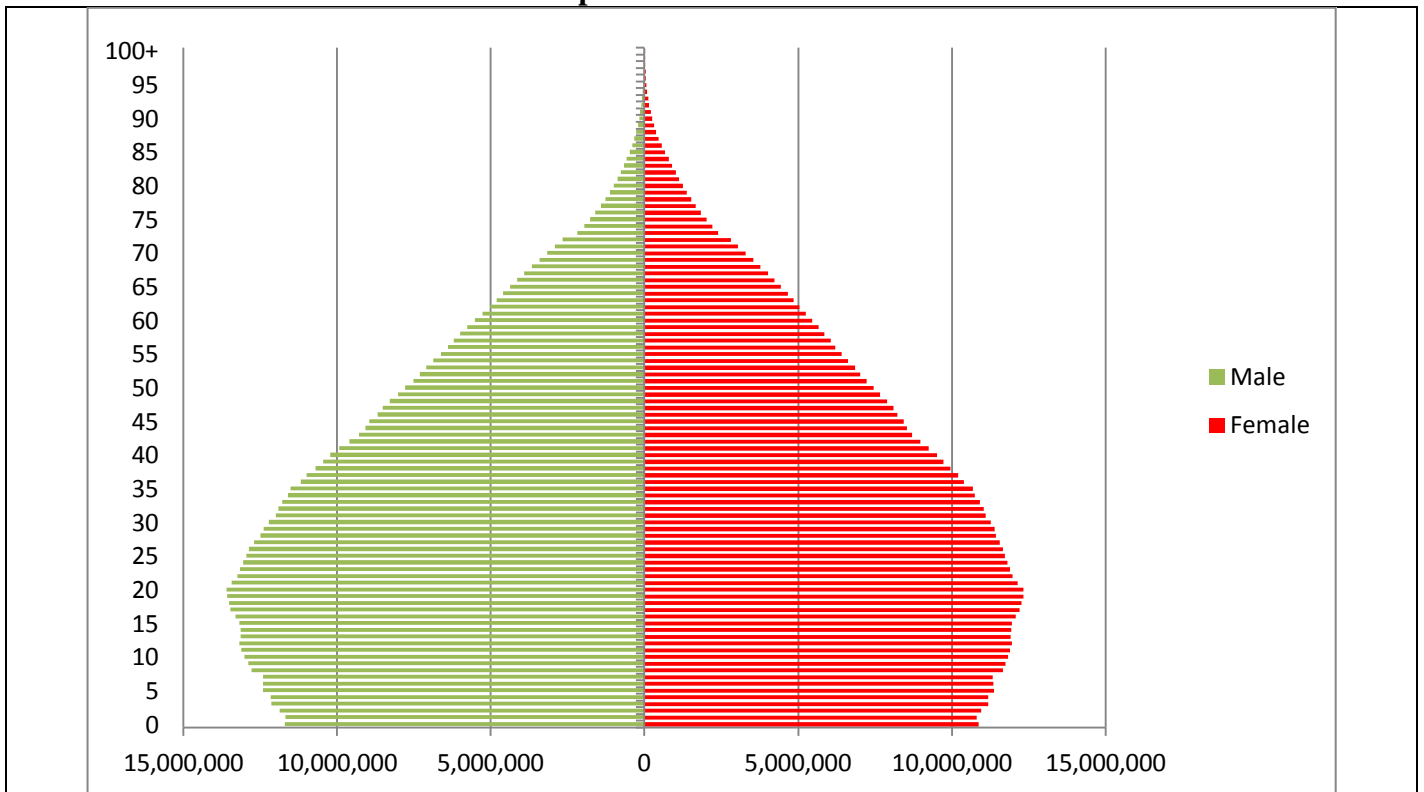


Figure- I

Projected Population 2070

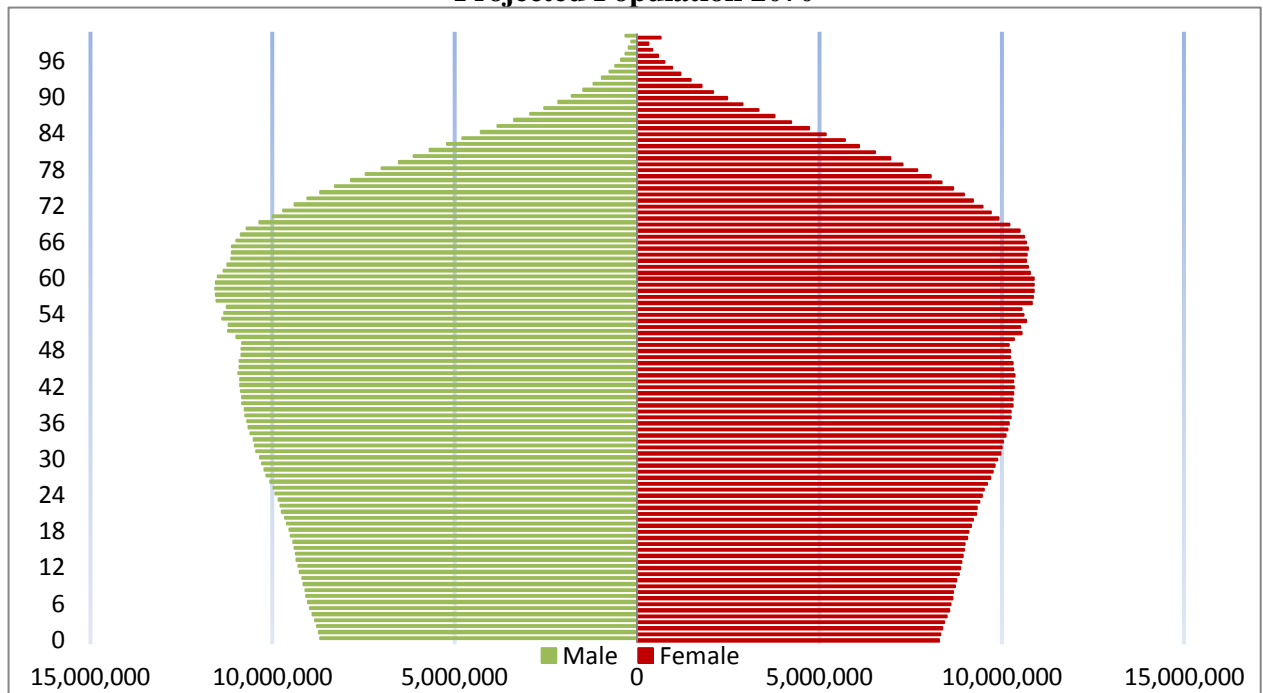


Figure- II

Source- <https://population-pyramid.net/en/pp/india>

In the year 2070, Present graduate will be in the age group of (70-80) years and Figure- II shows a large section of people will be in the age of 60 years or more i.e. India will be a aged country in the year 2070 rather a young country as now in 2022. Large section of ageing people means higher survival rate which does not mean a healthy old age group unless continuous medical checkup again which requires higher medical and healthcare expenditure and households having aged family members of 70 years or more will face decrease in their savings in order to compensate for the healthcare expenditure of their senior family member. Government must also put emphasis on healthcare infrastructure.

Increase in the elderly population will reduce the per capita income of all the three generations (Child, Working Group and retiree) and lead to the net decrease in the family's total consumption (Lee & Mason, 2007). Most of the cases it has been seen that uneducated, untrained and unskilled people can earn only the amount which they need for their day-to-day survival and are unable to save for their future requirements.

Government has to allocate a large share of the budget for public social expenditure. On the other hand, educated and skilled people earn more and pay taxes to the government after their retirement. The government loses the income tax from this section of people. Population ageing will increase the government spending more on social security than education and infrastructure.

9. CONCLUSION

Invention of new technologies and artificial intelligence has transformed the global industrial demand. Government and policymakers must constantly review and upgrade their policies to make their workers' remain relevant in the competitive job market. Education, training and continuous learning play an important role in enhancing employability skills which allows an individual to engage in a good remunerative job. To work hard and smartly one must be mentally and physically fit. A young man is always better fit than an aged person, as India is a young country hence it must put efforts to reap the benefits of its large share of young people.

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