

## SKILL DEFICIT: A CHALLENGE TO HARNESS INDIA'S DEMOGRAPHIC DIVIDEND

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### ABSTRACT

*The demographic dividend is an important aspect for any country to raise its GDP and per capita income, and currently India has a golden chance to cash this opportunity. Today, India has the largest proportion of young people in the world where the working-age population of 15–64 years constitutes 64% of its population and at the global level, every 5th person, less than 25 years of age is an Indian (soon it will be every 4th). While compared with western economies, where there is a burden of an aging population, India has a unique 20–25 years window of opportunity to harness its demographic dividend, as a process that started in the late 1970s is likely to last another 20–30 years from now. This demographic dividend gives India the potential to become a global production hub as well as a large consumer of goods and services. But in the current scenario, India does not seem to be in a position to reap its demographic dividend. To take advantage of an overwhelmingly young population, it is important that it should be healthy, well educated and adequately skilled. Along with this, the country have appropriate policies and protocols, and adequate employment opportunities, otherwise this boon could easily turn into a bane. In absence of this, a country may find itself with a large number of unemployed or under-employed working-age individuals resulting in a demographic disaster accompanied by adverse political, economic, and social impacts. India ranks very low on the HDI index, making it clear that human capital in India is not well equipped. The unemployment rate is very high especially, since the manufacturing and tertiary sector is not well equipped to provide jobs. Moreover, there is a skill mismatch. On the one hand, well-paying formal jobs are not available to a large segment of employment seekers while on the other hand, a vast number of employers complain of poorly skilled manpower available for work. This leads to a huge amount of resources of nation going to waste. So this skill mismatch needs to be corrected by revising and modernizing curriculum, industry-academia interactions, Public Private Partnerships in training, and reskilling of labour whose skills have become redundant due to changes in technology. In this context, the present article, based on secondary data, seeks to analyse the skill deficit/gap that exists among job seekers in India and the requisites required to harness this demographic dividend. Through this, an attempt also has been made to identify the challenges and opportunities, and to seek remedial measures and recommendations regarding the same.*

**KEYWORDS:** *Demographic Dividend, Labour, Opportunity, Reap, Skill Deficit, Work Force.*

## INTRODUCTION

Although investment, reforms, and infrastructure is likely drivers of India's economic growth, no growth driver is as certain as the abundant availability of the working-age group population (Singh, 2022), which is an exclusive characteristic of present India. Though economists and demographers, from Malthus to Cannan, Robbins, Dalton, Carr-Saunders, Thompson, Notestein, etc. have debated the impact of population growth on economic development, the focus was on population growth and population size instead of the age structure of the population. Later it was recognized that people's economic behaviour differs at different phases of the life cycle and changes in the age structure significantly contribute to economic growth. A rise in the working-age population has a multiplier effect on productivity that virtually leads to economic development and wealth creation. This phenomenon of accelerated economic growth when the working-age population grows at a faster pace than the dependent population, unleashing a one-time opportunity in the lifespan of a nation and India also has a limited time period to avail this opportunity till 2040 (Bhushan, 2019).

As a country develops, the demographic transition from high fertility and high mortality to low fertility and low mortality comes about. During this phase of transition, age structure changes substantially and it has economic implications. Lesser number of elderly and children leads to a lowering of consumption, while greater numbers of the working-age population lead to higher production, lower consumption, higher savings, and higher growth. Various studies have proved earlier that a higher ratio of working age population to total population along with labour productivity, a better quality of human capital, savings rate, trade policies, etc. determine long-term growth rate, leading to higher savings and investment at later stages. With a large number of people of working age and relatively few dependents, the nation also can devote more resources to invest in human capital, education, health, and technological up-gradation and thereby

contribute to economic growth (Bhushan, 2019). This is often termed as an opportunity provided by demographic dividend. Notably, gains from demographic dividends are not the same across regions and countries. This is so because to reap the benefits from this window of opportunity, certain pre-existing conditions need to be fulfilled. At the same time, seizing the demographic dividend is neither automatic nor guaranteed. It requires a favourable policy environment and institutions in health, education, family planning, labour market, trade, etc. In the absence of appropriate employment opportunities and quality human capital, the demographic dividend turns out to be demographic liability or demographic disaster (Bhushan, 2019). There is evidence that the vast majority of those who have limited access to education and training; are either inactive or engaged in low-skilled work in the informal economy. Hence, the demographic dividend of India needs to be exploited not only to develop the production possibility frontier but also to meet the skilled manpower requirement in India and/or in other countries.

A report released by the 'Confederation of Indian Industry' (CII) on India's Demographic Dividend on April 2022, has highlighted that the demographic dividend of India will become a liability if the country does not produce enough jobs and its workers are not adequately prepared for those jobs. The report points out that India will add another 183 million people to the working age group of 15-64 years between 2020-50 as per the UN Population Statistics database. Thus, a whopping 22 percent of the incremental global workforce over the next three decades will come from India. The report analyses India's labour market imbalances and highlights how the skill mismatch and shortage can impact its long-term growth. In 2019-20, only 73 million of India's 542 million strong workforces received any form of vocational training (whether formal or informal). The report also stated that to put it in a global context, the proportion of formally skilled workers as a percentage of the total workforce stands at 24 percent in China, 52 percent

in USA, 68 percent in UK and 80 percent in Japan, against a paltry 3 percent in India. Moreover, because of the Corona pandemic in 2020, children have been away from schools for two consecutive years and the resultant learning losses have added to the already high learning gaps, which existed even before the pandemic (Livemint, 2022).

The COVID-19 pandemic has triggered one of the worst job crises in the world since the Great Depression. In India, recent reports indicate that over four million young people have lost their jobs. Further, an estimated 18 million people are expected to face job transitions in the post-COVID-19 employment market. To state the obvious, only those who have skills that are in demand by employers will be absorbed into the workforce (Vasudevan and Vohra, 2021). Thus, India's demographic dividend is expected to propel the nation to high growth in the coming years leading to becoming a world power, and through this, we can ensure the best possible use of this 'Amrit Kaal', which has been heralded, as India marches towards its 100<sup>th</sup> year of independence (Singh A, 2022).

## METHODOLOGY AND OBJECTIVES OF THE STUDY

This is a theoretical paper, primarily based on secondary data, which has been collected from various sources, particularly government policy documents, schemes, case studies, research papers, and various other documents. The objectives of this study are to understand the current state of skill deficit in Indian youths and to analyse the different drivers of this skill mismatch in form of our faulty education system; caste and gender-wise discrimination; and existing bottlenecks of our labour market. The paper also makes an effort to explore the basic conditions required to leverage its demographic dividend and to find out the ways and means to achieve it.

## REVIEW OF LITERATURE

Many authors are of the view that the demographic dividend itself is not able to automatically lead to high economic growth if the policy environment is not suitable and conducive. There are various studies regarding this. Some of them are as:

Bloom, Canning and Malaney (1999) examined the links between demographic change and economic growth in Asia during 1965-90. They have shown that the overall rate of population growth had little effect on economic growth, but that changes in life expectancy, age structure, and population density have had a significant impact on growth rates.

While Bloom, Canning and Sevilla (2001) find that much of Africa's relatively poor economic performance can be accounted for by the lack of such a transition. They examined the relationship between population change and economic development in particular regions of the world: East Asia; Japan; OECD, North America and Western Europe; South-central and Southeast Asia; Latin America; Middle East and North Africa; Sub-Saharan Africa; and Eastern Europe and the former Soviet Union. In their work, they also discussed the key policy variables that, combined with reduced fertility and increases in the working-age population, have contributed to economic growth in some areas of the developing world.

Bloom and Canning (2004) using cross-country panel data from 1965– 1995 have shown a positive and significant relationship between the growth rate of the share of the working-age population and economic growth, but only if the economy is open. The authors argued that the link between population growth and economic growth has to be established through sound institutions, flexible labour laws, and good governance. They have presented the cases of Ireland and Taiwan, which has successfully reaped the benefits of the demographic dividend. The authors have shown that Latin American countries too had a similar opportunity for recouping investment but they wasted it due to the lack of relevant policies. Therefore, there are examples of both demographic

dividends as well as demographic debacles (Afroz, 2018).

Mason (2005) tried to explain the demographic dividends conceptually and formally, where he identified two demographic dividends; the first dividend arises because changes in age structure influence the share of the population concentrated in the working ages; the second arises to the extent that anticipated changes in the share of the population concentrated in the retirement ages induce individuals, firms, and/or governments to accumulate capital. He also explored that the duration and intensity have also varied in the developing world. In East and South-East Asia and Latin America, in particular, the duration of the dividend was relatively short and intense, whether in other parts of the world – South Asia, for instance – the dividend was realized over a more extended period and had a smaller growth effect in any particular year. He concluded that East Asia's 'economic miracle' was associated with a major transition in age structure.

Dhillon and Yousef (2007) argued that it is a nation's success or failure in realizing the economic potential of young people during this 'low dependency ratio' period can make the difference between sustained and faltering long-term development.

In India, several studies have highlighted the quantitative dimensions of skill gaps in different sectors of the country. On demand side, a skill gap study conducted by the National Skill Development Corporation (NSDC) over 2010-2014, estimated that there is an incremental human resource requirement of 109.73 million skilled manpower by 2022 in twenty-four key sectors of the economy.

In their study, Aiyar and Mody (2011) reported that India's high economic growth in recent times is due to the demographic transition in the country. As per their study, the policy reforms are not that significant as compared to the demographic dividend as far as economic growth is concerned and hence they have estimated that this demographic

dividend will lead India to further economic growth in the next decades.

Mehrotra, Gandhi and Sahoo (2013) in their occasional paper used educational (general, technical and vocational) attainments to understand the skill levels of the existing workforce in terms of NSS data and arrived at an incremental skilled manpower requirement of 291 million by 2022. The authors, however, caution that what matters is not so much the number of those who would be skilled but the quality of skills that would be imparted. They also found that the challenge of skill development-both in quantitative and qualitative terms is enormous and requires a careful policy stance.

In their study, Rath and Behera (2014) presented an interesting perspective on the skills mismatch in India and its potential impact on the country's demographic dividend. The authors used data from the National Sample Survey Organisation (NSSO) to show that there is a significant skills mismatch in India, with a large number of workers possessing skills that are not in demand. They argued that this skills mismatch is preventing India from fully leveraging its demographic dividend.

In his study S. K. Misra (2015) examined the way to create a skilled labour force through the effective use of schemes of the Government of India, run by different ministries to facilitate its skill development mission target to train 500 million people by 2022. He analysed the potential of various Skill Development Initiatives taken by the government to envisage the exponential expansion of the current capacity for skill development in the country. He also threw light on different bodies created by the government of India to cater the need of skill development and training of youth for employment and their livelihood from time to time as per the need. Further he discussed various implementation challenges that play a key role in achieving the target and recommended some measures for restructuring of skill development mission.

Zahra Afroz (2018) in her article analysed the current state of education, skills development and employment for Indian youth and discussed some major challenges that India faces while implementing different initiatives and strategies for developing a robust skilling ecosystem. She also gave a set of recommendations for immediate policy attention if skill development is to be a means for achieving inclusive development.

Singh and Kumar (2021) presented an interesting perspective in their article on the impact of neoliberalism on India's demographic dividend. The authors used data from RBI and the National Sample Survey Organisation (NSSO), 2019 to show that there has been a significant decline in employment and employability in India in recent years. They argued that the decline is due to the implementation of neoliberal policies by the government. Further, they advocated a need to shift the economic policy from supply-side corporate-led growth to an employment-led development strategy to transform the demographic potential into a demographic dividend.

## DEMOGRAPHIC DIVIDEND: MEANING AND INDIAN LANDSCAPE

The demographic dividend; according to the United Nations Population Fund (UNFPA) means- 'the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age (14 & younger and 65 & older) share of the population'. The transition in Demographic Dividend results from a fall in the total fertility rate (which is the number of births per woman). The Demographic Dividend opportunity in India is available from 2005-06 to 2055-56, according to the UNFPA. Before the dividend begins, the country is burdened with a high dependency ratio with a large and growing share of the population below the working age population of 15. Once the dividend period has passed, the share of the elderly population rises, which is no more working and hence is to be provided with a pension, health

benefits, etc. (Afroz, 2018). According to the Census and Sample Registration Survey 2022, the share of the working-age population has increased from 53% in 1960-61 to 66.5% in 2019 (Kanagaraj, 2022), while the share is declining in US, Japan, Europe, and even in China (Jain, 2014). As per the report of CII 2022, India is likely to add more 101 million people to the working-age population between 2020-30, and this number will reduce to 61 million and then to 21 million for 2030-40 and 2040-50, respectively. As it is expected that it will start declining in the decade post-2050, India does not have much time to utilise this dividend (Livemint, 2022). Currently, an estimated 20-25 million Indians enter the workforce annually with only 7 million finding a secured job. Thus more than 15 percent of youth are unemployed today because they are either unemployable with neither having education nor training, or there are just not enough jobs for them (Lal, 2022).

## ADVANTAGES OF THE DEMOCRATIC DIVIDEND

There are multiple advantages of this, including:

- An increased labour force due to a larger population of working age and a smaller population of dependents increases economic productivity.
- With a growing portion of working people, women's participation in the labour force also increases, which coincides with a decline in fertility and can be a new source of growth.
- The savings rate increase as the working age is the optimal time for saving for retirement and the future.
- Increased fiscal space, afforded by the demographic dividend allows a reallocation of funds from spending on children to infrastructure investment.
- Rapid industrialization and the process of urbanization, due to an increase in the number of people seeking employment, would necessitate greater economic activities.

- Individuals can develop their skills and set up their own businesses or start-ups, which increases the scope for self-employment in the country (Gaurav, 2022)

## SHRINKING EMPLOYMENT OPPORTUNITIES DURING LAST FEW DECADES

Before the reform period, people used to try to secure government jobs, but the policy of Liberalisation, Privatisation and Globalisation in the early nineties downsizing the public sector and the number of such jobs has declined significantly. The opening up of the economy has certainly led to a faster pace of growth but it has not led to increased employment opportunities. After a decline in the public sector's employment opportunities, it was expected that the private sector in our country would grow and provide jobs but due to immense red-tapism, policy delays and lack of proper infrastructure in form of inadequate transportation, proper roads, power, water, internet connectivity, etc., it does not attract much foreign investment despite being a labour-surplus economy. It is the secondary sector including manufacturing and construction which can provide low-skilled jobs to surplus agricultural labour, but in India, the growth story has mostly been powered by the service sector which has lower elasticity of employment. Moreover, the service sector provides jobs either in the low-paying informal sector or a minuscule of high-paying jobs requiring a highly skilled workforce. Then, at the beginning of the 21<sup>st</sup> century, India's stellar growth got derailed by the 2008 recession and it has still struggled to get back on track. More than a decade on, its fiscal deficit has not fully recovered as companies failed to clear debt, and banks ran low on fresh capital.

In the latter half of the next decade, the government made some hasty and unpopular decisions. For instance, in 2016, the demonetisation policy hit the people of the country as this move immediately crippled the poor and left financiers

clutching their wallets. Then, in July 2017, the introduction of a 'Goods and Services Tax' (GST) further fuelled uncertainty and compliance issues. Together, the two created a slump in corporate investment, and therefore jobs. Along with this, in recent years several employment-oriented programs run by the government have been subjected to budget cuts, if not shelved entirely, also creating a job crunch (Bhattacharya, 2021). While the GDP rate began recovering after a time span of approximately 10 years from 2008 to 2017, the Covid-19 outbreak wreaks havoc on the whole economy with all its activities. It swallowed most of the jobs, especially in the private and informal sectors and the recovery now seems even trickier and takes a lot of time.

## 'SKILL DEFICIT' AND 'SKILL GAP' IN INDIA

The Economic Reforms of 1991 have changed the face of the Indian job market. Industrialization, growth of public and private sector enterprises, etc. boosted employment opportunities as well as better-paid jobs indicating that there is no lack of opportunity. On the other hand, the number of higher education institutes has gone up and there is no shortage of professional degree holders. India is the third largest higher education market in the world producing 37 lakh graduates every year. However, companies; national and international, are scared to offer jobs to Indian graduates and this is absolutely because of a lack of job skills. Experts discourse that even after pursuing 15-16 years of formal education our graduates are still not fit for a job. The challenge at this juncture is not unemployment but unemployability (Rath and Behera, 2014). There are two kinds of challenges concerning skilling. The first is 'skill shortage/skill deficit', which means there are not enough numbers of a particular skill to fill a particular occupation. The second, a 'skill gap', is a qualitative assessment by the employer that focuses on supposedly skilled people, but remains unemployable because their skills are not good enough as required (Vasudevan and Vohra, 2021). In other words, a skill gap is a

considerable gap in attributes and capabilities possessed by the workforce and the skills demanded of them, by the industries and other job-providing agencies. This particular set of skills is acquired through various educational and technical institutions, training, etc.

In India, the people entering the workforce are unable to secure employment of a satisfactory nature. They are often underemployed, having seasonal or part-time employment, while a very high percentage is openly unemployed. Even those who are employed may have a job of uncertain nature. All of this points to the fact that India has problems of both kinds i.e. supply side; excess supply of unskilled labour, and on the demand side; low demand for semi-skilled labour but high demand for highly skilled workers which is unfulfilled. The dropouts from schools, who join the labour force early, are more likely to be skill deficient. Thus in India, there exists a huge skill gap in the labour market, in terms of both quality and quantity. As per India Skills Report 2015, of all the students applying for jobs in the labour market, a mere 1/3rd of the number had the appropriate skills to match the requirement of the employers (Afroz, 2018). As per the World Economic Forum Report 2020, of the 13 million people who join India's workforce each year, only 1 in 4 management professionals, 1 in 5 engineers, and 1 in 10 graduates are employable (Chakrabarty, 2022; Bhattacharya, 2021; Business Today, 2021). According to the report, women were found to be more employable at 52.44% as compared to males at 45.97, even though India has one of the lowest participation in the labour force of females with only about 32.8 percent of total employment.

The report also pointed out that higher education does not automatically convert into employability. Moreover, employability is not the same across different types of education, for instance, Engineers have the top employability quotient at 55.15% closely followed by MBAs at 55.09%. But surprisingly it is ITIs, which are considered the backbone of vocational skill programmes in India, appear to be churning out the less employable at 31.3% employability. MCAs are

also suffering from low employability at only 29.3% even though computer professionals from engineering fields are in huge demand. They even fall behind ordinary graduates. This bursts the myth that every person with a technical certificate will surely land a suitable job.

The ISR also mentioned that 75 % of corporates expressed that there was a skill deficit in the workforce. As per the report, the IT, Tech, Engineering, and manufacturing sector reported about 80% skill deficit, while BFSI (Banking, Financial Services and Insurance) employers perceived a 67% skill deficit. The figure for the Pharma industries was lower at 50%, while for the retail sector, it was at the highest with 100% of employers finding their employees' skills deficient. It implies that the youth entering the workforce is not conversant with the requirements of jobs. The International Labour Organization (ILO) has indicated that India is staring at a 29 million skill deficit by 2030. A 2019 report by Accenture projected that the existing skill gap if left uncontrolled will offset the nation's GDP by \$1.97 trillion (Rs 150 trillion) by 2028 (Vasudevan and Vohra, 2021). Within the IT sector, despite the advent of AI (artificial intelligence), there are several soft skills such as communication, crisis management, interpersonal relations, etc., which are still required. As per ISR 2022, most employers surveyed expressed their desire to employ persons with good work ethics and positive attitude. If these are paired with domain knowledge and experience along with good communication skills, such candidates become invaluable assets to the company. But it is a tragedy that companies are not getting such employees in large numbers.

## DRIVERS OF SKILL MISMATCH AND UNHARNESSED DEMOGRAPHIC DIVIDEND IN INDIA

**Default Education System:** In India, skilled workers are rare as a cocktail of poor quality instructors, outdated curricula, inadequate infrastructure, and time-consuming certification processes, have kept

India's education system tied up in knots, a 2019 United Nations Children's Fund report found. Among the large chunk of college graduates, most are deemed unemployable and lack the required basic skills (Bhattacharya, 2021).

**Un-progressive Course Curriculum:** Our method of teaching has the highest success percentage in the world in building literacy among people, but on one hand our course curriculum is not progressive; on the other, the course delivery methods are equally aged. In today's times when world is employing more and more 'Technology' backed methods; most of our educational institutes still use the age-old classroom delivery models which are geared towards teaching and testing knowledge at every level. Even the testing methodology is flawed; instead of testing the application of concepts, the power to memorize the concepts is tested, most of which is forgotten as the academic year ends (Rath and Behera, 2014).

**Teacher Training and Recruitment:** In India, the problem is compounded by a teacher shortage, especially in primary schools. Many schools are in remote areas where it is even harder to recruit and retain good teachers and strong school leaders. Teachers in India are also ill-trained, unprepared and ineffectual (Connelly, 2016).

**Poor Career Planning and Decision-Making:** Above and beyond the content and delivery of the Indian Education system, students are also concerned about the initial career decision-making process. Our school education system does not ensure that the chosen stream matches the aptitude of students. Instead, most students take decisions based on incorrect factors like the scope of the course, future exposure, job opportunities, and parental & peer pressure (Rath and Behera, 2014).

**Underinvestment in Training:** Additionally, the country pays no heed to train beyond textbooks and at both the school and college levels, rote learning dominates. Few graduates have people skills or soft skills because they are rarely the priority (Bhattacharya, 2021). This type of skill mismatch can be caused by underinvestment in training due to high training costs on one side and uncertain returns

on other. Information gaps or inadequately structured education provisions may also lead to incorrect investments on the part of students (Rath and Behera, 2014). As a result, the supposedly skilled talent that many Indian institutions churn out by the millions is not exactly prepped for the jobs market.

**Regional Imbalances:** The growth in the working-age population is likely to be concentrated in some of India's poorest states, and the demographic dividend will only be fully realized if India can create gainful employment opportunities for this working-age population.

**Different Barriers:** The size and diversity of the country also mean there are barriers ranging from language, culture, and societal setups to geographical immobility. Due to these barriers neither qualified and skilled persons get a suitable opportunity, nor the companies and recruiting agencies get appropriate and desired personnel.

**Poor HDI Indicators:** India ranks 130 out of 189 nations on the Human Development Index of the UNDP, which is alarming. Therefore, significant improvements in health and education are required to make the Indian labour force efficient and skilled.

**Poor Health Indicators:** India is home to the largest number of malnourished children and anaemic women. Due to poor health and low nutritional level, our children perform abysmally low in learning outcomes as per yearly ASER reports. So we do not have an educated, skilled and healthy workforce available for work preventing us to reap our demographic dividend.

**State of Poverty:** As per World Bank Report 2018, with about one-third of the population below the poverty line, India holds 75 million of the poorest in the poor index. Poverty causes the misuse of human capital, the skills of the Indian youth, which has ultimately reduced economic growth. It has not only hindered the economic growth but also the welfare of the youth. Due to poverty, a person can not afford proper nutrition, any skill enhancement technique, or even basic education. It has also led to more incidences of mental health issues such as depression, only to enhance the downfall of the



Indian demographic dividend (Chaturvedi and Saboo, 2019).

**Income and Wealth Inequality:** The main problem of our country is economic inequity, largely caused by extreme wealth and income inequality. Despite an economic liberalization that began in the 1990s and has created growing levels of disposable incomes for a rapidly expanding middle class, many people still lack jobs and educational opportunities, which further leads to skill mismatch and unharnessed demographic dividend (Connelly, 2016).

**Mental Health:** Mental health can be an important factor to downgrade the potential of demographic dividend. It is associated with the psychological well-being of individuals. The youth is likely to experience such issues due to personal choices, environmental influences, and lifestyle changes. As found by the WHO, the Indian youth is the most depressed youth population in the world. The average suicide rate in India is 10.9 for every lakh people and the majority of them lie below the age of 44, the age of productivity (Chaturvedi and Saboo, 2019).

**Caste and Gender:** One key hurdle is social mobility, especially for women and those belonging to the oppressed castes. Though the caste system was abolished decades ago, caste-based discrimination is often seen in the recruitment process to date. Gender disparity has also not been uprooted yet. In both urban and rural pockets, cultural barriers and safety concerns hinder women's educational and professional development. Those who do enter the workforce constantly battle biases during recruitment and in the workplace. We know that hiring more women means little without helpful accompanying measures like childcare support, maternity leave, period leave, and gender sensitisation training. Right before the Covid-19 pandemic, unemployment in India was at 7%, but for women, it was 18%. During the pandemic, the abrupt changes forced many to quit the workforce (Bhattacharya, 2021).

**Inadequate Public Expenditure:** Providing health and education are two non-negotiable pillars of skill development and agents to reap the demographic

dividend of any country. But India falters substantially in providing good quality education and health facilities to its people because its public expenditure on these two sectors as a percentage of GDP is amongst the lowest. As per the Economic Survey 2021-22, public expenditure on health was merely 2.1% of GDP in 2021-22, as against 1.8% in 2020-21 and expenditure on education as a percentage of GDP was 3.1% in 2021-22 as against the same in 2020-21 and 2.8% in 2019-20.

**Shrinking Job Market:** Now, with the jobs market shrinking because of the pandemic, young people are more willing to accept less pay and poor working conditions, just because they are so desperate to make a living. They often accept such offers for which they are overqualified, only to get some security and pay off their student loans. It leads underutilisation of our demographic dividend.

**The Informal Nature of Labour Market:** The informal nature of India's economy is another barrier to the country's ability to reap the benefits of its demographic transition.

**Low Labour Force Participation Rate (LFPR):** The Labour force participation rate in India for the working-age population is about less than half of the working-age population, in which female LFPR being abysmally more low, pulls down total LFPR. If half the population is disillusioned and uninterested in finding jobs, it will lead to a great loss of potential output. These results lead to a big concern that the growth in the future could turn out to be a 'Jobless Growth' because of de-globalisation, de-industrialisation, the fourth industrial revolution, and technological progress.

**Information Asymmetry:** There is also a lot of information asymmetry – between job-seekers and employers, between educational institutes and job providers, between public and private sector stakeholders, and more (Bhattacharya, 2021).

**Individual Traits:** There may be some distinctive personal characteristics that make certain individuals more prone to mismatch than others and leads to discrimination in the labour market, such as young

workers, older workers, females, ethnic minorities, and the disabled (Rath and Behera, 2014).

**Nature of Future Work:** The majority of new jobs that will be created in the future will require a high level of skill, and the lack of skill in the Indian workforce is a significant obstacle. India may not be able to capitalize on the opportunities due to its lack of human capital and skills.

**Faulty Recruitment System:** The recruitment process in India is riddled with corruption, political influences and nepotism, which makes it difficult for those without the right contacts and recommendations. It creates challenges to cultivating the demographic dividend.

**Insufficient Work Experience:** Sometimes over-education is linked to a lack of work experience, which also creates skill mismatch, as work experience is considered a prerequisite for many jobs, especially in the private sector.

## RISK OF BECOMING 'DEMOGRAPHIC DIVIDEND', A 'DEMOGRAPHIC DISASTER'

In India, there would be several repercussions if the problem of a high level of unemployment and underemployment remains unresolved. If enough jobs are not created and workers of our country are not adequately prepared for those jobs, its demographic dividend may turn into a liability (Singh A, 2022). Even otherwise, those who do not get any work also need to get their basic needs fulfilled and it is the liability of a welfare state to provide them with basics and social security as well. Thus the opportunity of our demographic dividend may turn into a liability. The other aspect of this is that India is not a developed country that can provide unemployment benefits to the unemployed in any significant manner. Having no support from State and society could lead to increased mental stress resulting in depression and even suicide. Deterioration in law and order conditions could drive away foreign investment leading to yet again lower

opportunities for employment. It could also lead to a loss of social cohesiveness and enmity between different groups of people with each group accusing the other of being the cause of lost opportunities, such as anti-reservation feelings or anti-outsider feelings regarding people from different religions, castes, regions, or languages. Beyond this, in the absence of conducive economic, social and political conditions, India risks squandering its advantage as it could easily lead to a very frustrated youth and this frustration could lead to social unrest and agitations. These agitations may turn violent leading to the destruction of public and private properties, which will further lead to a lowering of GDP growth rate. It also provokes them to choose crime for their survival. Hence, it is of utmost importance that this problem of lack of employment opportunities are resolved to a large extent without much delay, otherwise, this demographic dividend could easily turn into a 'Demographic Disaster' or a 'Demographic Demon'.

## WHAT SHOULD BE DONE TO REAP THIS OPPORTUNITY

In order to transform the demographic potential into a demographic dividend, there is a need to shift the economic policy from supply-side corporate-led growth to an employment-led development strategy. This can be achieved by a set of actions as follows:

- **Investment in Education:** Educational level is a key factor contributing to economic growth. High-quality school education, relevant higher education, a significant investment, and skill development aligned to industry needs are some of the prerequisites to reap the benefits of demographic dividends and only through this, India can become an economic powerhouse. It is expected that the 'New Education Policy, 2020' will prove to be a better effort in this direction.
- **Collaboration between Industries and Academia:** Other than a better education

system, academic-industry collaboration is also essential so that the students coming out from academic institutions are acceptable to employers in the industry. Universities may be nudged to update their curriculum to be in sync with prevailing industry trends and to provide apprenticeships to students. Through this, industries will get a skill-ready workforce, have to spend less time and money to train their fresh employees, and also candidates without experience will get employed easily. It will be a win-win situation for both of them. In addition, the industry needs to see partnerships with the ITIs, colleges and universities as an investment in their future productivity.

- **Public Private Partnerships in Training and Apprenticeship:** Companies often complain that they do not get skilled employees and have to provide on-the-job training in the beginning. Moreover, as soon as these employees learn new skills they move on to other companies. This leads to loss to the earlier company. Hence they are not particularly interested in upskilling employees. This is a form of externality, where a private benefit is much lower than a social benefit. It would be better if the cost of such skilling is subsidised by the government, while industry provides the training. In this way, a pool of skilled labour will be available to the industry which can lead to increased productivity and competitiveness.
- **Enhance Teachers' Productivity and Effectiveness:** It is also imperative that teacher training, professional development, and management oversight policies be enhanced, and that technology tools be adopted and implemented to increase teacher productivity and effectiveness. The problems with India's vast educational sector are ingrained and severe, but the return on investment in its transformation is incalculable.
- **Creating More Employment:** India needs to create more than 10 million jobs each year to mitigate the addition of young people into the workforce. By promoting entrepreneurship and the businesses' interests, people can help in employing the labour force and reaping the demographic dividend of the country.
- **Jobs for Low-Skilled Personnel:** When we are talking about the employment generation, we generally talk about the technically educated English-speaking personnel, but often we forget the rural youth, who is less educated and unskilled, or the huge number of slum dwellers in urban areas. They are not competitive globally but need employment that provides adequate salary and social security. Opportunities for them will increase only with the growth of the manufacturing sector requiring low skill and expertise, which has been a laggard in the Indian growth story.
- **Paying Premium to Skilled Labour:** Industries need to play a vital role in reaping the demographic dividend by paying a premium to the skilled workforce. While it may be cheaper to hire untrained labour; the costs of training, mistakes made by them, and lower productivity can all be overcome by paying a premium for skilled graduates.
- **Recognition of Prior Learning (RPL):** One important step taken by the government for skill development is a certification provided under 'Pradhan Mantri Kaushal Vikas Yojana'. This scheme needs to be implemented fully and enhanced in scope. People with RPL Certificates have led them to become more confident about getting a job leading to better bargaining power and enhanced incomes.
- **Investment in Future Skills:** The labour force of India must be equipped with the right skills for future needs. For this, it is important to identify skills that will be

required in the future and provide training accordingly. For this purpose, academicians and experts from various sectors should come together and frame a new curriculum to remove obsolescence. This will also prevent a mismatch of skills and the wastage of scarce resources. Providing financial help to universities and technical institutions could be considered part of CSR (Corporate Social Responsibility) to provide adequate funding for imparting skills. Upgrading of vocational institutions should be done on a priority basis.

- **Reskilling of Laid-off Personnel:** It is not only the youth who are skill deficient. In a fast-changing and modernizing economy, with now and then coming turmoil in the form of the Covid-19 lockdown, there is a problem of redundancy in several industries leading to lay-offs. These people, with families to support, are suddenly rendered unemployed. They too need safety nets and social security, as well as need to be reskilled so that they get jobs in new industries.
- **Incentivising the Manufacturing Sector:** The PLI (Production Linked Incentive) scheme is a step in the right direction but the problem is that most of the investment under this scheme is being done in the capital-intensive industrial sector, which will not provide a large number of jobs. It is important that labour-intensive industries, which would lead to a greater number of jobs, are created. Only a rejuvenated manufacturing sector can provide a vast number of jobs to low-skilled personnel and help them to move up the value chain.
- **Scaling-up of MSMEs:** It is not only the absence of employment but the quality of employment in terms of salary and social security, that is agitating today's youth. Most of the jobs available are in the micro segment in the informal sector, where the workers are low-paid, without social security net, and highly vulnerable. In such

a situation, there is hardly any incentive for them to up-skill. This is despite the Government's Skill Up India initiative. So it is important to convert micro and small enterprises into medium and large industries making them technologically advanced and globally competitive.

- **Improvement in Health Infrastructure:** To ensure better productivity in the young labour force, improvement in the healthcare infrastructure is also important. Evidence suggests that better health facilitates improved productivity. Hence, it is important to draft policies to promote health during the demographic dividend and for this, more budgetary allocation is needed as well as better health facilities from the available fund.
- **Improvement in Other Infrastructure:** Improvement in basic infrastructure such as power, water, roads, transportation, Internet connectivity, etc. will also lead to crowding in by the private sector industries.
- **Proper Urban Planning:** The migration of the young and working-age population will rise rapidly, leading to large-scale urbanisation. There is a need to focus on urban policy planning to give the migrating people access to basic amenities, healthcare services, and social services and to accommodate them into the urban labour market.
- **Removing Regulatory Hurdles:** Despite India being a democratic country and having a large pool of English-speaking personnel, international investments are low as compared to other countries. This is due to red-tapism, recklessness and policy delays in Indian bureaucracy to a large extent. Thus, it is important to reduce procedural hurdles and avoid policy reversals to attract foreign investment.

## CONCLUSION

India's demographic dividend offers a great opportunity, with the proportion of its dependent population decreasing, and that of the working-age population increasing. However, this will not automatically turn into a blessing and lead to growth, unless there are timely policy interventions (Vasudevan and Vohra, 2021). This opportunity can be properly utilized only if the youth have job-relevant skills and are gainfully employed and only then, they can contribute to the productivity and growth story of our country. It is a very fast transforming and challenging world. We need to be agile and acquire new skills as old ones are continuously getting redundant. If we cannot adapt our educational and technical institutions to provide skilled manpower commensurate with the needs of industry, we will waste our demographic dividend. The challenge of bridging this skill gap is urgent and vital to the government's ambitions of making India a \$5 trillion economy. Along with this, societal norms will also need to change.

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