

SUCCESS OF MAKE IN INDIA WITH SPECIAL REFERENCE TO DEMOGRAPHICAL, EDUCATION & EMPLOYMENT ISSUES

Dr Devesh Ranjan Tripathi,

Assistant Professor,

Business Administration,

School Of Management Studies,

UP Rajarshi Tandon Open University, Allahabad

ABSTRACT

The aim of Indian economic policy is to boost the contribution of various sectors to the Gross Domestic Product (GDP). But if we go by the statistics, we find that despite of having high potential, the India manufacturing sector's contribution to GDP is very low around 17%. Manufacturing sector traditionally has been labour intensive and India being a heavily populated country with excessive labor supply, would want a boost to this sector to be able to absorb the ever increasing workforce by providing them gainful employment. The paper aims to provide an understanding of the concept of Demographic Dividend in the Indian context and also tries to highlight the challenges that India is facing in realizing the true potential of the available advantageous demographic profile. The factors such as demographic dividend, education system and employment issues are being studied in the context of their potential impact on the Make In India Campaign of the government. The scope of the study has been kept limited to the following challenges facing India. I.e. Education Challenge as in poor quality of output, Skills Challenge as in gap between demand and supply and Employment Challenge as in high rate of underemployment and unemployment undermining the demographic advantage.

Keywords - Demographic dividend, Disaster, Employment, Education, Challenges, Make in India

INTRODUCTION

The aim of Indian economic policy is to boost the contribution of various sectors to the Gross Domestic Product (GDP). But if we go by the statistics, we find that despite of having high potential, the India manufacturing sector's contribution to GDP is very low around 17%. Manufacturing sector traditionally has been labour intensive and India being a heavily populated country with excessive labor supply, would want a boost to this sector to be able to absorb the ever increasing workforce by providing them gainful employment.

Realizing the potential of the manufacturing sector in tackling the problem of unemployment and

accelerating the rate of economic growth, our current government under the leadership of Shri Narendra Modiji has taken an initiative "Make In India" to give boost to our manufacturing sector by encouraging foreign and domestic investment in it, so that its contribution could be raised from current 17% to 25% in next five years or so. Under this initiative, the government intends to remove various hurdles in the path of growth of this sector by eliminating unnecessary regulations and easing some of them.

Under the scheme of Make In India the focus is on key 25 sectors of our economy with aim of skill enhancement and job creation, viz; Automobiles, Textiles and Garments, Biotechnology, Wellness, Defense , Manufacturing, Ports, Food Processing ,

Mining, Media and Entertainment, IT and BPM, Pharmaceuticals, Renewable Energy, Roads and Highways, Railways, Thermal Power, Oil and Gas, Space, Leather, Construction, Aviation, automobile components, chemicals and Electronic System. Thus this Make In India initiative is expected to raise the contribution of manufacturing sector to the country's Gross Domestic Product, create enough jobs to absorb the ever increasing workforce and make Indian Economy more resilient, self sustained and economically more powerful.

In the recent times there has been an increasing discussion about the association between countries demographic situation and its potential for economic growth. There are various theories and studies that support the view that countries having demographic advantage are also at an advantage for economic growth. This situation has been termed as Demographic Dividend which means a situation where in the age distribution of countries population changes due to falling birth rate. As a result, the proportion of dependants (children, 0-14 and Old people, 60+) in the total population falls and the working age people (15-59) proportion rises, which in turns means lesser investment needed for meeting the needs of the dependants and more resources being available for investment, needed to accelerate the economic activities in the country. This becomes possible only due to demographic changes that take place due to falling birth rate which on one hand reduces dependant population (burden) and on the other hand increases the population of working age people that comprises the productive labor force, thereby improving the ratio of productive workers to child dependants in the population.

So far we have been considering India's growing population only as a curse for the country's future economic growth. There have been serious concerns that India how India would deal with the liability that comes with such a massive population which is growing at a fast pace. Some of the International Economists even labeled India as a hopeless country which would not be able to provide even food to its massive population which officially crossed one billion in the year 2000 and is currently

more than 1.27 billion. Till recently this growing masses appeared to be a liability as to how India would be able to cater even to their basic needs, appearing to be a near impossible task, portraying a very dark picture of India's future. But now the view is fast changing as something considered as liability once is now being seen as a potential asset. The economists are now seeing a silver lining in the grim picture. It is being realized that world is aging but India has grown younger thereby providing the country with something that World calls as 'Demographic Dividend' which every country hopes for and now its India turn to exploit it.

As per one of the IMF publication, 2012, "Asia and the Pacific: Managing Spillovers and Advancing Economic Rebalancing," in many Asian countries, aging population is bring a negative demographic transition as working – age ratio in the total population is falling, which means larger number of dependants and lesser number of working people. The productive labor force in Japan has been shrinking since 1995, whereas China's working – age ratio (which has been a major contributor in its success story) reached its peak in 2013 and declining since then. India being the world's second most populated country, suddenly finds itself in a favorable situation in the region in terms of its population age-structure, which is evolving favorably and would continue to over next two to three decades. According to IMF the demographic dividend could add 2 percentage points to per capita Gross Domestic Product growth per annum. According to Census 2011, the ratio of working age population grew from 55 percent in 1991 to 60 percent in 2011, whereas child population declined from 37 percent to 30 percent, and old age population grew moderately from 6.8 to 8.6 percent during the same period. The point to be noted here is that though this demographic situation creates an optimism regarding India's potential for future economic growth, at the same time calls for a cautious approach as this situation is not going to be forever. The advantage in terms of population-age structure would soon be offset by rising proportion of old age people (dependants) in the total population in decades to

come. So if this favorable situation has to be realized and materialized, India has to act now in terms of having right economic policy as nothing would happen automatically.

As already pointed out that demographic dividend is in turn that it increases the labor supply which in turn boosts the production of goods and services on one hand and on the other hand declining child dependency ratio will encourage saving and investments in the economy that would boost the growth rate. No doubt there are opportunities that this favorable demographic situation presents for India but at the same time there are number of challenges in actually realizing its potential gains. If right steps are not being taken now, India may lose this opportunity to realize its dream of becoming an economic super power and this demographic profile may spell disaster for the country instead of proving to be a dividend. India has to realize that there is a limited window of opportunity and this demographic dividend will not last forever. With the passage of time, the population age distribution will change again, resulting in large adult age population moving into older age group(dependants), less productive age brackets and is followed by the smaller cohorts born during the fertility decline. This situation causes the dependency ratio to rise again, this time calling for a need to take care of the elder people rather than young. So once again reiterating the need for India to work towards realizing this potential before the window of opportunity closes.

REVIEW OF LITERATURE

Several researchers have studied the effect of demographic transition on Country's growth prospects. Some of them favored population growth, Julian Simon (1981) stated that people are the ultimate resource and an increasing population is a must for nation's economic growth. Growing population does not only mean growing consumer but would also mean more producers. Population growth may have negative consequences in the short run but in the long run it will have positive impact on the economic growth. Ahlburg (1998) stated in his

study that economics has not conclusively shown that a greater number of people imply slower economic development or a lower standard of living.

Easterlin (1996) expressed that the population explosion is passing phenomenon and economic growth will keep on rising led by higher material aspirations of people in future. Population growth and its composition is now being seen an important factor providing an advantage to a nation for economic growth over which there has been lot of hot debate as to whether it's a dividend or disaster. Bloom, Canning and Sevilla (2003) have expressed that it is not the size and growth but the age-composition of population that is closely associated with economic development. Changes in the age composition of population result favoring economic growth as a country experiences demographic transition.

As a country experiences demographic transition, fertility rate declines after a fall in the mortality rate. Due to this the rate of population growth tends to increase and then decrease over this transition period. This brings a change in the age structure of the population representing a bulge generation in the population pyramid. This bulge in the population pyramid represents a relatively large generations reaching the working age and saving, thus providing a country with a demographic advantage in terms of inducing economic growth, provided the country is able to provide gainful employment to them. Researchers like Bloom and Williamson (1998) did their study on the nature and magnitude of contribution made by population age-structure on country's economic growth. Similar studies were conducted by Canning, and Malaney (2000), Mason (2001), Bloom and Canning (2003 and 2008), studying the impact of Demographic situation on country's growth potential. They have cited examples of Ireland's economic miracle of the 1990s due to its Demographic situation (Bloom and Canning, 2003), East Asia's demographic transition and its impact on per capita income, ect (Bloom and Finlay (2009). Other researchers like Crenshaw, Ameen and Christenson (1997) and De La Croix, Lindh, and Malmberg(2007) also conducted empirical tests on the

relationship between the age structure of population and its effect on the economic growth of the country.

At the same time these studies have also clarified that Demographic Dividend will not automatically realize or materialize and change the fortune of the country (Bloom and Canning 2003 and 2008). Demographic factor such as age structure of the population simply affect the supply side potential (more working age people or higher working-age ratio to total population) for economic growth, which alone is not enough. The country needs to create a conducive environment in terms of better governance, better financial market regulations and operations, better policies in the area of trade and commerce, developing social infrastructure through sound policies for health and education and regulating the labor market for its desired development in order to provide gainful employment to all. If the country fails to cash upon this opportunity, this demographic profile would prove to be a disaster, landing the country in the worst situation than ever.

OBJECTIVES

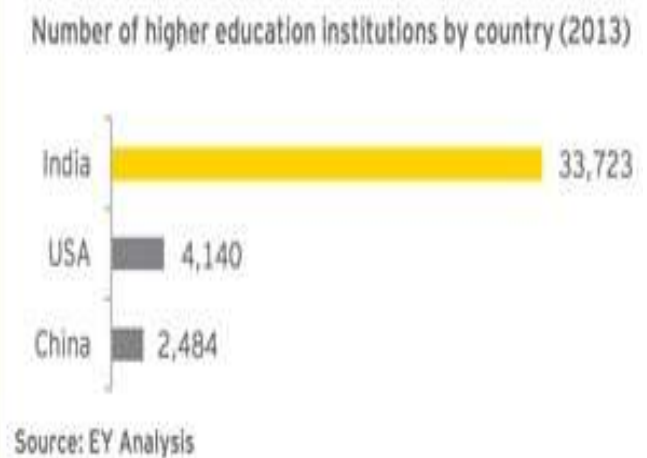
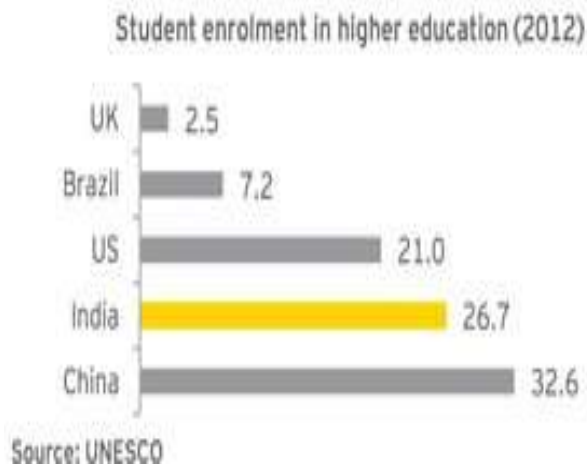
The paper aims to provide an understanding of the concept of Demographic Dividend in the Indian context and also tries to highlight the challenges that India is facing in realizing the true potential of the available advantageous demographic profile. The factors such as demographic dividend, education system and employment issues are being studied in the context of their potential impact on the Make In India Campaign of the government. The scope of the study has been kept limited to the following challenges facing India. i.e, Education Challenge as in poor quality of output, Skills Challenge as in gap between demand and supply and Employment Challenge as in high rate of underemployment and unemployment undermining the demographic advantage.

CHALLENGES IN REALIZING THE DEMOGRAPHIC DIVIDEND

As already mentioned nothing is going to happen automatically and this favorable demographic profile, which will be available only for a definite period, alone will not change the fortune of India. If India wants to realize its dream of becoming an economic super power in the region and then in the world, It will have to addresses immediately to the twin problem of outdated and insufficient education system prevailing in the country churning out unemployable graduates and inadequacy of employment generation for increasingly large number of working age people. So the immediate challenges before us are the “Education Challenge” “Skill Challenge” and the “Employment Challenge”. Now because of these three major challenges the rate of economic growth in India could not be accelerated to its optimum potential. To overcome this India needs to give focused attention to its medium and small scale industries which have huge potential in making the country a manufacturing hub. But this would requires strategic planning in terms of promoting research and development in these sectors which is currently far less as compared to other developed nations with whom we usually draw comparisons. Policy transformation is the key to overcome these challenges and eventually realize the intended potential of this ambitious mission of our prime minister.

EDUCATION AND QUALITY CHALLENGE

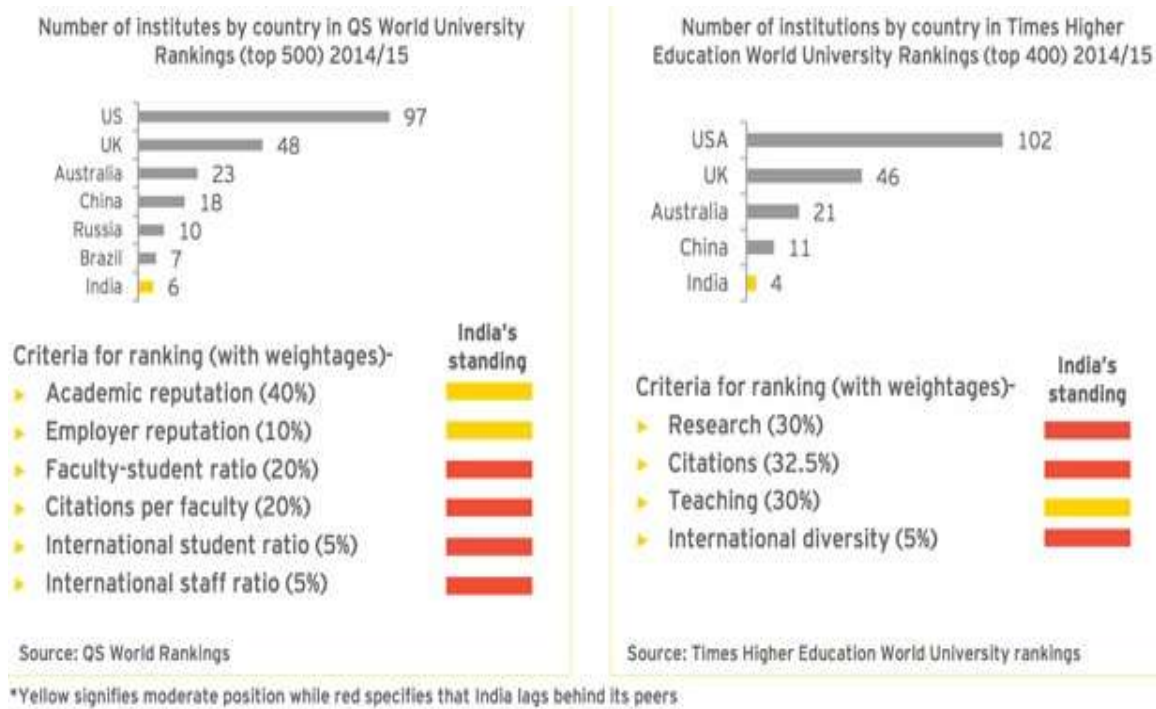
India is home to 1.27 billion people as of now of whom more than half is under the age of 25, and with a projected average age of 29 years, India will be one of the youngest countries in the world by 2020. India also has the largest population of higher education students after China and is projected to surpass it in this regard in the next decade. From the chart given below (taken from ‘Higher Education In India: Moving Towards Global Relevance And Competitiveness’) this can be seen wherein total Student Enrollment as of 2012 is 26.7 million in comparison to China’s 32.6 million.



India's higher education capacity has been increasing at a rapid pace as already it has the largest education system in the world in terms of the higher education institutions. If we look into the higher education participation as a percentage of college aged students, the Gross Enrollment Ratio has doubled over the past decade, at 24.69% which is still below the global average of 27%. The Indian government wishes to increase this to 30% by the year 2020. But to achieve this present system needs to expand at a much higher rate than it is expanding at the moment. There is a big challenge facing India as it has to accommodate an additional 14 million students in order to achieve the target for 2020 over and above the present enrollment of 26 million approx. India is projected to be the third largest economy in the world by 2030, after China and US. As per the current forecasts, by 2020, services and the manufacturing sectors of the economy would be contributing 90% of the India's and 75% of its employment. Now this calls for urgent attention of the government which has modify its expansion plans to meet this structural

shift in the Indian economy, if India has to reap the benefit of Demographic Dividend. As per one of the recent reports of the consulting firm EY, "this structural shift in employment will increase the demand for sophisticated workers, innovators, and thinkers who can thrive in a globally-connected and dynamic economy. India, with its large workforce and increasing pool of higher education graduates, is strategically positioned to reap the benefits of this shift. However, the demographic dividend' will be squandered unless India is able to create a globally relevant and competitive higher education system."

Talking of expansion of higher education system alone is not enough as the quality aspect is also equally important in this regard. India has been facing a huge problem of ensuring quality in its higher education system. Despite of its rapid expansion, very few Indian Educational Institutions are considered for global ranking as presented in the chart below, which shows that Indian higher education Institutions lag behind when compared with those of other emerging markets on various crucial parameters.

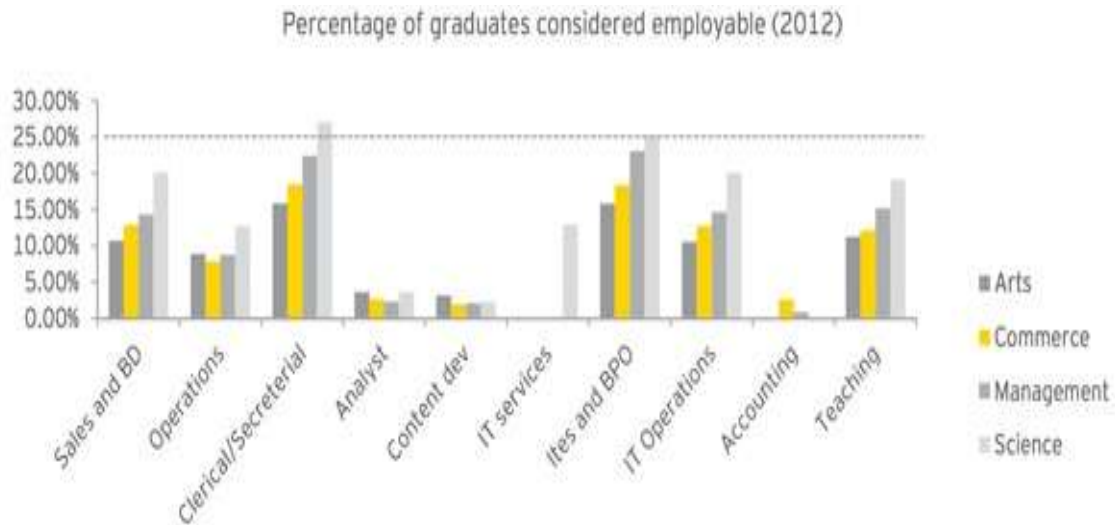


There have been reports which have pointed out the reasons for below standard quality of Indian higher education system, citing faculty shortage as of the most crucial element in addition to other systemic problems. It has been estimated that 30-40% of the faculty positions in the higher education institutions are unfilled due to lack of deserving candidates. There are several factors responsible for the poor quality of our higher education system, some of them being:

- No professional training of faculty in teaching
- Outdated and rigid syllabus, not in tune with the times or as per industry requirement
- Methodology of teaching and assessment, narrow and rigid, not providing an opportunity to the students to develop skills like critical thinking, analytical reasoning, problem solving, etc.

- High teacher taught ratio
- Separation of research and teaching;
- An ineffective quality assurance system.

The quality concern in higher education has acquired all the more attention as the poor quality of its graduates get reflected in their employability potential. As per recent reports, 75% or more of the graduates on an average are not considered employable. As presented in the chart below, extracted from National Employability Report 2013, which clearly shows stream-wise employability of our graduates which is less than 25%, reflecting the poor standards of quality at higher education level, churning out graduates who are not employable, as higher education provided to them is not preparing them as per the demand and opportunities that come from the rapidly changing economy of the country.



Source: Aspiring Minds, National Employability Report 2013

SKILLS CHALLENGE FOR INDIA

India needs to overcome the skills challenge by reforming Vocational Education and Training to harness the Demographic Dividend. There is an urgent need of giving a boost to the technical and vocational education and training system in India to be able to cater to the employment needs of 5-6 million youth joining the labour force in a rapidly growing and diversified Indian economy. Mostly the Indian workforce either has less than primary education or is illiterate (53%). Moreover, less than 10% of the workforce has acquired vocational skills, if we take non-agricultural workforce, its 20% and if we consider only industrial labour, its 44%, which is still much below compared to other countries. For instance only 16% of Indian companies provides in-firm training on recruitment, and that too only large ones, in contrast to 85% of firms in China.

India must therefore expand the system of providing Vocational Education and Training to its working age population to improve workers productivity, if it wants to develop itself as a major manufacturing hub. India has to create an environment that promotes and rewards skills and

productivity; Government, industry and private vocational training providers need to work together to realize this objective. To realize India's demographic dividend India needs to overcome this skill challenge. If the skills gap remains and the industry does not get the desired quantity of skilled workforce, it will be forced to employ more capital intensive techniques which in turn reduce the demand for labour and further complicate the situation. In this industries also have to play a highly active role by promoting vocational education and training by providing in-house training and promoting processes and practices to reward skills, for instance, sending workers to training institutes, vocational schools, etc.

EMPLOYMENT CHALLENGES

After addressing to the problems related to poor quality in higher education system of India leading to low employability of its youth and the prevalent skills gap, its time to talk about the employment and unemployment scenario in the country which is also an outcome of the previous two factors discussed at length above. It's good to take the credit of being the youngest nation in the world but at the same

time we also need to understand and shoulder the responsibility of providing this young and expanding population gainful employment. Creating employment for the youth is a major challenge not only in the Indian context but around the world. At present India is far behind in realizing the demographic dividend as employment expansion rate is lagging behind the increase in the working age population (demographic advantage). Even the working age population's participation in the total population is also one of the lowest, i.e., 53% as compared to 70% in China. Almost 50% or more of the Indian workforce is dependent on agriculture which contributes 15% of the GDP (Bhagat 2014). Only one-fifth of the workforce gets employed in manufacturing industry. Latest NSS data, 68th round, shows that a very high percentage of urban workforce are either self-employed-42% to engaged as casual labourers-15%, while 43% are employed in regular wage/salaried category. The quality of labour is also not good as 11% of urban male labour and 28% of urban female labours were not literate and 53% male labour and 40% female labour in urban areas were having secondary level education including diploma, etc. Besides high degree of underemployment, there is also high unemployment in India for instance, amongst urban youth, around 10% in urban males and 15% in urban females as per NSS, 2014.

Because of this high unemployment level amongst the working age population, the demographic transition in terms of favorable age-structure change alone will not convert the situation into demographic dividend and accelerate the rate of economic growth. Infact researchers like Bhagat and Unisa have presented in their findings that rising unemployment amongst youth, which increases adult dependency offsets the benefits that accrue from having low child dependency. In other words, the demographic dividend would be lost if the dependency of adult(working age unemployed people) increases on working age employed people. Thus the main issue is how to create increasing number of jobs for the growing population. As agriculture is failing to absorb the increasing supply of

labour, jobs in industries and services sector needs to be increased. There is a need to give a boost to the development of labour intensive industries like small and medium size enterprises.

CONCLUSION

So in the end once again I would like to reiterate that demographic dividend will not be there forever and India must make use of this limited window of opportunity before it disappears with the passage of time as the population structure would change. If India has to become the India of the dream of Late .Dr.A.P.J.Kalam, former President of India and India as a super economic power, then it must act now and bring the desired policy changes to reap the benefits of this favorable demographic situation that presently it is in. As it does not happen automatically, India must make all the efforts needed to realize the full potential else this demographic dividend may eventually prove to be an economic disaster for the country. The initiative taken by the government of India in the name of "Make In India" for reviving the manufacturing sector would need a focused attention on all these issues to have a meaningful impact on the India's economic growth. There is no doubt about India's economic potential in transforming it as economic power if not super power. With initiatives like this the rate of economic growth is bound to increase provided government makes policy changes to tackle the problems discussed above.

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