



## Youth population: An asset - only when supported by education and employability

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### Abstract

India enjoys many positives as compared to many countries of the world such as it is the frontrunner in terms of consistent economic growth and set to be the third economic power by 2030 (IMF Standard Chartered Research 2011), the country is also the 7<sup>th</sup> in terms of area and 2<sup>nd</sup> in terms of population. This population is not the aging population but the youth population wherein about 65 percentage of population is below the age of 35. This young population has given the government and policy makers a huge opportunity to channelize the young potential in productive avenues and thereby achieve higher economic growth and achieve better happiness index and improve the quality of life, making India a better place to live in. However, this is not as easy to be achieved as said rather there are many challenges that have to be dealt with. India with a population of 1.2 billion faces huge unemployment problem which is pulling back the economic growth rate from expectations and the situation is not getting any better with increasing number of youth entering the job market every year. Given the job scarcity, this would mean more and more of unemployed youths in days to come. Add to it, our education system is also a big culprit for the demand-supply imbalance in the job market. The education provided is often found of substandard quality and also very generalistic in nature; thereby creating a gap between what universities and colleges are supplying and what actually is needed by the industry. As per AICTE report around 60 percentage of the 8 lakh engineers graduating from technical institutions across the country every year remain unemployed, 39 percentage employers state that attracting and finding quality talent is one of the most challenging aspects, around 90 percentage of jobs are skill-based, only 2% of the population (in the 15-25 age group) is currently enrolled for vocational training (vs. 60-80% worldwide). It is evident that an enormous gap exists between skills and employability. A Planning Commission Report (2008) estimated that only 10% of the workforce in India has undergone formal skill training as compared to 68% in the UK, 75% in Germany, 52% in USA, 80% in Japan and 96% in South Korea. Despite having low dependency rates and a large proportion of population in the workforce, especially the youth, India has been unable to create suitable job opportunities, develop skill to participate in a competitive job market and improve the standard of living of the masses. The paper tries to highlight various issues and challenges which young India faces in terms of converting its demographic advantage into dividend, in particular, highlighting the existing and future employment scenario, deficiencies in existing education system and also taking an account of various government initiatives and policies in this regard. The paper is based on insight gathered from secondary sources of published authentic data.

**Keywords:** demographic dividend, disaster, employment, education, challenges

### 1. Introduction

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

## 2. Review of Literature

R.B. Bhagat (2014) <sup>[2]</sup> in his research paper titled "The Opportunities and Challenges of Demographic Dividend in India" examined that the youth population of India brings in ample opportunities for growth and productivity enhancement there exists many challenges such as lack of employment, educational and health status of the population and most importantly the skill development of the labor force.

Dr. Swapan Kumar Roy; Suhas Roy (2014) <sup>[4]</sup> in their paper entitled "Demographic Dividend in India: A Synoptic View" highlighted that India is passing through a phase of unprecedented demographic changes. These demographic changes are likely to contribute to a substantially increased labor force in the country. The census projection report shows that the proportion of working age population between 15 and 59 years is likely to increase from approximate 58% in 2001 to more than 64% by 2021. Such a trend would make India one of the youngest nations in the world. Thus India's competitive advantage is its demographic dividend. This

demographic dividend provides India great opportunity but it also poses a great challenge. It will benefit India only if our population is healthy, educated and appropriately skilled.

Arushi Varma (2016) <sup>[1]</sup> in her research paper "Demographic Dividend in India: A Conundrum" explained that by 2030 it is prophesied that around 60% of India's population will be in the working age group. This can reap a rich demographic dividend, but without a clear road map, it could turn horribly wrong. A clear vision is a key first step and under the National Skill Development Policy (2009) the government's target to skill and employ 500 million people by 2022 is a step in the right direction. However, India has been facing difficulty in the realization of demographic dividend because of poor quality of Education and Skill Development.

## 3. Objectives

- The paper aims to provide an understanding of the concept of Demographic Dividend in the Indian context
- It also tries to highlight the challenges that India is facing in realizing the true potential of the available advantageous demographic profile.
- The objective is to focus on challenges viz. 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.

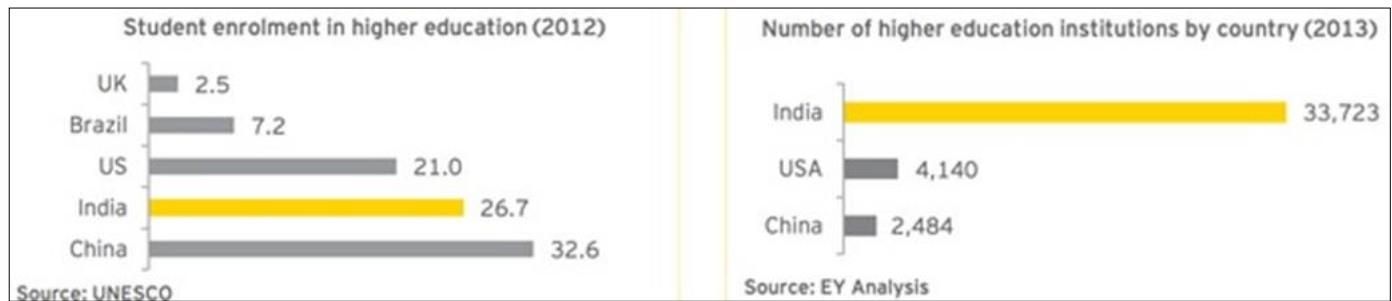
## 4. Challenges in realizing demographic dividend

As already mentioned nothing is going to happen automatically and this favourable 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".

### 4.1 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.

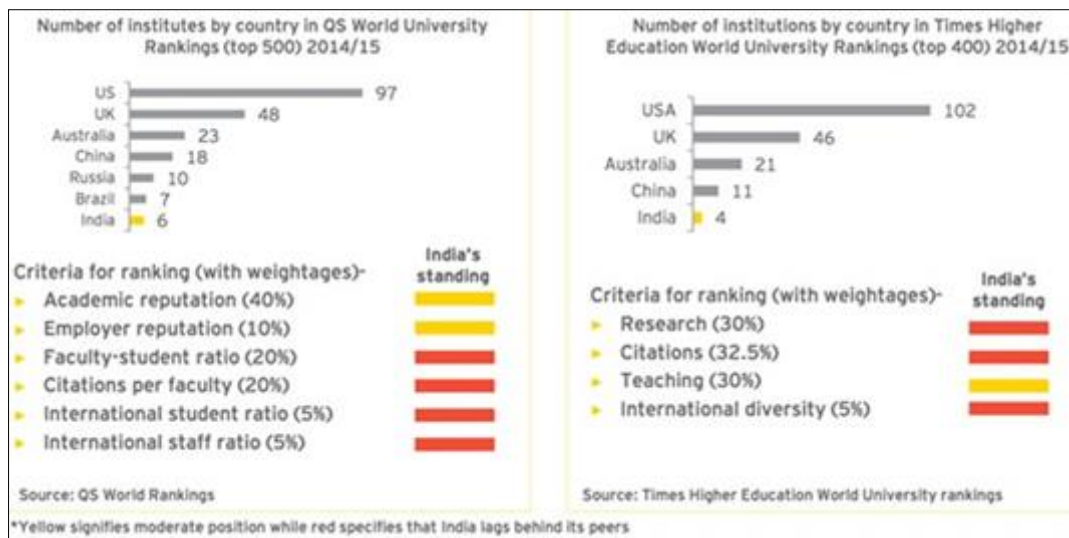


India's higher education capacity has been increasing at a rapid pace as already it has the largest education system in the world in terms of the higher education institutions. If we look into the higher education participation as a percentage of college aged students, the Gross Enrollment Ratio has 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 the 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

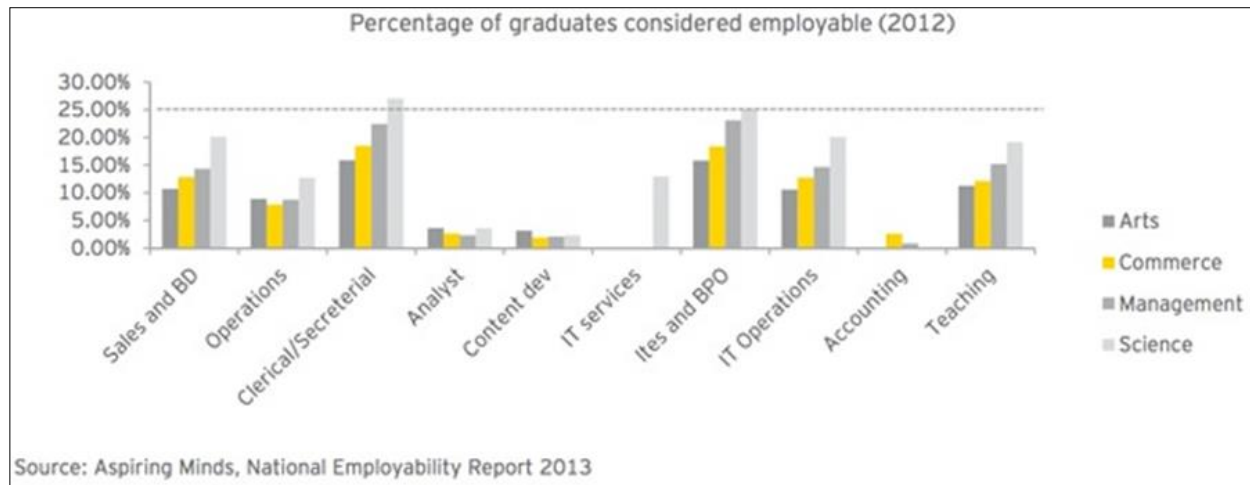
as per industry requirement

- 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 it 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.



#### 4.2 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.

#### 4.3 Employment challenge

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. Its 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 dependant on agriculture which contributes 15% of the GDP (Bhagat 2014). Only one-fifth of the workforce gets employed in manufacturing industry. Latest NSS data, 68<sup>th</sup> round, shows that a very high percentage of urban workforce is either self-employed-42% of 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 labour was 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 in the amongst the working age population, the demographic transition in terms



of favourable 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.

## 5. Conclusion

So in the end once again it is reiterated 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 Lt. 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.

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