

Demographic Change and Employment Generation: Issues and Challenges

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Abstract

India is the home to 17.5 per cent of the world's population. Its population growth rate is estimated at 1.25 per cent per year. It is estimated that by 2025, India will surpass China and become the most populous country whose population will touch 1.6 billion by 2050 from the present 1.28 billion.. However, our population is 'young' by global standards. Employment generation has come to occupy centre stage in our development planning as well as implementation. The experience of the last one and a half decades in India showed that employment opportunities created were inadequate in spite of rapid growth and Demographic changes. Unfortunately, the strike comes at a time when estimates point out that nearly 2 lakh workers join the labour force every month. In the context of India's 'young population' which is increasingly aspiration and consumption oriented in outlook unlike the previous generations, there is an urgent need for the government to increase employment generation potential. The younger generations' expectations are higher, as is their ability to earn while it has a greater inclination to assume debts in order to meet their aspirations. There is a need to concentrate on the issues and challenges that are facing in present trends by the younger generation that is mainly good education system and employment opportunities. Thus there will be nation building by the generations that are upraising in present scenario though we are facing demographic changes very rampant.

Key Words: Employment, Younger, Aspirations, Demographic changes.

Introduction

India is the home to 17.5 per cent of the world's population. Its population growth rate is estimated at 1.25 per cent per year. It is estimated that by 2025, India will surpass China and become the most populous country whose population will touch 1.6 billion by 2050 from the present 1.28 billion. Over the past one hundred years, India's density of population has grown from 77 (1901 Census) to 382 (2011 Census). India's rapid growth in population is indicated by the growth in the density of population from 267 in 1991 to 325 in 2001 and further to the present 382. However, our population is 'young' by global standards. The median age of India is 27 years while in China it is 36.7 years, 37.6 years in USA and 46.1 years in Japan. The biggest challenge for policymakers is to create an enabling ecosystem that will not only absorb large number of new entrants into the workforce but also improve the opportunities for those already in the workforce in the face of rapid technological changes. The rapid evolution of technologies complicates matters because of the quicker redundancy of technologies and business models. This article provides reviews the demographic and employment trends while analysing the challenges that India faces in increasing employment to optimise the demographic dividend. We offer suggestions as to how the demographic dividend can be harnessed thereby improving employment and employability.

Change in Approach: Over-population to Demographic Dividend

manner in which India approaches its population has undergone a metamorphoses over the past few decades: in the 1980s our economics text books referred to it as a problem of 'over-population'. Now, our large population is considered as a 'human resource'. The population profile of India is a double edged sword. Proper planning and optimisation of resources will enable India to harness the "demographic dividend" thereby providing the citizens and the country with huge opportunities and

benefits. ‘Demographic Dividend’ a term that is used to indicated an advantage that is available for a country when the population that is joining the labour force is more than the population dependent on it. By equal measure, missing the opportunities that will unfold a disaster of unprecedented proportions whose impact will be felt for decades into the future. It is important to note that ‘demographic dividend’ is a temporary phenomenon that all countries enjoy at some point of time or the other in their history. The *Economic Survey 2016-17* opines that the demographic dividend will peak in 2011-20 and will start declining in the decade after that but the incremental growth boost will continue for a few years after that¹. Kundu (2011)² opines that India enjoys a distinct advantage in the labour market compared to developed and less developed countries due to the fast changing age distribution of the population. However, these benefits will accrue only when it can be utilised carefully.

Table: Details of India’s population in Age Groups

Residence	Sex	Broad Age Groups (in Years)		
		0-14	15-59	60+
Total	Total	29.5	62.5	8
	Male	30	62.2	7.7
	Female	28.8	62.8	8.4
Rural	Total	30.9	61	8.1
	Male	31.5	60.7	7.8
	Female	30.3	61.3	8.4
Urban	Total	25.5	66.6	7.9
	Male	26.1	66.2	7.6
	Female	24.9	66.9	8.2
AP & Telengana	Total	24.6	66.6	8.8
	Male	25.3	66.4	8.3
	Female	23.8	66.8	9.4
Rural	Total	24.9	65.6	9.5
	Male	25.6	65.5	8.9
	Female	24.2	65.6	10.2
Urban	Total	23.8	69	7.2
	Male	24.6	68.5	6.9
	Female	22.9	69.6	7.5

Source: Census 2011 (Chapter 2: Population Composition)

Numbers may not tally due to rounding off AP & Telengana are combined since the Census enumeration took place before bifurcation

Thus, those in the age group of 25-54 years are estimated at 40.6 per cent while those between 15-24 years are estimated at 18.1 per cent. Thus, the Indian economy has the potential to harness this age group for its economic growth and well being – provided certain conditions are met. However, there are formidable challenges. We analyse these issues and challenges.

Employment Trends in India

¹ *Economic Survey 2016-17*, Government of India, New Delhi (<http://indiabudget.nic.in/es2016-17/echapter.pdf>, p.34. Website last visited on 19 April 2017)

² Amitabh Kundu and PC Mohanan, *Employment and Inequality Outcomes in India*, OECD Working Paper, Paris, 2011

Job creation in the past decade has been slow. Unfortunately, the slowdown comes at a time when estimates point out that nearly 2 lakh workers join the labour force every month. ILO points out that nearly 48 per cent of India’s workforce is dependence on agriculture for their livelihood though the service sector contributes 53 per cent by way of Gross Value Addition (GVA)³. Unfortunately, a large part of the employment generation is in the informal sector. The following table provides details of the Employment in agriculture and non-agricultural activities.

Table 2: Employment in different sectors

	Rural Total (including those with and without hired hands)	Urban Total (including those with and without hired hands)	Total (including those with and without hired hands)
Agriculture & Allied Activities	1,20,85,209	10,46,364	1,31,31,573
Non Agricultural Activities	2,27,10,545	2,36,99,605	4,53,63,786
Total – All India	3,47,95,754	2,36,99,605	5,84,95,359

Source: Sixth Socio-economic Census, 2016, Central Statistical Office, Government of India, Delhi, Annexure 1.

The NSSO survey (68th Round) throws up some interesting insights into the nature of employment. According to it, among the total work force in India the share of self employed was the highest consisting of 52 per cent, salaried members of the workforce comprised of 18 per cent, while casual labour consisted of 30 per cent. However, there are variations and differences in urban and rural areas. In the urban areas, while self-employed consisted of 42 per cent, the salaried employees consisted of 43 per cent and the remaining 15 per cent comprised of casual labour. In contrast, in the rural areas 56 per cent were self employed, 9 per cent salaried and 35 per cent casual labour⁴. In rural areas, about 84 per cent of the workers were classified as those in the skilled agricultural and fisheries or craft and related trades or elementary occupations by the NSSO. Almost 39 per cent of the male and 48 per cent of the female work force was employed in skilled agricultural and fisheries. Craft and related trades provided employment to 11 per cent of the male and 10 per cent of the female workers while 31 per cent of the male and 33 per cent of the female work force was employed in ‘elementary occupations’⁵. Large numbers of self-employed means that there is a higher propensity for employment in the informal sector. Often these informal enterprises depend on the labour of the individual or the family. The Sixth Socio-economic Survey (SSES) offers fascinating insights into the nature of the labour market in the country. It clearly distinguishes between agricultural and non-agricultural establishments in the country. According the SSES, there are 5.849 crore agricultural and non-agricultural establishments in the country which together provide employment to 13.129 crore people. While the non-agricultural establishments provided employment to 10.841 crore the agricultural establishments employed 2.288 crore people. Agricultural establishments employed 17.43 per cent of the total employment while the rest were provided by non-agricultural establishments in the country. The government owned 4.53 per cent of the total establishments and provided employment to 8.66 per cent (or 93.9 lakhs) of the workforce. The private sector establishments consisted of 3.944 crore establishments which employed 9.902 crores.

³ *India Labour Market Update*, July 2016, International Labour Organisation, Geneva, 2016
(http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_496510.pdf Website last visited 19 April 2017)

⁴ *Key Indicators of Employment and Unemployment in India, 2011-12*, NSS 68th Round, July 2011-June 2012, Ministry of Statistics and Planning, Government of India, Delhi, p.17

⁵ *Key Indicators of Employment and Unemployment in India, 2011-12*, NSS 68th Round, July 2011-June 2012, Ministry of Statistics and Planning, Government of India, Delhi, p.22.

These included those establishments registered as private partnerships, private company, private self-help groups or private cooperatives. The SSEC throws interesting insights about the social aspects of employment in the non-agricultural establishments and their ownership. The following table offers detailed insights into the ownership of establishments based on social group. The combined ownership of proprietary establishments among SC/ST households is at 15.5 per cent while less than 15 per cent work in these establishments.

Table 3: Social Group wise Employment in Non-Agricultural Proprietary Establishments

Ownership	Number of Establishments			Number of Workers		
	Rural	Urban	Combined	Rural	Urban	Combined
SC	2408588 12.7%	2001956 9.80%	4410544 11.2%	3696227 11%	4020698 8.5%	7716925 9.5%
ST	1092752 5.8%	619320 3.03%	1712072 4.3%	1760582 5.3%	1376191 2.9%	3136773 3.9%
OBC	8162105 43%	7310775 35.77%	15472880 39.2%	13721405 41%	15206268 32.1%	28927673 35.8%
Others	7336724 38.6%	10504795 51.40%	17841519 45.2%	14297371 42.7%	26814703 56.5%	41112074 50.8%
Total	19000169 (48.18)	20436846 (51.82)	39437015 (100)	33475585 (41.38)	47417860 (58.62)	80893445 (100)

Source: *Sixth Socio-economic Census, 2016*, Central Statistical Office, Government of India, Delhi, p.76. Figures in Absolute numbers; Percentage of all establishments/workers in their respective category; Figures in brackets are sector wise percentage to all establishment/workers. The above table indicates that in most cases, SC/ST households depend on other sources including casual labour for their employment. In contrast, nearly 40 per cent of the non-agricultural proprietary establishments are owned by OBCs. Hence, there is an urgent need for the government to increase its focus on policy interventions which will improve ownership of proprietary establishments among SC/ST households. Since the private sector now hires an overwhelming part of the workforce, helping SC/ST households will offer dual benefits of increasing employment and up-liftment of the Dalits. Generation of jobs in the present economic context means that it has become more capital and technology intensive – both of which are a challenge in a country like India. Hence, unless the government takes up policy interventions in this regard it will not lead to any increase in establishments promoted by SC/ST households.

Issues and Challenges

In the context of India’s ‘young population’ which is increasingly aspirational and consumption oriented in outlook unlike the previous generations, there is an urgent need for the government to increase employment generation potential. The younger generations’ expectations are higher, as is their ability to earn while it has a greater proclivity to assume debts in order to meet their aspirations. Over the past two decades, successive surveys and studies have indicated that Indians are earning more, spending more, investing more and spending more. India faces a herculean task of carefully motivating and optimising the benefits of a large, young population. Invariably, there are a number of challenges that the country faces. An important change that has occurred in India is the increased urbanisation of the country. Rising population brings to the fore issues like providing jobs, housing, amenities, improving the standard of living and other governance challenges. An important trend is the large increase in the population that lives in areas classified as ‘urban’ areas and the increase in the number of areas within towns that are classified as ‘slums’. A look at the past two census reports indicates that in 2001, 1743 towns had areas that were officially categorised as ‘slums’ by the government. This means that there is

now an increase propensity for populations to live in large concentrations unlike in the past. This means any positive or negative impact can be magnified. By 2011 this had increased to 2613 slums. As per the 2011 census 6.54 crore people or 17 per cent of Urban India lives in these slums – an increase of 1.31 crores over 2001. By 2017, the population living in slums is expected to increase to 10.4 crores. Thus, generating employment to people who live in these slums is the biggest challenge for the government and will continue to remain a major challenge in the foreseeable future. One of the most important needs of a young population is the need to provide quality and affordable education. Education plays an important role in an increasingly globalised and competitive world – it is a pivot in the creation of a knowledge society. Over the past few decades, those who have invested in education have reaped handsome benefits in the form of jobs in an expanding government sector and later due to globalisation induced new economy related job boom, especially in the technology sector. This prosperity has induced more people from all walks of life, including those who are poor now believe that investment in education the highest priority in a household. Often, the middle classes and poor household borrow large amounts of money to invest in education. Unfortunately, the education system is failing the younger generation since it cannot provide sufficient skills or abilities that can enable people to gain employment while increasing the indebtedness of the households. A major cause for the inability of the education system to equip students with the requisite skills is because it does not incentivise knowledge acquisition; rather it incentivises lethargy. In other words, the education system has long lost its basic purpose that of – helping students acquire knowledge and analytical abilities. In most cases, universities operate in silos and seem to be blissfully unaware or indifferent to the needs of the broader economy and society. Thus, there is an urgent need to revamp the education system in order to equip our youth with sufficient skills that will help them take advantage of a globalised knowledge society. This is all the more urgent because a back of the envelope calculation indicates that for the next 15 years nearly 10 lakh people will join the work force annually. Thus, unless India creates jobs faster, there will be more problems that arise from youth unemployment and frustration. Hence, if jobs have to be created a complete, immediate overhaul of the education system is a compulsion not an option. One important reform that is needed is to make the education system truly inter-disciplinary in nature and to incentivise those who invest time and resources in knowledge acquisition so that it provides an incentive for students and faculty who use their time productively in knowledge and skill acquisition during their education period. A good starting point will be for the Seventh Pay Commission to link all benefits to productivity and dismantle the present system of promotions based on the number of years of service or degrees accumulated mechanically rather than ability at all levels and in all educational institutions. Similarly, there is a need to consider creating a new class of faculty members, especially in the higher educational institutions which will be better paid but will not be “permanent” as in the present system. Rather they will be given term/tenure of 5-7 years to prove their ability to performance. The parameters for evaluation of such faculty will be as in some of the leading universities in other countries. Failure to perform will lead to non-renewal of “tenure”. Employment generation potential will improve if the education system is able to proactively offer solutions to the larger economy by way of increased interaction between the academia and industry. A good way to achieve this will become possible if all higher educational institutions permit lateral entry and exit between government, higher education and industry. That will allow better knowledge transmission between the three sectors. In recent years, the government has realised the need to overcome this problem and has started reskilling of the youth. It is estimated that if the current trends in unemployment continue then by 2030 about 46 crores (out of a total estimated population of 148 crores) will not have skills that will allow them to participate in the labour force and therefore remain unemployable thereby increasing the chance that such low skilled people may never find employment. These estimates are likely to be an understatement due to the rapid changes that technology is introducing every year. Technological change often makes a lot of present processes redundant. Unlike in the past, there is now a greater need for constant updation of

skills if one has to benefit from rapid changes in the economy. Hence, apart from overhauling our university system there is a need to incentivise the skill programmes. One option will be to borrow a leaf from China which incentivises technical and vocational training by providing free tuition. Another option would be to convince our educational institutions to incorporate and impart vocational training as part of their curriculum. This will facilitate the closing of skill gaps in a much more efficient manner. However, imparting and absorbing skills is dependent on various factors including socio-economic and cultural conditions. That means we cannot have a one-size fits all approach. It will require skill imparting that is much more localised in nature. It will also require special attention to first generation students or those from backward areas or those who are changing professions. Similarly there is a need for employers to think differently and believe that they have a role to play in reskilling and that such investments are in their long-term interests. The dominant tendency among employers is to think that only educational institutions and the government have a role to play in bridging the skill gap. Businesses should go beyond believing that profit maximisation as their sole aim. While profit maximisation may be possible in the short-term, they forget that the only way they can improve their profitability in the long-term is if they invest in skill improvement of own workers which in turn will improve productivity. Unfortunately, such investments are rare and few in India. Little wonder that most companies depend on government doles for their profitability.

Conclusion

Thus, a young population brings with it an opportunity to mould the mindset of the younger generation so that it can help in nation-building. A young population also means that India faces a challenge of creating economic growth and conditions for growth that will enable the economy to absorb those joining in the labour force. Unless that happens, the country will not be able to satisfy the younger generation. An inability to improve employment opportunities to the younger generation risks increasing social and economic tensions in our society. We argue that the best way this can be done and transmitted is by improving the efficiency of the education system and make it more relevant while concurrently imbibing a completely different work culture.

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