

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 5 | Issue 3

2022

© 2022 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

This article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of **any suggestion or complaint**, please contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication at the **International Journal of Law Management & Humanities**, kindly email your Manuscript at submission@ijlmh.com.

Demographic Timebomb: An Eminent Threat for India's Emerging Tag

PRATHMESH GAJANAN UPADHYE¹

ABSTRACT

Demographics can set the economic, social, and cultural tone of any nation and has immense potential to create structural shifts across economic unit. Geo-Political dynamics are crucial factors for economic development wherein policy stance about demographic conditions can determine fate of real progress. Though the rising population is an eminent threat, identifying an inflection point can trigger course corrective actions especially for emerging countries such as India where slight imbalance between Demand-Supply equation can have serious repercussion on millions of people. Present article briefly sheds a light on the worsen situation arose out of Demographic Combination leading to record high unemployment though plausible room to utilize the skilled human resource is still in place and needs paradigm policy shifts accompanied by implementation efforts.

I. INTRODUCTION

Historically, demographics has ruled the world. The exact combination of independent young and dependent old retirees has vast potential to determine country's economic prospects in near future. Every country has a demographic sweet spot where majority of the country's population consists of young population (15 – 64), i.e. they are both producers as well as consumers, a definite win-win from economic standpoint.

Change in demographic composition of an economy leads to structural changes such as employment, standards of living and average age of the population affecting output (GDP). Lately, a contrasting scenario around the world is where many emerging and advanced countries have declining pool of working population to support increasing retirees while others such Africa and India are in dire need to create employment opportunities just to maintain workforce participation ratio in the economy.

According to Jamie Murry, Chief Economist (EMEA) for Bloomberg Intelligence, "Demographics are very important put bluntly for advanced economies. The more people there are, the larger the economy is likely to be which leads to more power & influence they like to

¹ Author is a student at Dr. Vishwanath Karad MIT World Peace University, Pune, India.

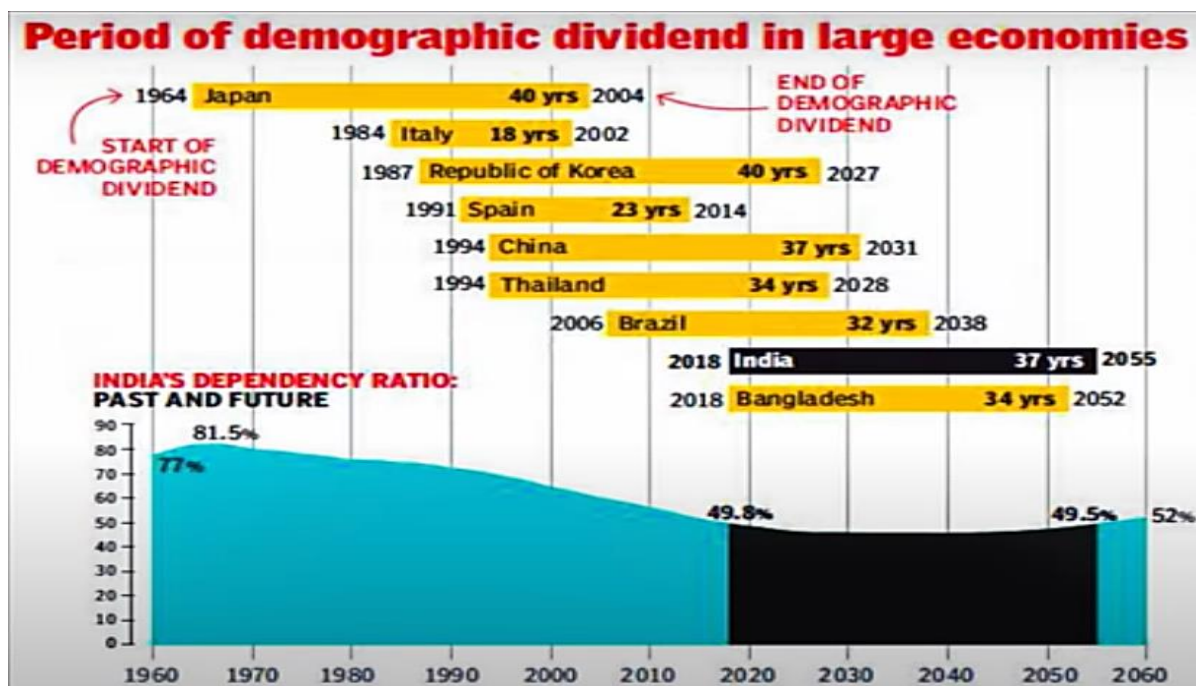
wield on the global geo-political landscape. That's why US is global leader and European countries club together to influence global policy dynamics.”

Population of planet has doubled twice during 20th century, meaning the world is able to create more wealth than ever. In 1965 planet had 3.3 Bn population, now 50 years later its about 7.3 Bn. Naturally, it had an enormous effect on the productive capacity of economies in totality. But this growth also means world's population is aging.

The average age of human on earth was 32 in 2011 and by end of this century, it is expected to be 42. By 2035, 1.1 Bn people will be over the age of 65. This greying of the planet has potentially profound economic implications. As population ages, more people consuming goods & services and fewer producing them, such an economy with population ageing experiences slower economic growth than otherwise would. When such aging occurs, people are going to save less, they tend to utilize their accumulated wealth and start to spend more potentially going to push up the interest rates in the economy quite significantly over next few decades.

This analysis has is supported by former Bank of England Economist Charlie Bean who has predicted “this is about to happen right now (2016) and we're just at that inflection point where demographics start to push up interest rates rather than push down.” Many economists believe that window of demographic dividend is very supportive to produce and potentially bring paradigm structural changes in the economy.

II. ANALYSIS OF PERTINENT ISSUES FROM INDIAN CONTEXT



Source: *The Hindu Business Line*, “India's demographic dividend may turn into nightmare.”

India is in the early parts of demographics sweet spots where majority of their population belongs to working age, supporting economic growth for long term. In 2016, India was among one of the fastest growing economy in the world if not the fastest. Demographic factors are a big tailwind to that growth.

But consider the current scenario as well, due to Covid pandemic India slipped into technical recession and economic contraction broke records in last 40 years as GDP growth stood at –



This mega population dividend is slowly turning out to be population nightmare and a popular opinion among economist is that 37 years of demographic dividend is sustainable only if India can achieve \$5 Tn economy vision otherwise within short span it could lead to demographic disaster. CMIE statistics on employment indicates 48.5% of workforce participation ratio in May, 2016 but in February, 2020 same metric declined to 40.5% while working age population increase by 11.22 crores during the same period.

It is worth mentioning that 45.84 crore people were part of workforce in 2016 which declined to 42.85 crores in 2020. Here it is quite considerable that workforce participation ratio slipped due to rapid growth of population between 15 – 64 but absolute decline in workforce to the extent of 2.99 crores over 4 years is serious cause of concern for India.

These demographic trends pose serious challenges for workers as population is aging it is also living longer and healthier lives. Hence, idealistically living standards should raise and life expectancy can show better results over longer horizon.

In India's case that may not be the truth partly due to resource constraints, constant fertility rate and inefficient administrative mechanism in the place causing people to work beyond given bracket to simply maintain the lifestyle as inflation reduces value of real wages & savings and

raises cost of living.

According to Steph Chan, Professor of International Politics at University of London, “Current global trends in population points to a very different world to come. A world where even powerful economies like China and Japan could potentially face catastrophic demographic challenges.”

India has potential to successfully utilize period of 37 years started from 2018 by capitalizing on 62.5% human (workforce) capital and could adopt policy lessons from its counterpart in southeast Asian, South Korea which successfully accelerated economic growth by investing in quality education since skilled labour force acts as crucial driver contributing to rapid economic development.

III. CONCLUSION

The impact of changing age dynamics on economic growth and development, social stability and geopolitics is crucial determinant for forward looking sustainable growth especially for emerging economies.

From microeconomic point of view, it affects behaviour of an individual economic agents in terms of savings ratio, consumption patterns and investment/capital accumulation. Macroeconomic ramification ranges could from sustainability of fiscal health, provisioning and financing of social services and immigration/population policies.

Considering the paradigm shifts across industries and ongoing pandemic led economic disruptions, institutional policy measures will face a tough road ahead for Indian policymakers as the deep-rooted problem has directly hinted the plausible worse case scenarios.

IV. REFERENCES

1. Endeavor (2021, February 24). *The Demographic Timebomb / Forward Thinking / ENDEVR Documentary* [Video]. YouTube. <https://www.youtube.com/watch?v=-W2PrEu5V6o>
2. The Deshbhakat. (2021, March 16). *Massive Unemployment / India's Dream Demographic Dividend now a Nightmare? / Akash Banerjee* [Video]. YouTube. <https://www.youtube.com/watch?v=E5jXiwD93w0>
3. Dr. Kiran Somvanshi. (2021, December 8). View: India's demographic dividend to the world. *The Economics Times*. <https://economictimes.indiatimes.com/opinion/et-commentary/view-indias-demographic-dividend-to-the-world/articleshow/88172772.cms>
4. India's demographic dividend may turn into a nightmare (2012, December 12). *The Hindu Business Line*. <https://www.thehindubusinessline.com/economy/indias-demographic-dividend-may-turn-into-a-nightmare/article62332014.ece>.
