DEMOGRAPHIC DIVIDEND AND DEMOGRAPHY-DEVELOPMENT LINK

Rituranjan*

At present, a number of developing countries including India are passing through a phase of demographic transition wherein they can derive a number of potential benefits from their growing population by virtue of the population having tilted in favour of relatively younger and working age-groups. As these younger people can earn as well as save more, it is generally expected that they can contribute more to the generation of national income by enhancing the productive potentiality of the economy through increased saving and hence investment thereby leading to a higher level of economic growth and development. This kind of an optimism should not however be taken to be a matter of foregone conclusion in as much as the deriving of such a 'demographic dividend' crucially hinges on the provision of requisite skills & training as also sufficient employment opportunities to the increasing number of young economic agents entering the potentially working age groups in the concerned economies. Given the large-scale unemployment and poor skill formation prevalent in these economies, there is always a danger and apprehension that the potential of a demographic dividend could either go waste altogether or may only remain incompletely exploited. In the light of all these apprehensions, the present article takes a closer look at the overall link between demographic trends on the one hand and developmental patterns & outcomes on the other so as to identify the crucial factors that must be taken care of by these economies in order to fully reap the 'demographic dividend' with a view to achieving economic growth, prosperity and welfare of the masses.

INTRODUCTION

The link between population trends or demography on the one hand and economic development on the other has come to the centre-stage of development debates in recent years in view of the possibility of a 'demographic dividend' that some developing countries including India could potentially derive in the years to come. The main points of debate and areas of discussion in this respect are not only the underlying reasons for which only a selected few countries are capable of deriving such a dividend emerging out of demographic trends but also the requisite conditions under which it would indeed

* Associate Professor, Department of Economics, Shri Ram College of Commerce, Delhi University.

materialise in actual practice. In this connection, it must be conceded that 'demographic dividend' is not a matter of foregone conclusion and even those economies which can potentially derive it may fail to do so in case they falter on developing the enabling environment conducive to availing of such a dividend.

In order to have a better understanding of what precisely constitutes demographic dividend, in what kind of economies it could accrue and what are the underlying conditions and assumptions under which it would fructify, it is imperative to have a closer look at the demography-development link. It is against this backdrop, that the present article goes deeper into an analysis of the inter-linkages between population trends *i.e.* demography of an economy on the one hand and the process of its growth & development on the other. The purpose is to derive useful insights into the ways and means through which the vast pool of human resources in the economy could be effectively harnessed for achieving economic growth and development so as to improve the general welfare of the masses.

The next section explores the fundamental issue whether population growth is a boon or in fact a bane for an economy. A detailed investigation of this issue calls for having a closer look at the basic demography-development link which in turn is accomplished in the subsequent section. Once the inter-linkages between the demographic profile of an economy and the process of its economic development are thoroughly analysed in this manner, the stage is set to fully understand the intricacies as also the pros & cons of 'demographic dividend' which form the subject matter of next section. This is followed by a detailed discussion in the subsequent section about the ways and means of ensuring that the demographic dividend is fully reaped by the concerned economies. And finally, the conclusions following from the present study are recorded in the last section.

Population Growth: Is it a Boon or a Bane?

There is no denying the fact that labour is one of the most important factor of production in the economy. In fact, in Marxian literature, all value is supposed to belong to labour alone. In any case, the importance of labour is recognised by any economic theory in as much as even capital resources such as machinery and equipment are essentially 'reproducible' in the sense that in the ultimate analysis they too are man-made. It is actually when human beings act on nature and 'invent' as also 'innovate' that the foundation of all progress in the society is laid down. No technological advancements can take place without human intellect and human effort and hence economic growth and development are inconceivable without human beings. In view of this, increasing population of human beings appears to be beneficial for any economy from the perspective of economic development as more human beings could mean more human resources, more human brains and more human capital.

Yet we find that higher population growth in an economy is generally viewed with contempt and is considered to be a major barrier rather than facilitator in economic development. For, the population of a country can rise rapidly if and only if birth rates are high and death rates are low or both these developments take place simultaneously reinforcing each other. Both ways, the proportion of too young *i.e.* less than 15 years of age and too old *viz.* more than 64 years goes up in the entire population and conventionally these age-groups are considered to be non-working age groups. Though not earning, the consumption expenditures of households on these age-groups generally tend to be relatively higher as they need comparatively more medical & health care and in the case of too young *i.e.* less than 15 years, expenditures incurred on schooling & education is an added factor. This clearly implies that when population in an economy grows, the 'burden of dependency' rises in the sense that non-working and non-earning age groups having on an average higher consumption expenditure go up as a proportion of the population. As these age groups merely add to consumption expenditures while their contribution to income is practically negligible, the overall impact is a dampening of the 'Saving rate' in the economy. In the absence of requisite savings, evidently the level of investment is curtailed thereby having a more than proportionate loss of national output in terms of the 'opportunity cost' argument due to the standard multiplier effect. To put it simply, increasing population acts as a brake on the growth tempo of the economy by discouraging saving and investment and adversely affecting the productive potential of the economy under consideration.

In addition to such a 'Saving Effect', a growing population could also be detrimental to growth and development on account of altering the 'Composition of Investment' in a relatively unproductive direction. More specifically, when population in an economy grows unabatedly, a large part of public investment is devoted to the building up of social infrastructure and carrying out welfare programmes aimed at providing for education and health facilities to the growing masses. Though such expenditures are a must from the viewpoint of 'human development', yet it must be realised that they do not contribute to the generation of national income as significantly and as fast as some directly productive activities such as steel, cement, chemicals industry and the like that are considered to be