# ‘COMMENTARAO’ IN “The Telegraph” of June 22 2016

# “PITCHED AGAINST ODDS-DIVIDENDS FROM DEMOGRAPHICS?” BY S L Rao

# NCAER’s household data from the market information survey of households was based on very large sample surveys over all of India. It had been carried out every year from 1985. It brought out revealing trends. There was a distinct fall in the proportion of the very poor and destitute in the population, a sharp rise in the well-off, and most interestingly, a rapid growth of what one could call the middle class and I called the consuming classes. They were the principal buyers of manufactured consumer goods. The trend was not only in urban areas but also in rural, though the rural proportions were much smaller. Consumption of manufactured goods was not confined to the well-off and urban households. But it was apparent that there were Two Consuming Indias. Other agencies (like PRICE with their national ICE surveys) conducted comprehensive national surveys. Perceptive analysts found information nuggets of value. Manufacturers and marketers, foreign and Indian, poured into Indian markets, in urban and rural India to sell to this vast and growing class of consumers. They entered rural markets which had till then seen only a few multinationals and many small local manufacturers (for example, of bidis).

# The size of the consuming classes has grown (around 300 million in 1991). The number of destitute and poor have declined in proportion but are around 300 million. They are very poor, with little or no literacy or education, poor access to health services, live in squalid housing, burn fuels in closed kitchens with tragic effects on women’s health, with no toilets (leading tto high incidence of gynecological disorders). On every parameter of income, consumption and well-being, women are not at par with men.

# The Prime Minister rightly lauds India’s democracy, development and demographics. This year we claim to be the fastest growing economy in the world. Our large population and particularly its growing preponderance of youth will make the economy more dominant in coming years. Demography can give dividends in growth and prosperity to India for decades.

# But there is a Second India poor shape. They rarely if at all buy manufactured consumer goods, suffer high infant mortality, and do not look to a better future, Their livelihoods are in agriculture and unskilled labour. They need more stable avenues for employment. Alternative occupations would be in manufacturing, requiring large scale migration to urban areas.

# The latest Census data shows that nearly 41% of India's population is below the age of 20 and half is in the 20-59 age group. This proportion will decline after 30 years or so, with widespread prosperity, related declining fertility, late marriages and smaller families. For that,livelihoods must be stable and well paying. A youthful population as it seeks livelihoods will add to the growth of the gross domestic product. This is the demographic dividend. It will become a demographic nightmare to the polity without stable employment and secure livelihoods.

# Low-productivity agriculture, on fragmented holdings, and excessive numbers depending on it, produces poverty. Indian literacy is 74%; female literacy is 64%. It is even lower among rural people, Muslims, scheduled castes and scheduled tribes-the marginalized sections of our population. Literacy numbers are misleading because of the overall poor quality of schooling and education for the majority. The marginalized people contribute few to the consuming classes and must join them.

Economic growth in India has been practically jobless growth since the late 1990s. Most of the around 12 million job seekers every year are new seekers. They find jobs that are primarily casual, unskilled and manual (for example, construction). The self-employed are probably largely disguised unemployed. This becomes clearer when we see the sector-wise employment and income patterns. In 2011-12, agriculture, forestry and fishing contributed 18% to overall GDP but employed 49% of the workforce. The secondary sector - manufacturing, mining, electricity and construction - had a share of 27% in GDP and 24% in employment. Services, the engine of India's GDP growth in recent years, accounted for 55% of the total national output but employed a meagre 27% of the workforce. Much of the `employment' in agriculture, and in small self-owned shops, is as a fallback in a distress situation in which jobs are not available. In the absence of adequate and comprehensive social security, the poor cannot afford to be unemployed. It is the marginalized who suffer.

Among them, distress is more among Muslims, SC’s and ST’s than among others. For example, poverty among [Muslims](http://www.business-standard.com/search?type=news&q=Muslims) in urban areas was twice the national average in 2011-12 and four times more than among  upper caste Hindus, (Kundu committee). IIII In 2011-12, [unemployment](http://www.business-standard.com/search?type=news&q=Unemployment) among educated urban Muslim youth was 18 per cent. In  lower educational categories, the unemployment rate was highest among Muslims, followed by scheduled castes (SCs) and scheduled tribes (STs).

India has a large and youthful population. Yhis results in a growing consuming class that makes it a magnet for manufacturers and marketers. The growing and high proportion of literacy and education, (of generally low quality), finds jobs in casual and manual employment. Most employment and employment growth is of unskilled and casual labour. Employment is never certain and is poorly paid. Women must also be hlped to improve capability and thus, opportunity. For all, dependence on small land holdings of relatively low productivity must reduce dramatically by migration. Poverty levels are high and especially among Muslims, SC’s and ST’s. Employment growth is poor in manufacturing which accounts for a much smaller proportion of GDP than services. Acess to affordable education and health services for these marginalized sections is poor.

For livelihoods to improve, the population depending on agriculture must reduce sharply. Alternative livelihoods must develop in industry, large, medium and small scale manufacturing. The government controls on land acquisition, labour laws, plethora of rules, licenses and approvals, must reduce if manufacturing and employment in manufacturing are to increase dramatically. Presently large-scale manufacturing sees little investment growth. Until government restraints go it will be medium, small and cottage manufacturing that will add faster to GDP and employment.

Manufacturing growth requires development of urban conglomerations. For the poor migrants from rural India, housing in urban areas is presently squalid and expensive. Water and electricity are not easily available. Life must be made better for them in urban areas. Education and health must be available more easily, affordable and of good quality. Services will remain an important source of employment but cannot absorb the many who need improved livelihoods. apply.

For manufacturing to develop much faster than hitherto, government approvals must be simple, easy and fast. There must be easy access to technological improvements in all sectors, availability of investment, materials for inputs, and marketing muscle. This is so for all sizes of industry.

For example, handicrafts could be a good source of additional employment but need attention to imnprove technology to reduce drudgery, incentives for the young to remain in that sector, easy access to capital and good raw marterials, and cooperative marketing to enable large scale marketing.

Good quality literacy, training in skills and learning to use information technology are important but not the whole answer. Schools must improve, be cheap or free, and more of them. Health services must be accessible to the marginalized poor. Skills training is only one part of this package of requirements. Most importantly there must be conscious rffort to make all these targeted strongly at the marginalized sections- Muslims,. SC’s and ST’s.

Getting a dividend out of our demographics calls for many urgent coordinated actions as described. Manufacturing must have less restrictions, labour laws must be flexible, materials, money, technology and marketing must be planned and made available. Mere skills training will only crate a new class of trained unemployed. (1293)

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