India’s Deferred Future Highlights Governance Gaps Threatening Demographic Dividend, Employment Generation and Inclusive Economic Transformation

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Recent Developments:

- A recent policy analysis has warned that **India's demographic dividend** is increasingly at risk because of **delayed public recruitments**, **limited formal employment creation**, **low vocational skilling**, and **incomplete welfare delivery**.
- The analysis argues that governance delays and institutional inefficiencies are preventing India's large working-age population from translating into sustained economic growth and productivity gains.
- The issue assumes greater significance as **India's demographic window** is expected to remain favourable only until the late **2030s**, after which population ageing will gradually increase the dependency ratio.

India's Deferred Future and Demographic Window:

Meaning and Concept:

- **India's Deferred Future** refers to the mismatch between a unique **demographic opportunity** and delayed institutional responses in employment generation, skill development and public service delivery.
- Nearly **65% of India's population** falls within the **15–64 years** working-age group, providing a historically favourable **dependency ratio** that is unlikely to recur after the early **2040s**.
- A demographic dividend generates economic gains only when the expanding workforce is supported by **quality education**, **productive employment**, **healthcare**, **skills**, and **efficient governance**.

Key Statistics on Employment and Welfare:

Labour Market Indicators:

- Nearly **65%** of India's population currently belongs to the **working-age group**, offering one of the world's largest labour pools.
- More than **30 crore workers** are registered on the **e-Shram Portal**, highlighting the predominance of the **unorganised sector**.
- Only around **3%** of India's workforce has received **formal vocational training**, indicating a substantial skills deficit.
- Adjusted estimates indicate that unemployment among **educated youth** is close to **18%**, significantly higher than headline survey estimates.
- Youth unemployment among **urban women** stands at around **20.1%**, while **female labour force participation** remains slightly above one-fifth.

Hidden Employment Challenges:

- The **Periodic Labour Force Survey (PLFS)** measures unemployment using established survey definitions but may not fully capture aspirants engaged in prolonged competitive examination preparation.
- Inclusion of discouraged job seekers substantially increases the estimated unemployment burden among educated youth.

Major Structural Challenges:

Delayed Public Recruitment:

- Recruitment processes in many public institutions often remain pending for **3–4 years** because of administrative delays, litigation and procedural bottlenecks.
- Prolonged recruitment cycles reduce productive workforce participation during the most employable years of candidates.

Inadequate Formal Employment:

- Expansion of the workforce has not been matched by sufficient creation of **quality formal jobs** with social security and long-term career prospects.
- Increasing dependence on **contractual employment** reduces job security and discourages employer investment in workforce training.

Vocational Skill Deficit:

- Limited industry participation and short-duration certification programmes weaken the effectiveness of vocational education.
- Weak integration between **education**, **apprenticeships**, and **industry demand** contributes to skill mismatches.

Incomplete Welfare Delivery:

- Delays in implementation of welfare schemes such as **Pradhan Mantri Awas Yojana (PMAY)** and **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** prolong beneficiary dependence on government assistance.
- Lengthy verification procedures reduce the timely effectiveness of welfare interventions.

Rising Social Inequalities:

Recruitment delays disproportionately affect **first-generation learners**, **economically weaker households**, and **socially disadvantaged communities** that cannot sustain prolonged periods without stable income.

Institutional Issues Affecting Demographic Dividend:

Political Economy of Incomplete Governance:

- Electoral incentives sometimes encourage greater emphasis on **policy announcements** and **new project launches** than on timely completion of ongoing projects.
- Delayed completion reduces the developmental impact of public expenditure and weakens public confidence.

Casualisation of Labour:

- Increasing contractual employment limits access to **social protection**, **career progression**, and **continuous skill development**.
- Firms relying heavily on temporary workers often invest less in long-term human capital formation.

International and Domestic Best Practices:

South Korea:

- Government support through **industrial licences**, **bank credit**, and incentives was linked directly with **employment generation** and **export performance**, ensuring greater accountability.

Brazil:

- The **Bolsa Família Programme** combined cash transfers with conditions relating to **school attendance** and **healthcare utilisation**, helping reduce intergenerational poverty.

Germany:

- Strong **apprenticeship systems** and **worker representation** encouraged firms to invest consistently in workforce skills and productivity.

Kerala:

The **People's Plan Campaign** devolved nearly **35–40%** of development funds to local governments, strengthening community monitoring and timely project implementation.

Government Initiatives Supporting Human Capital:

Major Employment and Skill Programmes:

- **Skill India Mission** aims to enhance employability through market-oriented skill development.
- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** focuses on short-term skill certification and Recognition of Prior Learning.
- **National Apprenticeship Promotion Scheme (NAPS)** promotes industry-based apprenticeship training.
- **e-Shram Portal** creates a national database of workers in the unorganised sector.
- **Production Linked Incentive (PLI) Scheme** seeks to expand manufacturing capacity and employment opportunities.
- **Periodic Labour Force Survey (PLFS)** provides regular labour market indicators for evidence-based policymaking.

Way Forward:

Strengthen Governance Efficiency:

- Introduce legally enforceable timelines for completion of public infrastructure projects and government recruitment processes.
- Fill sanctioned vacancies through **annual recruitment calendars**, preferably within **12 months**.

Reform Skill Development:

- Shift from short-duration certification towards **industry-linked**, **multi-year apprenticeship models** aligned with labour market requirements.
- Strengthen collaboration among industries, educational institutions and vocational training providers.

Promote Quality Employment:

- Expand formal employment through labour-intensive manufacturing, services and emerging technology sectors.

- Improve wages, social security and skill upgradation opportunities for contractual workers.

Improve Welfare Delivery:

- Digitise beneficiary verification and strengthen time-bound service delivery.
- Design welfare programmes that facilitate transition from welfare dependence to sustainable formal employment.

UPSC Value Addition:

Important Terms:

- **Demographic Dividend:** Economic growth potential arising from a relatively large **working-age population** compared to dependents.
- **Dependency Ratio:** Ratio of the **dependent population** to the **working-age population**, indicating the economic burden on productive workers.
- **Human Capital:** Knowledge, skills, health and productivity possessed by individuals that contribute to economic development.
- **Vocational Training:** Industry-oriented education designed to develop occupation-specific technical and practical skills.
- **Casualisation of Labour:** Increasing dependence on temporary or contractual employment with limited job security and social protection.

Relevant Constitutional Provisions and Reports:

- **Article 41:** Directs the State to make effective provisions for securing the **Right to Work**, education and public assistance within its economic capacity.
- **Article 39(a):** Directs the State to ensure adequate means of livelihood for all citizens.
- The **Economic Survey 2025–26** highlights that India's demographic dividend is expected to peak around **2030**, making rapid job creation, skilling and productivity enhancement essential for sustaining long-term economic growth

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