

Skilling, Automation and Ageing Population to define the Indian Landscape

The Indian economy is underway a paradigm shift defined by changing global economic and political environment. Importantly, the economy has witnessed a growing inclination towards digitization and automation which is likely to have implications for the expanding population. To be clear, India's place as an economic superpower in the next few decades has largely been based on its huge "demographic dividend". To put things in perspective, the bulk of the expected increase in world population to 9.7 billion by 2050 will likely be centred in India and China, which currently are the world's most populous nations¹.

The expanding working-age population i.e, people in the age group 15-64 years is expected to see an addition of 115 million in the next decade alone, thereby presenting a massive economic opportunity. However, there is now a growing need to have a fresh perspective on the impact a swelling population growth can have if it is not harnessed effectively. What will become increasingly evident in the longer term is a massive tilt towards dependent population in the 'post' dividend period, as birth rates decline. An offshoot of this will be a pressurized industrial sector growth. Earlier debates have largely centred on the need to undertake pro-business policies to create sufficient jobs. However, job creation alone may not be sufficient as a steeper addition to the labour pool may offset any increases in job availability. This coupled with advancement in robotics and automation can make jobs redundant, increase unemployment and hinder overall growth. As such, there is a need to supplement job creation with upgradation of business trainings and re-skilling to achieve sustainable economic success. At the same time, an increase in "dependent" population can also be converted into an opportunity- for there will be greater need for care givers, bulk of which may not be automated.

Automation can provide added opportunities to economy through mitigation of side jobs and increased scope for transfer of human capabilities to more advanced processes. As digital infrastructure and automation gain traction, Indian growth story will largely be defined by its services sector. As per NASSCOM estimates, information technology (IT) alone will add close to 3 million new jobs by 2025, which already boasts of a total employee base of 3.9 million². Given this, promoting entrepreneurship and upskilling the existing workforce will become pertinent to growth which can be achieved through continuous and customized job trainings, among other things. Necessary lessons can be learnt from Singapore, Japan, and Australia where gains from digitization have already played out to some extent³. Japan, specifically has gained substantially from the innovative use of digital technologies to increase productivity and generate the surplus needed to sustain the economy.

With regards to the ageing environment, it has been recognized that the window of opportunity has lessened for "early" dividend economies of Japan and China, where workforce is shrinking and is rapidly ageing at the same time.⁴ This represents a business opportunity for younger Asian countries like India. With proper skilling, Indian workforce can be deployed in manning the services required by these ageing economies. However, with a faster ageing process, India will likely have less time to adjust to this transition while maintaining business growth and managing higher fiscal burden of the aged future. In this backdrop, there is a clear interplay of young present and aged future; a) in the "current" transition, creation of jobs, effective re-skilling supported by increased participation from women in the workforce can accelerate growth potential and lessen future burden, and b) In the

¹ <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/about-deloitte/deloitte-cn-voice-of-asia-3-en-170915.pdf>

² <http://pib.nic.in/newsite/PrintRelease.aspx?relid=162046>

³ <https://www2.deloitte.com/content/dam/Deloitte/in/Documents/about-deloitte/in-deloitte-voice-of-asia-ed2-may17-noexp.pdf>

⁴ <https://www.weforum.org/agenda/2017/05/heres-how-asia-can-maintain-growth-with-an-ever-ageing-population>

“future” dependence, ageing and automation can continue to provide business opportunities if such potential is recognized now.

It is evident that consumption patterns differ substantially among the young and the old, and businesses can leverage on this by repositioning their business models to take advantage of the “growth clusters” emerging across a range of sectors. The adjustment process for India can be smoothed through the experiences of Japan, Taiwan and Hong Kong which have made significant strides in the services sector in the face of their economies with people with a higher average age. Learning through those lessons, India can make considerable returns specifically in sectors such as:

- *Healthcare and nursing*: ageing population will underpin demand growth in the healthcare industry with a greater demand across health services, special care facilities, old age homes and funeral related services.
- *Consumer goods sector*: differing needs of the older population will lean more towards disposable diapers, high-quality and small-portioned daily meals, anti-ageing products, high-class and well-prepared cruises, and/or train tours
- *Housing facility*: more inclination will be towards community housing and high density residential concepts with close connectivity to health and consumer store departments
- *Financial services*: ageing process will accelerate growth of trust funds, insurance policies, asset management services and other banking needs
- *Child-care services*: greater women participation as ageing process accelerates will likely give rise to child care facilities and in-home assistance
- *Robotics and Artificial Intelligence*: ageing process will further stimulate the market for automation and labour saving technologies

The transition to an ageing society will clearly have implications for industry growth and economic development as preferences and consumption patterns are likely to change. If planned at the right time, there are abundant opportunities that can result in profitable growth for firms. There can be an added bonus in the form of productivity enhancements as technological disruptions can change the very nature of jobs. With the underlying technological disruption and changing demographic pattern, industries across manufacturing, retail and services will need to adjust to this evolution in the consumer marketplace to survive. To reap the benefits of the ageing future, planning will have to be done and investments will likely have to be made today to sustain economic growth.



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