

Opportunities for Young Indian Entrepreneurs in Ageing Economies

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Abstract

The last stage of demographic transition seems to have absorbed the world into its clasp. The population growth rate may be falling; but the aggregate numbers over the globe are frightening. According to estimates¹ the population over the globe will raise from 6.9 billion presently to 9.5 billion in 2050, a rise of massive 2.6 billion in mere four decades. The seriousness of the issue can be felt from the fact that proportion of population aged 60+ will account for 22% of World's population, with a massive 33% living in developed regions. The similar share for India by 2050 will stand at 20%, 60% of India's population will be in the age group of 15-59 and a median age would be still in 30's. Thus, the demographic dividend will continue to provide immense competitive advantage to India by 2050.

The rising proportion of elderly will create Socio-Economic burden on the present generation. Financing towards pension, health care and other social well being of the former generation will be quite a challenging task. Albeit; this paper attempts to look at the flip side of the ageing crisis, for any country the ageing and demand patterns are always correlated. High volume of elderly population generates profitable opportunity to supply customized goods and services targeting them. Young countries like India can look forward for tremendous opportunities in labor market, service industry and other consumer goods industry mostly in Japan, Australia, Canada, Europe and other ageing economies by concentrating on consumption needs of older people. The paper shall analyze vital

demographic indices of select countries and find how India can take commercial advantage of such ageing economies and realize its demographic dividend.

1. Introduction

The demography has witnessed a silent revolution during the 20th century, the growth of medical science gifted greater longevity to mankind in the past century that will result in an ageing population globally. The ageing is a far more serious subject than old age; contrary to the popular misconception that both ageing and old age are synonyms (Bhatia, Hitesh 2009). Were, old age merely relates to the people who have surpassed the average age of the nation and now are into the last stage of human life cycle, ageing is an elongated process. Population ageing is defined as a process of shift in nation's population towards older ages. However, India for now is enjoying its demographic dividend and will continue to do so for couple of more decades (Kapila, Uma 2009). With fertility rate falling to 2.6 and the working age group population increasing to over 65% (CIA, World Fact Book, 2010), India will have less dependents both in the age group of below 15 and above 60 years. This shall provide India with a special window of opportunities for business, investment, human development and faster rate of economic growth during the next few decades. To reap the fruits of demographic transition, India needs to up its investment in health, education and physical infrastructure. This will not only raise the productivity levels but will also make them more competitive in international markets.

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¹ UN's World Population Prospects, 2008 and World Population Data Sheet of the Population Reference Bureau, 2010

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The 2010 Global Manufacturing Competitiveness Index has ranked India 2nd after China and ahead of USA and South Korea. Lately, India has been successful in surpassing its image of just being a low cost destination. The R&D integration with engineering and technology intelligence has made India a priority destination for designing and manufacturing innovative products demanded in global markets (Deloitte, 2010). A detailed discussion on this theme is done later in the paper.

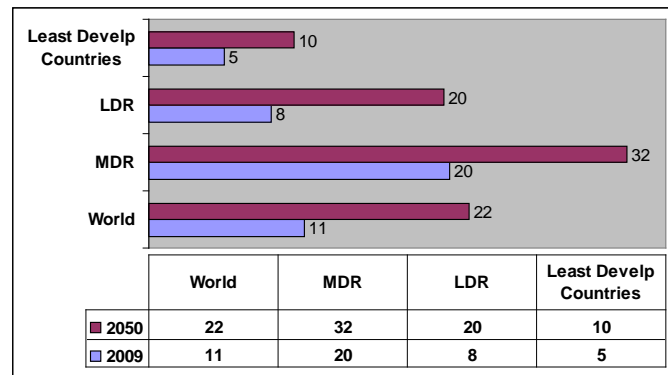
However, the prevailing conditions show that most of the developed regions are in the fourth stage of demographic transition with both Birth and Death Rates on the lower side. This has brought radical changes in the age structure with more number of people living towards the higher side of age structure.

According to United Nation's Report on World Population Ageing, 2009² the proportion of old-age people in the total population has been gradually rising from 8% in 1950 to 11% in 2009 and is further expected to rise to 22% by 2050.

As shown in the chart I; MDR which comprises of all regions of Europe plus Northern America, Australia/New Zealand and Japan (UN, Population Division) would be worst affected due to population ageing. Over 1/3rd of population in these countries would be over 60 years by 2050. The LDR which mainly comprise of regions of Africa, Asia (excluding Japan) and Latin America would witness the maximum growth rate of population over 60 years. By 2050 the ratio of aged will be two and a half times more than present. Although due to low levels of fertility the proportion of aged to total population in LDR would remain less than that of MDR by 2050. The LDC, which comprises of 49 countries across Africa, Asia, and the Caribbean, would be having less proportion of aged in their population consequently the proportion of those in working age group will increase from 53% in 2009 to 61% in 2050 (*World Population Prospects: The 2009*). This will create huge opportunity for attaining high economic growth rate for the LDC, if the working age population is gainfully employed.

² The population estimates and projections, which are prepared biennially by the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, provide the standard and consistent set of population figures that are used throughout the United Nations system as the basis for activities requiring population information.

Chart 1 Percentage of Old Age (60+) To Total Population



MDR – More Developed Regions, LDR – Less Developed Regions

Source: *World Population Prospects: The 2009*, Department of Economic and Social Affairs, UN

It would be interesting to note that during the period of 2006 to 2050 the percentage rise in population ageing will dramatically differ across the globe.

The more developed regions will see 59% change of those with 60+ years, this is much lower compare to the less and least developed regions vis-à-vis world as a whole. UAE will see maximum change in its old age population from 2% in 2006 to 23% in 2050. At the same time countries like Japan and Germany are showing much lesser change in terms of growth of old age population. But the figures can be misleading as the actual rise of projected old age people in these countries will be among highest in the world.

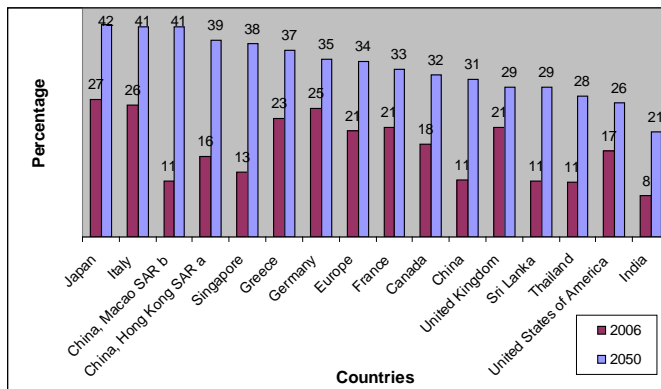
Other gist's of ageing include, increase in the median age of country's population or fall in fertility rate and thereby less proportion of children in total population. In other words either or both are possible reasons for the problem of ageing, one; rising life expectancy and two; falling fertility. The Median Age indicates that half of the country's population is older than this age; compare to other half that's younger to that age. A country wise comparison of growth in old-age people will further help in understating the crisis of ageing. Today; Japan stands with highest median age of 44 years, much above the world's median age of 28 years. The trend continues in the coming decades too, by 2050 Japan along with China SAR is projected to exceed median age of 55 years, far above the world's median age which would then be 38 years.

Table 1 Percentage Change in Population Ageing 60 Years (During 2006 To 2050)

Regions/Country	% Change	Regions/Country	% Change
UAE	1313.39	Africa	89.21
China, Macao SAR ^b	275.43	New Zealand	76.13
Philippines	223.26	Canada	74.64
Malaysia	201.57	Zimbabwe	67.34
Singapore	196.92	USA	56.35
Rep of Korea	191.14	Japan	53.73
China	177.57	Germany	38.78
Brazil	176.83	United Kingdom	37.07
Sri Lanka	168.95	More developed regions	58.62
Pakistan	161.84	Less developed regions	142.02
India	157.71	Least developed countries	93.69
Nepal	142.96	World	106.17

Source: World Population Prospects: The 2006 Revision, Department of Economic and Social Affairs, UN

Chart 2 Country Wise Rise in Proportion of Old-Age (60+)



Source: World Population Prospects: The 2006 Revision, Department of Economic and Social Affairs, United Nations

In most of the countries shown in above table the population of those above 60 years will get nearly double by 2050 compare to the present rates. Few countries like Japan, Germany, Italy, Macao SAR China etc will be having 40% of their population aged 60 years and above. In addition other 28 countries will have 33% of their population above 60 years.

2. Changing Demand Patterns of Elderly

One doesn't need to run a complex demand estimation model to know the basic needs of elderly. Compare to those from younger generations people from the elderly age groups are likely to spend more on housing, health, medical, recreational, physical support systems, safety

and security items, energy etc. The growth of old-age is higher than the total average growth rate of population across all the regions of the world irrespective of their level of development. The 60+ population is growing at an alarming rate of 2.6 % pa, this is far more than the overall growth rate of population on the globe which is 1.2%. Such a mammoth growth of old-age population will require severe socio-economic adjustments in both ageing and young economies. Were the former will require providing more of goods and services demanded by the older people, the latter will have the profitable opportunities to produce and supply the same.

It's a well researched matter that the individual consumer spending changes significant patterns over the lifecycle (Fernandez, Jesus & Dirk Krueger, 2002). Similarly ageing also affects the national demand and supply structure of goods and services (Luhmann, Mmelanie, 2005). It is apparent that the share of health expenditure in total expenditure of an individual, family and the nation will increase substantially due to rising life expectancy. Also the demand for health care products would rise accordingly. At the same time furniture, vehicles, education, fast food, sports equipments and some more complex durable goods will find few takers in ageing economies.

Moreover ageing economies will also witness a huge demand for unorganized small retail outlets down the lane. This will create employment opportunities in rural areas and towns with less population. A small make

Table 2 Common Goods and Services Demanded by Elderly

<i>Goods Demanded by Elderly</i>	<i>Services Demanded by Elderly</i>
Easy to wear clothes and accessories	Happy homes
Comfortable Furniture and fixtures	Affordable Hospitals and medical homes
Simple to use gadgets and electronic goods like remote controls	Massage parlors, saloons
Medical goods like walking sticks dentures, hearing machine and spectacles	Recreational centers
Fitness products like wheel chairs, jogging suits and walkers	Life insurance and health insurance
News papers and Books on various issues	Home to Banking services
Affordable and comfortable houses	Religious and spiritual Places
Local shops and supply of basic necessities	Affordable public transport
Home security equipments like alarms and door cameras	Timely Services of Nursing, security guards, aids
Diabetes, BP and other Health monitoring machines	Community halls, parks and places for evening get-together

Source: <http://www.seniorshops.com>

shift shop like arrangement can provide adequate supply for aged in the area. As age will restrict the mobility, people will demand simple and basic goods which can be available at their arms length. As shown in the table 3 a huge 30+ percentage of female population is living alone in most of the developed countries, which is also over the age of 60. This would further get shoddier by 2050. With so many women's living alone at the age of 60+ a new category of demand pattern will emerged. Goods like home security systems will become a must for such category of population. Even in case of males nearly 20% of people over 60+ are living alone presently considering even a nominal increase in this would result in huge demand for nursing services, security guards, parks and places for evening get-together, massage parlors etc. The culture of being single is largely prevalent in more developed economies were around 22% of population is living alone irrespective of gender. Compare to this in less and least developed regions only 7% and 6% respectively are living alone at present.

3. Falling Labor Force Participation

On one hand the demand pattern in ageing economies will see dramatic changes, while at the same time the supply of personalized goods and services too is a case of concern. As median age increases working potential of labor force is expected to fall drastically in next couple of decades. The labor intensive industrial sector in most of the developed nations will be adversely affected due to condensed physical health of it ageing labor force. *Labor market adjustments and social security for aged*

population will be two major challenges future economies will have to face. The labor markets will witness a two-way crisis; *one*, retirement age will see a dire rise at least by five years and, *second*, the cost of labor. Skilled labor shortages coupled with experienced (aged) managerial workforce will stipulate the wage rate.

Even at today's rate the life expectancy at the age of 60 years is for nearly 20+ years, couple of decades later with medical developments taking place this figure is going to increase substantially. Official retirement age in most of the countries is between 60 to 65 i.e. people would stop productively contributing after that, but would continue to demand customize goods and services as mentioned in previous section. This would be in addition to basic necessities. Gender wise women are expected to live a longer life compare to men in most of the cases.

The nature of social security measures available to older people will also affect the labor force participation rates. With pension and other benefits easily available to take care for life post retirement people may opt for voluntary retirement. In UK, USA, Italy, Germany, France, Europe and China SAR on average 5% to 20% of people aged 60+ are participating in labor force. Further the participation of women in labor force is between 4% to 10% much lower then men, considering that the rate of women living alone is much higher then men at the age of 60 and over, this will result in serious constraint. While in case of less and least developing regions due to lack of adequate social security and pension fund benefits available in old-age, people are expected to remain economically active

Table 3 Labor Market Dynamics at the Age of 60 and Over

Country/Regions	Percentage living alone (60+)		Percentage in labor force (60+)		Statutory retirement age	Life expectancy at age 60	
	Men	Women	Men	Women		Men	Women
World	8	19	40	16	-	17	21
More developed regions	13	32	22	11	-	19	23
Less developed regions	5	9	50	19	-	17	19
Least developed countries	4	8	71	37	65	15	17
China, Hong Kong SAR ^a	11	11	18	4	65	22	26
Japan	13	13	41	19	60	22	27
Republic of Korea	8	8	49	28	60	18	23
India	2	5	19	18	60	16	18
Europe	13	35	15	7		18	22
United Kingdom	22	45	19	7	65	20	23
Italy	10	32	13	4	60		
France	15	38	6	4	65	20	26
Germany	15	46	14	6	65	19	24
Canada	14	33	23	11	65	21	25
United States of America	15	35	30	19	65	20	24

Source: World Population Prospects: The 2006 Revision, Department of Economic and Social AffairsUN

for a long period of time even after retirement. 54% of people at the age of 60 are active in least developed regions while 35% in less developed regions compare to this only 16% remain active in more developed regions at present. It is also true that in countries like India and other less developed regions over 90% population works in unorganized sector thus the effect of statutory retirement age limit is negligible. According to the World Population Ageing Report of 2006 the labor force participation of 60+ in 12 major countries has declined by at least 70 per cent since 1980. These changes in coming decades will put huge pressure on labor market causing lesser supply of labor from productive age group and raising the cost of labor (Fougere, Maxime & Marcel Mérette 2006). Globalization has already created opportunities for both skilled and unskilled labor to migrate smoothly across the countries. Labors from less and least developed regions can contribute significantly in the productive process of more developed regions by grabbing the employment opportunities their.

4. Advantage India

According to the U.S. Bureau of Labor Statistics, the ageing-services industry comprising home, healthcare,

elderly and disabled services and community care facilities for the elderly, is already 3rd largest industry among top 10 industries with fastest growth possibilities. The more developed regions of Europe, Germany, Japan, China SAR, Italy, France, USA etc are going to face acute shortages of young and productive labor force to stabilize their economic growth and have adequate production of required goods and services. Country like India can take enormous opportunities by not only exporting goods and services demanded there as discussed in table 2, but also by allowing easy migration of both skilled and unskilled labor to meet the labor market deficiency in those countries. India is known world wide to have the best pool of talented and skilled personal, also India comprises of largest number of English speaking people and due to this over 70% of Indians who migrate go to countries outside Asia and about 50% to developed counties (Khadria, Binod 2006). India ranks 2nd the list of English speaking countries with 23% of its population fluent in English this is far less then china which ranks 18 with 0.77% of its English speaking population. English being the World's business language, India will stand out all other industrially developed economies like China, Germany, France, Russia and others.

Table 4 Selected Demographic Indices of India 1950-2050

Indices	1950	1975	2000	2025	2050
Population 60+	5.6	6.2	7.6	12.5	20.6
Population 15-59	55.46	54.00	58.89	64.30	59.71
Life Expectancy at Birth	38.7	52.9	64.2	71.6	75.4
	Men	Women	Average		
Percentage living alone (60+) 2006	2	5	3.5		
Percentage in labor force (60+)	19	18	18.5		
Life expectancy at age 60	16	18	17		

Source: Population Division, DESA, United Nations

By even some modest prophecy India would remain one of the most productive nations by 2050. With 20% of population above sixty years and a colossal 60% of population in the age bracket of 15-59 which is also called as the labor force of the country, India is for certain going to reap the advantage of being the most productive nation. Life expectancy will improve to above 75 years and 19% of population at the age of 60 years will remain actively involved in the labor force. India is already recognized as the low cost producer for most of the goods and services in the world. The time is not away when India will also be known for gigantic production quantities at lowest prices. By some estimates India is already 2nd largest producer of small cars, auto parts, pharmaceuticals and largest producer of steel in addition India is known as 'world's back-office' with about 44% of global IT and BPO offshore work is done (Mohan Ram, Alfred Toma & William Roe, 2006)

5. Conclusion

India is already the second largest growing economy after China today. The World had witnessed, India's economic strength in the recent global slowdown. India is going to witness a favorable demographic change in the coming decades. The present competitor China would be having ageing profile similar to the western counterparts. China's one child policy is going to backfire by 2050; with just 50% of its population in the age bracket of 15-59 i.e. is about 17% less than the present. Some other emerging economies shall also continue to enjoy demographic advantages. Countries from Latin America and Africa will also have their population in the productive age group. 'But their demographic dividends may be inhibited

by political and social instability that impedes efforts to put this young population to productive use; a country with massive numbers of unemployed young people and no constructive economic outlet for their dynamism is headed for trouble' (Strategy +Business, 2010). India on the other hand, will have a pool of skilled and trained manpower. In addition higher economic efficiency and fiscal sustainability will result in greater utilization of world's resources. Also India's strong public and private sector along with its fundamentally stable government will support India in realizing its demographic dividend. However, India does have its due share of demographic and other challenges like vast unemployment, mass poverty, low human development, inadequate infrastructure, illiteracy etc. It's the matter of further research and debate that how India overcomes these limitations.

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