

China and India: Demography, Human Capital, and Socioeconomic Transformations

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Extended Abstract

During the last half century, India and China, by far the world's two most populous countries, have experienced major demographic transitions with strong drops in both mortality and fertility. Because of steep fertility decline from the early 1970s to today, China has a swiftly changing age structure with a shrinking population in the young working age groups and rapid population aging. India's demographic transition has been and still is much more gradual than that of China. The size of the labor force continues to grow in both countries. During 2000-2004, the annual growth in the economically active population was 0.9 percent a year for China and 1.0 percent a year for India. Both India and China have massive numbers of extremely low productivity workers whose marginal productivity is essentially zero. These two nations have difficulty providing enough additional meaningful jobs in their rural and urban economies to employ the annual increments to their workforces and simultaneously to better utilize their current surplus workers. In particular, both countries are trying to rapidly increase employment opportunities in their modern industrial and service sectors.

China's workforce continues increasing in size due to fast growth in the working age groups in their forties and older. But all the sharply increasing human capital, educational attainment, and talent are concentrated among China's younger workers. India has benefited for many decades from its higher educational system modeled on that of Britain. This high quality workforce in India is still a small proportion of all workers, but these educated talents are spread more broadly across the working ages than is the case in China.

Comparing the higher educational systems of India and China, the quality of university education in India is much better than in China. In the new century, China is reporting steep annual increases in the number of new graduates of university,

Masters degree, and Doctoral degree programs, but these degrees are mostly from newly established universities or new programs in existing universities. Quality is generally poor. So far India's tertiary educational system has had greater emphasis on quality than China, while China is churning out millions of new degree-holders with emphasis, so far, on quantity not quality.

With regard to the education of the whole population, illiteracy is a bigger problem in India than China today. Primary school educational attainment is now very widespread among China's children—99 percent of boys and of girls in China now enter primary school, while 97 percent of boys and 96 percent of girls reach the fifth grade. India is behind China today in the emphasis on ensuring basic literacy and numeracy for its child population and on the provision of junior middle schools for rural as well as urban teens.

This paper shows how the demographic transitions and changes in labor force size and quality in China and India are affecting their economic competitiveness and socioeconomic inequalities. In recent decades, both countries have cut back on their socialist or communist command economy models and have tried to allow the market, international trade, and foreign investment to help jump-start their previously slow-developing economies and societies. China is ahead of India in this regard, and this means that rural and urban per capita income and expenditures have risen faster and for longer in China than India. In terms of pure low wages, India is cheaper than China today for average laborers, giving India an advantage in attracting from abroad some kinds of labor-intensive manufacturing.

In both countries, economic reforms have sped up their economic growth while increasing the inequalities in their economies and societies. Great strains are resulting between the comfortable haves and the desperate have-nots in both democratic India and Communist China. This paper documents this rising inequality and discusses the resulting controversies and social dilemmas. In conclusion, in this paper China and India are compared with regard to their fertility and age structure changes, levels of educational attainment, labor force trends, and the recent, current, and future socioeconomic impacts of these demographic trends.