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China's Demographic Cliff – And India's Fleeting Window

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INTERVIEW ANGLE

"How should India capitalise on its demographic dividend before the window closes, and what lessons should it draw from China's population collapse?"

China's announcement that its population fell by **3.39 million in 2025** — the steepest single-year decline since the People's Republic was founded — is not merely a Chinese problem. It reshapes the global competition for manufacturing investment, talent, and geopolitical influence in ways that directly concern India. The question is whether India has the institutional readiness to capitalise on the window that China's demographic implosion has opened — or whether it will squander it, as it has squandered similar opportunities before.

THE NUMBERS BEHIND THE CRISIS

The trajectory is stark. China's population first declined in 2022 by 850,000 — reversing 60 years of growth. In 2023, the decline was 2.08 million. In 2024, 1.39 million. Now 3.39 million in 2025. The acceleration is alarming. China's **total fertility rate (TFR) has fallen to approximately 1.0** — the lowest of any large economy, worse than Japan (1.2), South Korea (0.72), or Germany (1.5). The United Nations replacement level is 2.1. China is nowhere near it.

This demographic implosion is the direct legacy of the **one-child policy** implemented from 1980 to 2015. Forty years of coercive population control produced a deeply skewed age structure: too few young workers, too many elderly dependants. The subsequent reversal — a two-child policy in 2016, a three-child policy in 2021 — came too late and has not worked. Incentives (cash bonuses, tax exemptions, extended parental leave) have failed to reverse the structural preference for small families among urbanised, educated Chinese women. A society accustomed to one child does not simply decide to have three because the government says so.

WHAT CHINA'S DECLINE MEANS ECONOMICALLY

The Shrinking Labour Force

China's working-age population (15–64 years) peaked around 2011–12 and has been declining since. By 2050, projections suggest China will have fewer than 700 million working-age people — down from over 900 million today. A shrinking labour force means rising wages, declining manufacturing competitiveness, and the spectre of an economy that grows old before it grows rich.

The Ageing Burden

China's old-age dependency ratio — the number of retirees relative to working-age adults — is rising rapidly. Today it is roughly 1:5 (one retiree per five workers). By 2050, it could approach 1:2. This is the **4-2-1 problem** in macro form: the entire national economy faces the burden of funding pensions and healthcare for a rapidly growing elderly cohort, while the productive population that funds it shrinks.

China's pension system — a mix of state-owned enterprise pensions, the Urban Employee Basic Pension, and the Rural Resident Social Insurance — is structurally underfunded. The Chinese Academy of Social Sciences projected in 2019 that the national pension fund could be exhausted by 2035 unless reformed.

Manufacturing Migration

The “China Plus One” strategy — adopted by multinationals to diversify supply chains away from China — has gained momentum precisely because of rising Chinese wages and demographic constraints on labour supply. Vietnam, Bangladesh, India, Mexico, and Indonesia are all competing for this relocating investment. India's recently established Production Linked Incentive (PLI) schemes are partly premised on capturing a portion of this shift.

But India has not yet absorbed manufacturing at the scale that China's decline creates space for. **FDI into Indian manufacturing remains modest** — roughly \$12–15 billion annually compared to China's \$180+ billion. The PLI schemes have shown promise in electronics and pharmaceuticals, but infrastructure bottlenecks, land acquisition challenges, and labour regulation complexity continue to deter large-scale greenfield manufacturing investment.

INDIA'S DEMOGRAPHIC DIVIDEND — THE CLOCK IS TICKING

India today has approximately **1.43 billion people**, with a **median age of roughly 29 years** — nearly a decade younger than China's 39 years. India's working-age population (15–64) will continue growing until approximately 2040–2045 before it begins to plateau. India's TFR is approximately **2.0** — essentially at replacement level — meaning the demographic dividend window is real but finite.

The demographic dividend is not automatic. It is realised only when:

The working-age population is **educated and skilled** — not just numerous

Formal employment is available — not just informal work

Women participate in the workforce at meaningful rates — India’s female labour force participation rate (FLFPR) is approximately **27–32%**, among the lowest in the world for a country at India’s income level

Health indicators are strong enough that workers are productive — anaemia, stunting, and tuberculosis still impose significant productivity losses on India’s workforce

India’s track record on these metrics is mixed. Net enrolment ratios in secondary education have improved but learning outcomes (as measured by ASER surveys) remain poor — many children who attend school cannot read a basic text or solve simple arithmetic. Skill certification under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) has been criticised for producing certificates rather than employable skills. FLFPR has not risen despite policy intent.

THE GEOPOLITICAL DIMENSION

A China that is demographically declining is not a China that is geopolitically retreating — at least not yet. China is using its current economic and military strength to lock in strategic advantages in the South China Sea, Taiwan Strait, and across the Indian Ocean before its relative power declines. India should calibrate its strategic posture accordingly: the window to position itself as the pre-eminent Indo-Pacific power narrows if China accelerates hard power projection while its window is still open.

For India, the demographic challenge is also an opportunity in global governance. As China’s working-age population shrinks, its natural inclination will be to advocate for lower immigration thresholds in developed countries to send its surplus retirees there — a fanciful notion, but one that illustrates how demographic pressures shape foreign policy preferences. India, with its large, English-educated diaspora and growing professional class, has structural advantages in the global competition for talent migration to the US, UK, Canada, and Australia.

WHAT INDIA MUST DO — AND URGENTLY

1. Skills and Education Reform

The National Education Policy 2020 (NEP) is the right framework — vocational education integration from Class 6, multiple exit points, emphasis on foundational literacy and numeracy. Implementation is the challenge. States must be supported — and incentivised — to translate NEP into classroom reality within the next five years.

2. Female Labour Force Participation

Closing India's FLFPR gap from ~30% to ~50% would add tens of millions of productive workers to the economy. This requires: safe working environments, crèche and childcare facilities, mobility infrastructure (safe public transport), and social norm shifts. The Women's Reservation Act (2023) is a start in political representation — it needs an economic parallel.

3. Manufacturing Scale-Up

The PLI schemes need to be accompanied by industrial land banks, single-window clearances that actually work, and power and water infrastructure. The Gadkari push on road connectivity has been a genuine positive — logistics costs have fallen. But last-mile industrial infrastructure in tier-2 and tier-3 cities remains inadequate.

4. Pension and Social Security Architecture

India's formal pension coverage (EPFO + NPS) covers fewer than 15% of the workforce. As India approaches its own demographic transition, building a broad-based contributory pension system now — while the working-age cohort is still expanding — is essential to avoid China's fiscal trap later.

5. Health Investment

India spends approximately **2.1% of GDP on public health** (National Health Accounts 2021-22) — well below the 5% recommended by the National Health Policy 2017. A workforce that is stunted, anaemic, or burdened by preventable disease does not fully realise its demographic dividend.

THE CAUTIONARY TALE

China's demographic crisis is ultimately a story of policy myopia triumphing over long-term consequence. The one-child policy solved the short-term problem of rapid population growth but planted the seeds of a structural crisis four decades later. India faces no such manufactured crisis — its demographic transition is natural and gradual — but the risk of a different form of myopia exists: assuming the dividend will accrue regardless of policy quality, rather than understanding that it must be actively harvested through sustained reform.

The arithmetic is unforgiving. India has roughly **15–20 years** of peak demographic dividend remaining. After that, the dependency ratio will rise, healthcare costs will climb, and the window for manufacturing-led growth will narrow. China's implosion has opened a door. Whether India walks through it — or spends the next decade debating who should get credit for opening it — will determine whether the 21st century belongs to India as confidently as the narrative suggests.

★ FACTS CORNER — KNOWLEDGEPEDIA
CHINA DEMOGRAPHIC DECLINE:

2025 population: 1.408 billion (decline: 3.39 million)

First decline since 1961: 2022 (850,000)

TFR: ~1.0 (replacement = 2.1)

One-child (1980–2015) → Two-child (2016) → Three-child (2021)

Working-age peak: ~2011–12

Pension fund exhaustion projection: 2035 (Chinese Academy of Social Sciences, 2019)

INDIA DEMOGRAPHIC PROFILE:

Population: ~1.43 billion (overtook China: April 2023)

Median age: ~29 years (China: ~39 years)

TFR: ~2.0 (near replacement)

Demographic dividend window: until ~2040–45

Female LFPR: ~27–32% (among lowest globally for India's income level)

KEY SCHEMES (INDIA):

PLI (Production Linked Incentive): 14 sectors; incentivises domestic manufacturing

PMKVY (Pradhan Mantri Kaushal Vikas Yojana): skill certification scheme

NEP 2020: vocational education from Class 6; foundational literacy emphasis

Women's Reservation Act 2023: 33% reservation in Lok Sabha and state assemblies

CHINA PLUS ONE STRATEGY:

Multinationals diversifying manufacturing away from China

Beneficiaries: Vietnam, Bangladesh, India, Mexico, Indonesia

India FDI in manufacturing: ~\$12–15 billion/year (vs China \$180+ billion)

DEPENDENCY RATIO:

Old-age dependency ratio = (population 65+) / (population 15–64)

China's ratio projected to approach 1:2 by 2050 (today ~1:5)

4-2-1 problem: one working-age adult supporting two parents + four grandparents

OTHER RELEVANT FACTS:

India public health spending: ~2.1% of GDP (NHP 2017 target: 5%)

NEP 2020: vocational integration from Class 6, multiple entry-exit points

South Korea TFR: ~0.72 (world's lowest large economy); Japan: ~1.2

FLFPR global comparison: India 27–32% vs China ~60% vs Bangladesh ~42%

Sources: The Hindu, Indian Express

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