National Policy for Skill Development and Entrepreneurship 2015
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Preface

“Today, the world and India need a skilled workforce. If we have to promote the development of our country then our mission has to be ‘skill development’ and ‘Skilled India’. Millions and millions of Indian youth should acquire the skills which could contribute towards making India a modern country. I also want to create a pool of young people who are able to create jobs and the ones who are not capable of creating jobs and do not have the opportunities, they must be in a position to face their counterparts in any corner of the world while keeping their heads high by virtue of their hard work and their dexterity of hands and win the hearts of people around the world through their skills. We want to go for the capacity building of such young people. My brothers and sisters, having taken a resolve to enhance the skill development at a highly rapid pace, I want to accomplish this.”

Hon’ble Prime Minister of India, Shri Narendra Modi
62% of India’s population is in the working age group (15-59 years), and more than 54% of the total population is below 25 years of age.

1.1 Today, India is one of the youngest nations in the world with more than 62% of its population in the working age group (15-59 years), and more than 54% of its total population below 25 years of age. Its population pyramid is expected to “bulge” across the 15-59 age group over the next decade. It is further estimated that the average age of the population in India by 2020 will be 29 years as against 40 years in USA, 46 years in Europe and 47 years in Japan\(^1\). In fact, during the next 20 years the labour force in the industrialized world is expected to decline by 4%, while in India it will increase by 32%. This poses a formidable challenge and a huge opportunity. To reap this demographic dividend which is expected to last for next 25 years, India needs to equip its workforce with employable skills and knowledge so that they can contribute substantively to the economic growth of the country.

1.2 Our country presently faces a dual challenge of paucity of highly trained workforce, as well as non-employability of large sections of the conventionally educated youth, who possess little or no job skills. Ministry for Skill Development and Entrepreneurship (earlier Department of Skill Development and Entrepreneurship notified in July 2014) has been set up in November 2014 to give fresh impetus to the Skill India agenda and help create an appropriate ecosystem that facilitates imparting employable skills to its growing workforce over the next few decades. Apart from meeting its own demand, India has the potential to provide skilled workforce to fill the expected shortfall in the ageing developed world.

1.3 As India moves progressively towards becoming a global knowledge economy, it must meet the rising aspirations of its youth. This can be partially achieved through focus on advancement of skills that are relevant to the emerging economic environment. The challenge pertains not only to a huge quantitative expansion of the facilities for skill training, but also to the equally important task of raising their quality.

\(^1\) National Higher Education Mission, Ministry of Human Resource Development, 2013
Skill development, however, cannot be viewed in isolation. Skills are germane to, but not always sufficient for securing adequate economic dividends. Skills need to be an integral part of employment and economic growth strategies to spur employability and productivity. Coordination with other national macroeconomic paradigms and growth strategies is therefore critical.

It is estimated that during the five year period from 2004-05 to 2009-10, only 2.7 million net additional jobs were created in the country. For a skills strategy to be successful it should be complemented by commensurate creation of jobs in the primary, secondary and tertiary sectors which will be a key outcome of overall economic growth including entrepreneurship cutting across all sectors. The Indian capacity for harnessing entrepreneurship has not been fully realized — the MSME (micro, small and medium enterprises) sector contributes to only 17% of GDP as compared to 85% in Taiwan, 60% in China and 50% in Singapore. Given the realities of rapidly changing economic landscape in the country, entrepreneurship opportunities have emerged as an important source of meeting the aspirations of the youth. An all inclusive approach to strengthen the entrepreneurship development scenario in the country which is competent, quality conscious, market savvy, innovative and has globally competitive entrepreneurs, needs to be carefully mentored and encouraged.

Recognizing the imperative need for skill development, National Skill Development Policy was formulated in 2009. Given the vast paradigm shift in the skilling and entrepreneurship ecosystem in the country and the experience gained through implementation of various skill development programmes, there is an imminent need to revisit the existing policy. Moreover, the 2009 Policy itself provides for review every five years to align the policy framework with the emerging trends in the national and international milieu.

National Policy for Skill Development and Entrepreneurship 2015 supersedes the policy of 2009. The primary objective of this policy is to meet the challenge of skilling at scale with speed, standard (quality) and sustainability. It aims to provide an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link skilling with demand centres. In addition to laying down the objectives and expected outcomes, the policy also identifies the overall institutional framework which will act as a vehicle to reach the expected outcomes. Skills development is the shared responsibility of the key stakeholders viz. Government, the entire spectrum of corporate sector, community based organizations, those outstanding, highly qualified and dedicated individuals who have been working in the skilling and entrepreneurship space for many years, industry and trade organisations and other stakeholders. The policy links skills development to improved employability and productivity in paving the way forward for inclusive growth in the country. The skill strategy is complemented by specific efforts to promote entrepreneurship in order to create ample opportunities for the skilled workforce.

FICCI & Nathan Associates, Nurturing Entrepreneurship in India, August 2014
One of the biggest challenges of skill development in our country is that 93% of the workforce is in informal/unorganised sector. Consequently it is difficult to map existing skills in the unorganised sector and gauge the skilling requirement in the sector. On the other hand, the rate of job growth in informal sector is estimated to be twice that in formal sector.

Women constitute almost half of the demographic dividend. The key challenge here is to increase their participation in the country’s labour force, which is directly linked to economic growth of the country. Census data has revealed that there has been a continuing fall in labour force participation rate of women from 33.3% to 26.5% in rural areas, and from 17.8% to 15.5% in urban areas between 2004 and 2011.4 Mainstreaming gender roles by skilling women in non-traditional roles and increasing gender sensitivity in the workplace will have a catalytic effect on productivity and be a smart economic decision.

Job creation for skilled youth is also a major challenge before the nation. Entrepreneurship based on innovation has immense growth potential. However, the number of local entrepreneurs emerging every year in India is very low. The Global Innovation Index 2014 ranks India 76 out of 143 countries.5 Accelerating entrepreneurship especially that based on innovation is crucial for large-scale employment generation in India.

The growth and prosperity of all economies remains highly dependent on entrepreneurial activity. Entrepreneurs are the essence of economic growth — they provide a source of income and employment for themselves, create employment for others, produce new and innovative products or services, and drive greater upstream and downstream value-chain activities.6 Supportive environments are increasingly essential to successful entrepreneurship and these are evolving across the world. The ideal entrepreneurial environment has five pillars: Access to funding, Entrepreneurial culture, Supportive regulatory and tax regimes, Educational systems that support entrepreneurial mindsets; and a coordinated approach that links the public, private and voluntary sectors.

The face of entrepreneurship is also changing — across the world, entrepreneurs are increasingly young and/or female due to increasing unemployment. The International Labour Organization (ILO) reports that globally, almost 13% of young people (close to 75 million people) are unemployed. This phenomena is particularly evident in regions where wage employment is difficult to obtain. Access to funding remains the primary obstacle for entrepreneurs from all markets. The public and private sector each have an important role to play in creating entrepreneurial ecosystems that, in addition to funding, are essential to promoting entrepreneurial success.7

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6 Megatrends 2015 Making sense of the world in motion, Ernst and Young, 2015
8 Megatrends 2015 Making sense of the world in motion, Ernst and Young, 2015
4.2.6 State Governments would be encouraged to setup Kaushal Vardhan Kendras (KVKs) at panchayat level for mobilising and imparting skills pertaining to local employment/livelihood opportunities to school drop-outs, adolescent girls, housewives and rural youth. Each KVK will be linked to the nearest ITI/MSI/ATI for capacity building, curriculum development, assessment and certification. The KVKs will also function as counselling and guidance centres for youth to help them make informed choices. NGOs will also be empanelled for running of these centres in their areas of operation. Some State governments are already working in this direction. Their efforts would be further encouraged to ensure setting up of atleast one KVK in each block within the country over next five years.

4.2.7 The human resource requirements of the country will be addressed by aligning the supply and composition of skilled workers with demand. Training providers will be incentivized and Government schemes designed to enable the workforce to benefit from the requirements of industry and the country’s strategic priorities including flagship programmes. This will ensure that the supply of skilled workforce is relevant to projected needs and can be easily absorbed into the job market.

4.2.8 Private Sector initiatives in skilling will be encouraged and would be entrusted to NSDC to create skilling capacity in the country. For this purpose, NSDC would continue to catalyze the creation of market-based, scalable business by providing patient funding through a combination of debt, equity and grants to Private sector to build capacity. This capacity would be created on self-sustainable model through Private Training Partners to cater to skilling needs of educational dropouts in rural and urban landscape to bring them back to sustainable livelihood options.

4.2.9 The apprenticeship opportunities in the country are presently insignificant when compared to the size of the economy. Government has carried out comprehensive reforms in the Apprentices Act, 1961 to make it both industry and youth friendly. Government will work together with industry including MSME sector, to create a positive environment for increased apprenticeship opportunities in the country. The services sector will also be brought under the ambit of apprenticeship. Apprenticeship will further be incentivised in the MSME sector through appropriate schemes for sharing of stipend etc. Government will target a tenfold increase in apprenticeship opportunities in the next five years.