

Employment Linked Incentive Scheme

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Employment Linked Incentive Scheme: A Push for Formal Job Creation

Context

To address unemployment and promote formal sector job creation, the **Union Cabinet recently approved the Employment Linked Incentive (ELI) Scheme**.

This scheme aims to support **employment generation**, **improve employability**, and **extend social security**, particularly for first-time employees and sectors like manufacturing.

It is a part of the government's broader strategy to formalize the labour market and enhance ease of doing business.

Administering Ministry

- Implemented by the **Ministry of Labour & Employment**.

Objectives

- Enhance **job creation** in formal sectors.
- Improve **employability** of workers.
- Provide **social security** coverage through EPF.

Focus Areas

- Emphasis on the **manufacturing sector**.

- Special incentives for **first-time employees** and **job-creating employers**.
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Target and Financial Outlay

- Create over **3.5 crore jobs** in a span of **2 years**.
 - Allocated budget: **₹1 lakh crore**.
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Key Features of the Scheme

The scheme is divided into **two parts**:

Part A - Incentives for First-Time Employees

- **Incentive:** Equivalent to **1-month EPF wage** (up to ₹15,000), in **2 instalments**.
 - **Eligibility:**
 - First-time employees registered with **EPFO**.
 - Monthly salary up to **₹1 lakh**.
 - **Estimated beneficiaries:** Around **1.92 crore** new employees.
 - **Payment mode:** Via **Direct Benefit Transfer (DBT)** using **Aadhaar Bridge Payment System (ABPS)**.
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Part B - Incentives for Employers

- **Coverage:** Additional employment in all sectors, with a focus on **manufacturing**.
- **Eligibility:**

- Establishments registered with **EPFO**.
 - Must hire at least:
 - **2 additional employees** (if total staff < 50), or
 - **5 additional employees** (if total staff ≥ 50).
 - Sustained employment must be for **at least 6 months**.
 - **Incentive:**
 - Up to **₹3,000 per month per new employee** for **2 years**.
 - For manufacturing sector: Extended to **3rd and 4th years**.
 - **Payment mode:** Directly into **PAN-linked accounts** of employers.
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About EPFO and EPF

- **Employees' Provident Fund Organisation (EPFO):**
 - A **non-constitutional body** under the **Ministry of Labour & Employment**.
 - Established in **1951** to promote **retirement savings**.
 - Covers both **Indian and international employees** in India.
 - **EPF Contributions:**
 - Both employer and employee contribute **12%** of the basic salary + dearness allowance.
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Incentive Payment Mechanism

- **Part A (Employees):** Payments through **DBT** using **ABPS**.
 - **Part B (Employers):** Payments to **PAN-linked accounts**.
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Significance of the Scheme

- Will **formalize the Indian workforce**.
- Extends **social security** to crores of **young employees**.
- Encourages sustained employment and boosts hiring in **key economic sectors**.
- Helps in meeting **India's demographic dividend** by enhancing **productive employment**.



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