

# 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.

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### Administering Ministry

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

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### Objectives

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

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### 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**:

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### 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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