EMPLOYMENT LINKED INCENTIVE SCHEME - ECONOMY

NEWS: The Union Cabinet approved the **Employment-Linked Incentive (ELI) Scheme** with a financial outlay of Rs. 99,446 crore to support **employment generation, enhance employability and social security** across all sectors, primarily focused on the **manufacturing sector.** It was part of the **Rs. 2 lakh crore** package for employment and skilling announced in the **Union Budget 2024–25**.

- Aimed at **generating 3.5 crore jobs** in two years and **supporting 4.1 crore youth** across India.
- The Manufacturing sector contributes 17% to India's GDP.

WHAT'S IN THE NEWS?

Objectives and Rationale of the ELI Scheme

- **Addressing Labour Market Challenges:**
    - The ELI Scheme has been designed to tackle **structural challenges** in the Indian labour market such as:
        - **Low levels of formal employment**
        - **Slow job growth**, especially in the **manufacturing sector**
        - **Limited incentives** for youth entering the formal workforce
- **Dual-Focus Approach:**
    - The scheme adopts a **two-pronged strategy**:
        - **Support for First-Time Employees**, especially new entrants into formal jobs.
        - **Incentives for Employers** to encourage hiring and retention of additional workers.

Structure of the ELI Scheme
Part A: Incentives for First-Time Employees

- **Target Beneficiaries:**
    - Individuals registering with the **Employees' Provident Fund Organisation (EPFO)** for the **first time**.
    - Covers employees earning **up to ₹1 lakh per month**.
- **Incentive Design:**
    - A **one-time benefit equivalent to one month's EPF wage**, capped at ₹15,000.
    - Disbursed in **two instalments**:
        - **First instalment**: After **six months** of continuous employment.

        - **Second instalment**: After **twelve months**, contingent upon **completion of a financial literacy programme**.
- **Financial Discipline Component:**
    - A portion of the incentive will be **transferred to a long-term savings account**, helping instil **financial discipline** and **savings behaviour** among young earners.

Part B: Employer Incentives for Job Creation

- **Objective:**
    - To motivate **employers to expand their workforce** and retain new hires, particularly in **labour-intensive sectors** like manufacturing.
- **Eligibility Criteria:**
    - Employers with **fewer than 50 workers** must hire **at least 2 new employees**.
    - Employers with **50 or more workers** must hire **at least 5 new employees**.
- **Incentive Amount and Duration:**
    - Employers are eligible for **monthly incentives of up to ₹3,000 per new employee**.
    - Incentive is valid for **2 years** in general.
    - For the **manufacturing sector**, the duration is extended to **4 years**, to boost **Make in India** and domestic production.

Implementation Framework

- **Technology-Driven Delivery:**
    - All payments will be routed through the **Direct Benefit Transfer (DBT) system** to ensure **transparency and accountability**.
- **Disbursement Channels:**
    - **Employee incentives (Part A):** Will be processed using the **Aadhaar Bridge Payment System (ABPS)**.
    - **Employer incentives (Part B):** Will be credited directly to **PAN-linked bank accounts** of the registered companies.
- **Monitoring and Misuse Prevention:**
    - By linking benefits to **EPFO registration** and **job continuity**, the scheme aims to ensure **long-term employment** and **prevent misuse** by both employers and beneficiaries.

Expected Impacts on Labour and Industry

- **Formalisation of the Workforce:**

- The scheme encourages new entrants and employers to **join the formal sector**, bringing workers under **labour laws and social security** coverage.

- **Financial Literacy Promotion:**
    - Integration of a **financial education component** helps young workers understand savings, pensions, and responsible financial behaviour.
- **Enhanced Social Security:**
    - By mandating EPFO registration, employees gain access to **provident fund, pension, and insurance benefits**.
- **Post-Pandemic Labour Market Recovery:**
    - Supports **economic recovery and resilience** by boosting employment in a labour market still reeling from COVID-19 disruptions.

Institutional Context: About EPFO

- **Statutory Mandate:**
    - The **Employees' Provident Fund Organisation (EPFO)** is a **statutory body** formed under the **Employees' Provident Funds and Miscellaneous Provisions Act, 1952**.
    - It operates under the **Ministry of Labour and Employment**, Government of India.
- **Social Security Functions:**
    - EPFO manages **three key schemes** for organised sector employees:
        1. **Contributory Provident Fund** – ensures post-retirement financial security.
        2. **Pension Scheme** – provides monthly pensions to eligible retirees.
        3. **Insurance Scheme** – offers life insurance coverage to employees.
- **Administrative Structure:**
    - The **Central Board of Trustees (CBT)** is the apex decision-making body of the EPFO.
    - EPFO operates a network of offices across **122 locations** in India, facilitating nationwide service delivery.

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