



# Employment Linked Incentive Scheme

[Source: PIB](#)

## Why in News?

The Union Cabinet approved the **Employment Linked Incentive (ELI) Scheme**, announced in the [Union Budget 2024-25](#) as part of a broader **Rs 2 lakh crore youth employment package**.

- The ELI Scheme has a budget outlay of around Rs 1 lakh crore and will be implemented from **August 2025 to 31st July 2027**.

## What is the Employment Linked Incentive Scheme?

- **Key Components:**
  - **Part A: Incentives for First-Time Employees**
    - It targets 1.92 crore first-time [Employees' Provident Fund Organization \(EPFO\)](#)-registered employees, offering a one-month EPF wage (up to Rs 15,000), paid in two installments (after 6 and 12 months of service), with the latter contingent on completing a financial literacy programme.
      - A portion will be deposited in a fixed savings account to promote long-term saving habits.
  - **Part B: Support to Employers**
    - Employers hiring additional workers (salary  $\leq$  Rs 1 lakh) will get up to Rs 3,000/month for 2 years.
    - EPFO-registered firms must hire **2 additional employees** (for firms with  $<50$  employees) and **5 additional employees** (for firms with  $\geq 50$  employees), with minimum 6 months' retention.
    - Aims to boost employment across sectors, especially manufacturing, targeting creation of 2.6 crore jobs.
- **Incentive Payment Mechanism:** All payments to the First Time Employees under Part A of the Scheme will be made through [DBT \(Direct Benefit Transfer\) mode using Aadhar Bridge Payment System \(ABPS\)](#).
  - Payments to the Employers under Part B will be made directly into their Permanent Account Number-linked Accounts.
- **Significance:**
  - **Boost Private Sector Hiring:** Encourages recruitment by reducing hiring costs through incentives, particularly for first-time jobseekers.
  - **Youth Employment Focus:** Targets fresh graduates and new entrants with wage support and social security coverage.
  - **Job Retention and Upskilling:** Incentives linked to retention and financial literacy promote workforce stability.
  - **Promote Formalisation:** Through EPFO-linked payments, it supports transition from informal to formal employment.
  - **Reduce Inequality:** Prioritises economically disadvantaged youth, supporting inclusion and mobility.

## Job Growth in India

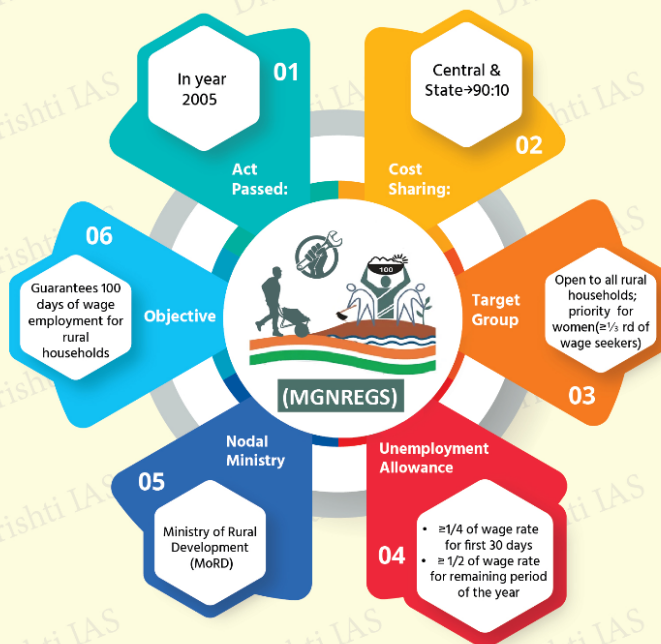
- India's labour market witnessed strong momentum in FY 2023-24, with 4.67 crore new jobs added across the economy. Growth has been observed across both formal and informal sectors.
- **Informal Sector:**
  - 10.01% employment growth recorded (23-24 Year over Year (YoY)), as per the **Annual Survey of Unincorporated Sector Enterprises (ASUSE)** by the Ministry of Statistics.
  - The "**Other Services**" sector (transport, accommodation and food services, information and communication, health, education, real estate, etc.) contributed significantly, employing over 12 crore workers, up by more than 1 crore from the previous year.
- **Formal Sector** (first half of 2024-25):
  - **Employees' Provident Fund (EPF)** enrollments rose by **2.3%**, reaching **6.1 million**.
  - **Employees' State Insurance Corporation (ESIC)** enrollments grew **5.2%** to **9.3 million**.
  - **National Pension System (NPS)** enrollments increased **6.8%**, indicating growth in higher-quality job opportunities.
  - These indicators point to **improving job quality** and expanding **social security coverage**, as also acknowledged in the **latest Monthly Economic Review** by the Finance Ministry.



## Major Employment Generation Schemes



### Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)



#### Prime Minister's Employment Generation Programme (PMEGP)

- **Launch Year** → 2008
- **Objective** → Credit-linked subsidy programme – self-employment opportunities micro-enterprises in non-farm sector
- **Nodal Agency** → Khadi and Village Industries Commission (KVIC)
- **Eligibility** → Indian citizens; Age 18-35 yrs (General); 18-40 yrs (SC/ST/OBC/PH/Women)

#### Rural Self Employment and Training Institutes (RSETIs)

- **Launch Year** → 2009
- **Objective** → Providing dedicated infrastructure for training & skill upgradation of rural youth → promote entrepreneurship
- **Funded By** → MoRD
- **Eligibility** → Rural youth

#### National Career Service (NCS) Project

- **Launch Year** → 2015
- **Objective** → Offers job matching services, career counseling, vocational guidance, & information on skill development
- **Nodal Agency** → Ministry of Labour and Employment
- **Eligibility** → Accessible to job seekers & employers across various sectors

#### Aajeevika - Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM)

- **Launch Year** → 2011 (restructured & renamed in 2016)
- **Objective** → Creating sustainable self-employment & skilled wage employment through financial assistance
- **Nodal Ministry** → MoRD
- **Eligibility** → Rural poor households (focus on women), SHGs, & vulnerable communities
- **Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)** → Subcomponent of NRLM

#### Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM)

- **Launch Year** → 2013
- **Objective** → Alleviate poverty & vulnerability among urban poor → by providing access to self-employment & skilled wage employment opportunities
- **Nodal Agency** → Ministry of Housing and Urban Poverty Alleviation (MoHUPA)
- **Eligibility** → Urban Poor (women, street vendors, unemployed youth etc.)



**Drishti Mains Question:**

How does the Employment Linked Incentive Scheme address youth unemployment and informality in India's labour market?

**UPSC Civil Services Examination Previous Year Question (PYQ)**

**Prelims**

**Q. Pradhan Mantri MUDRA Yojana is aimed at (2016)**

- (a) bringing the small entrepreneurs into formal financial system
- (b) providing loans to poor farmers for cultivating particular crops
- (c) providing pensions to old and destitute persons
- (d) funding the voluntary organizations involved in the promotion of skill development and employment generation

**Ans: (a)**

**Mains**

**Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. (2023)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/employment-linked-incentive-scheme>