

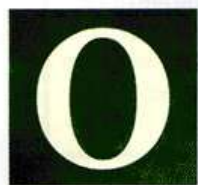
Fostering Jobs, Building Bharat

ELI Scheme as a Gamechanger



Employment Linked Incentive Scheme (ELI) to support employment generation, enhance employability and social security, spanning across all sectors with a special focus on the manufacturing sector. Under this scheme employers receive financial incentives from the government for generating new employment especially for youth, women and other priority groups. The main objective of the scheme is to ensure equitable access to economic opportunities and to reduce unemployment, to promote self reliance, strengthen industry workforce and drive inclusive and sustainable economic growth.

Dr. K. K. Tripathy



Originally announced as a part of Prime Minister's package of five schemes in the Union Budget 2024-25, the Employment Linked Incentive Scheme (ELI) came into force with effect from 1st August 2025. With a projected outlay of Rs. 99,446 cr., this scheme aims at refurbishing the employment sphere of the country by facilitating employment, skilling, reskilling and upskilling and

other opportunities for India's youth. The ELI scheme in India has been launched with a distinct strategic rationale which differentiates it from various traditional skill-development schemes/programmes focused on training, skilling and upskilling.

Extant Job Scheme Scenario

Government of India's employment programmes have evolved significantly from broad-based initiatives

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EMPLOYMENT LINKED INCENTIVE (ELI) SCHEME

Supporting
Generation of Over

3.5 CRORE JOBS

OUTLAY

₹ 99,446 CRORE



to more targeted and skill-focused approaches. Various positive programmatic interventions were made to enhance employability of the country's youth through skill development. These programmes spread across multiple Ministries/Departments/institutions, target different population groups – rural, urban, women, school students, industrial workers, etc. The objective is to ensure equitable access to economic opportunities and to reduce unemployment, promote self-reliance, strengthen industry workforce and drive inclusive and sustainable economic growth.

Under the Skill India Mission (SIM), the Ministry of Skill Development and Entrepreneurship (MSDE) ensures delivery of skill, re-skill and up-skill training through an extensive network of skill development centres under various schemes, viz. Pradhan Mantri Kaushal Vikas Yojana, Jan Sikshan Sansthan, National Apprenticeship Promotion Scheme and Craftsman Training Scheme through Industrial Training Institutes, to all the sections of the society. The SIM aims at preparing youth future-ready and equipped with industry relevant skills.

The Government has established 36 Sector Skill Councils (SSCs), led by industry leaders in their respective sectors. These SSCs are to identify skill development needs as well as to determine skill competency standards. Further, National Skill Development Corporation, under the market-led

programme, offers support to training providers that collaborate and align industry validated skill courses. Skill India Digital Hub - a unified platform has been encouraged by MSDE to integrate skilling, education, employment, and entrepreneurship ecosystems and to provide a long-standing array of facilities targeting an extensive variety of participants. Similarly, Deen Dayal Upadhyaya – Grameen Kaushal Yojana and Rural Self-Employment Training Institutes are two schemes of Ministry of Rural Development in the field of skill development for rural poor youth, including sectors like agriculture, handloom and tourism, etc. for their gainful employment.

Earlier, a somewhat similar to the ELI scheme, the Aatmanirbhar Bharat Rojgar Yojana was launched with effect from 1 October, 2020 to incentivise employers for creation of new employment and restoration of loss of employment during Covid-19 pandemic with a terminal date of 31.03.2022. As on 31.03.2024, 60.49 lakh beneficiaries were benefitted through 1.52 lakh establishments in the country.

Why ELI Scheme?

ELI scheme, in comparison to the traditional skill-development schemes, envisages enabling more skilling and sector-specific relevant employment opportunities for the youth. The following privileged points have been considered in the scheme interventions:

Employment Linked Incentive (ELI) Scheme

Part A

Incentivizing
First Time
Employees

Part B

Support to
Employers of
All Sectors with
Special Focus on
Manufacturing
Sector

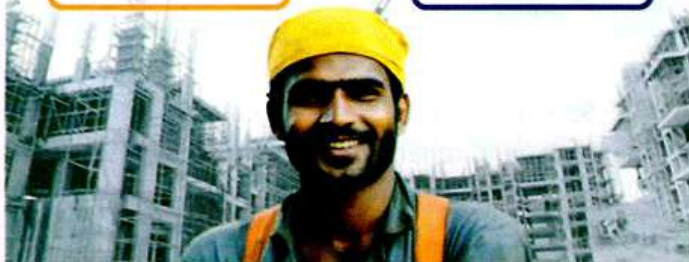


Table 1: Employment Linked Incentive (ELI) Scheme: A Brief Overview

S.No.	Dimensions	Descriptions
1	Objective (s)	<ul style="list-style-type: none"> To place a special focus on the manufacturing sector, To support employment generation, To enhance employability, and To extend and ensure social security across all sectors.
2	Budget	<ul style="list-style-type: none"> Total Outlay: Rs. 99,446 Crores.
3	Scope and Scale	<ul style="list-style-type: none"> Pan-India implementation with a target to create 35 million jobs in two years' timeframe.
4	Time Duration	<ul style="list-style-type: none"> The scheme benefits are applicable to jobs created between 01.08.2025 and 31.07.2027.
5	Major Outcome	<ul style="list-style-type: none"> Job creation & formalisation of the country's workforce by extending social security coverage to crores of young men and women.

- Laying focus on the skills linking directly to employment;
- Creating a joint responsibility of private players to generate actual employment by incentivising employers, industries, institutional training entities and to ensure accountability;
- Ensuring rolling out of tailored training course mapping with industry need and hence promoting demand-driven skilling;
- Encouraging official job registration at government institutions, thereby bolstering formal employment.

ELI Scheme: A Brief Overview

A brief scheme overview, in terms of objective (s), budget outlay, scope, coverage and scale, duration of

the scheme implementation and the major outcome out of the schematic intervention, is depicted in **Table 1**.

Strong Framework and Structuring Success

The scheme is structured in two parts – (a) incentive to first time employees and (b) extension of support to employers. The first part of the scheme focuses on encouraging new employable entrants into formal workforce. A brief on the incentives envisaged for first time employees under the scheme is at **Table 2**.

The second part of the incentives are meant for employers. The proposed incentive is directed to generate additional employment, with a significant focus on manufacturing. A brief on the incentives

Table 2: Structure of Incentivising First Time Employees

S.No.	Dimensions	Descriptions
1	First Timer Entrant Beneficiaries Targeted	<ul style="list-style-type: none"> 1.92 Crore first-time employees – registered with EPFO (Employees' Provident Fund Organisation) are expected to be first-timers entering the workforce.
2	Eligibility	<ul style="list-style-type: none"> Employees drawing salaries up to Rs. 1 lakh per month.
3	Incentive Particulars	<ul style="list-style-type: none"> First-time employees will receive one month's Employees' Provident Fund (EPF) wage, up to Rs. 15,000 in two instalments. First instalment is due after 6 months of service, and the second after 12 months of service and completion of a financial literacy program by the employee. A portion of the incentive will be held in a savings instrument or deposit account for a fixed period, accessible later by the employee.
4	Payment Mechanism	<ul style="list-style-type: none"> Payments are to be made through Direct Benefit Transfer (DBT) mode using the Aadhaar Bridge Payment System.

Table 3: Structure of Incentivising Employers

S.No.	Dimensions	Descriptions
1	Target and Scope	<ul style="list-style-type: none"> The expectation is to incentivise creation of nearly 2.60 crore additional jobs. Additional employment to be generated in all sectors but special emphasis should be laid on manufacturing sector.
2	Eligibility Criteria	<ul style="list-style-type: none"> Employers to maintain sustained employment for at least six months. Establishments must register themselves with EPFO. Registered entities are required to hire a minimum number of additional employees (varies from 2-5 with 50 or more employee strength) on a sustained basis for at least six months.
3	Incentive Particulars	<ul style="list-style-type: none"> Employers avail up to Rs. 3,000 per month for two years for each additional employee. For the manufacturing sector, incentives will be extended to the 3rd and 4th years as well, providing extended benefits
4	Incentive Structure (per additional employment/month)	<ul style="list-style-type: none"> Proportional incentive of up to Rs. 1,000 for up to Rs. 10,000/month; Rs. 2,000 for Rs. 10,001 – 20,000/month and Rs. 3,000 for Rs. 20,001Rs. 1 lakh/month EPF Wage.
5	Mode of payment of incentive	<ul style="list-style-type: none"> Payments to employers are made directly through DBT into Permanent Account Number(PAN)-linked accounts.

envisaged for the employers under the scheme is at **Table 3.**

United Stakeholders: One Vision & One Mission

To ensure effective ELI Scheme execution with utmost transparency and accountability, the Government has outlined an integrated and multi-pronged strategy combining technology, regulatory compliance, and institutional monitoring of the scheme activities. Policy design, mapping eligibility criteria, setting up appropriate infrastructure, onboarding employer and employee onto the platform, submission of monthly Electronic Challan-cum-Return (ECR) with correct wage details, Aadhaar authentication, cross-check/comparability with Income Tax/Goods and Service Tax (IT/GST) records, ensuring timely payment of incentive instalments, imparting training, monitoring through performance dashboards, job-data review and retention tracking systems, randomised audits, fraud detection, disqualification and enforcement of all relevant provisions of the ELI scheme are the essential activities of the scheme. The effective implementation of such schematic interventions requires extensive consultation and coordination amongst various agencies viz. Ministries/Departments of Labour, Skill Development and Entrepreneurship, Economic Affairs, Financial Services, Revenue, EPFO, National Informatic Centre (NIC), employers, employees, Unique

Identification Authority of India (UIDAI), National Payments Corporation of India (NPCI), Comptroller and Auditor General (CAG), third-party auditors, etc.

Fixing Roadblocks with Resolutions: The Journey Ahead

The ELI Scheme, even though is well-structured with digitally enabled maneuverability, there may be



Employment Linked Incentive (ELI) Scheme

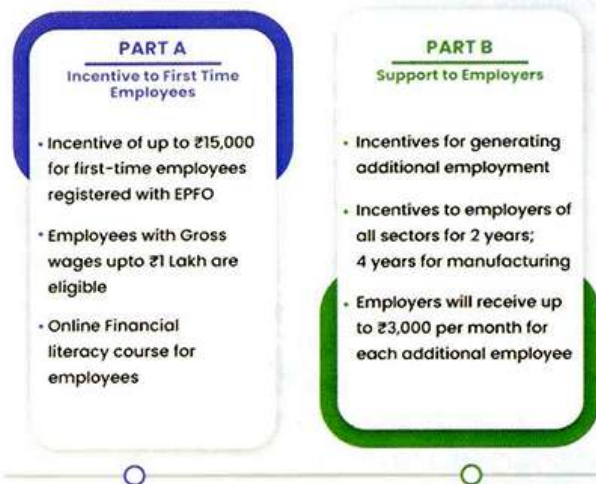
Key Objectives

- Incentivize Job Creation
- Provide Incentive to First-Time Employees & Employers
- Covers All Sectors, with Special Focus on Manufacturing
- Enhance Employability & Social Security
- Finance Literacy for Employees

a few potential blockades and leakages which could challenge achieving the scheme objectives, if not timely and adequately addressed. The following are the probable problems/leakage points along with their possible solutions which may be taken care of during the phases of the scheme implementation:

- Non-existent, fake/ghost employee records could be generated by some unscrupulous registered employers to claim incentives leading to financial impropriety and misuse of valuable public funds. To remove this difficulty, EPFO, UIDAI and Tax department officials may introduce united cross-verification exercises with due integration of EPFO data with Aadhaar, PAN, GST and Income Tax Returns data. Biometric checks can also be introduced, if need be.
- Salary under-reporting may happen when employers manipulate wage data by presenting lower gross salaries to qualify under the ELI scheme. In order to ensure fairness, EPFO and Labour Inspectors may compare ECR with actual salary slips, bank transfers and IT filings and quickly impose penalty for false reporting and publicise such misdoings in mass media and social media to arrest such type of future occurrence. Auto validation rules may be strengthened in the portal to control misreporting in ECR too.

Employment Linked Incentive (ELI) Scheme



- Schemes like ELI may suffer from the issue of employee attrition. While the incentives are generally forfeited in this case, to ensure optimum results, the employers, through EPFO need to be sensitised from the very beginning of the scheme intervention to roll-out inhouse employee retention rewards.
- Use of technology ensures ease-of-doing business in any public scheme implementation. Real-time integration with NPCI and Aadhaar Seeding under the active supervision of EPFO, Ministry of Finance and UIDAI will ensure elimination of DBT transaction failures, resolution of bank linkage issues or Aadhaar mismatches to enhance trust and to improve stakeholder participation in the scheme.
- Low awareness about the scheme benefits may lead to less than optimum utilisation of scheme benefits. Thus, massive outreach through State/district labour offices, Ministry of Micro, Small and Medium Enterprises' field offices, trade unions, social media, etc. could be planned in consultation with agencies of Ministry of Labour and Employment and State/UT Governments to make employees and small employers aware about the scheme and the compliance steps to avail needful benefits.
- Weak training delivery at the ground zero may lead to rejection of second instalment requests



Incentives for First Time Employees

- » Up to ₹15,000/- Incentive
- » Financial Literacy
- » Social Security
- » On the job training



to the registered employees. MSDE, Common Service Centres – Special Purpose Vehicle, Non-Government Organisations, Cooperatives can join hands in enhancing access to financial literacy programmes in remote and rural areas.

- Monitoring issues may arise as ELI scheme has huge budget outlays. EPFO, Government Auditors, Ministry of Labour and Employment could benefit from Artificial Intelligence/Machine Learning for any fraud detection/alert and also can institute randomised and targeted third party audits to ensure adequate real-time data validation and appropriate enforcement of schematic guidelines.
- Taking a cue from the implementation of another high-budgeted welfare programme – Mahatma Gandhi National Rural Employment Guarantee Act, it may be necessary to ensure an effective mechanism to address implementation issues and concerns and to ensure impactful interventions of ELI scheme.

Concluding Remarks

The Union Government has launched ELI scheme to support employment generation, enhance employability and social security, spanning across all sectors with a special focus on the manufacturing sector. In comparison to the extant employment linked initiatives for promotion of employment through training and financing job creation activities, the Employment Linked Incentive would emerge as a targeted tool where monetary benefits would be given based on actual job creation and retention. ELI approach strives to bridge the gap between skill development and actual employment at the grass-roots.

The scheme interventions are achievable. Unified efforts of stakeholders will ensure strong data integration, active monitoring and concurrent evaluation, clarify employer accountability, set up citizen-responsive grievance system and expand outreach through grassroots awareness campaigns on the benefits of this novel forward-looking and revolutionary employment linked incentive scheme. □

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