Boosting Jobs in India - Understanding the New Employment Linked Incentive (ELI) Scheme.

Introduction - A Landmark Step to Tackle Unemployment

In a major move to generate employment in the formal sector, especially manufacturing, the Union Cabinet recently approved the Employment Linked Incentive (ELI) Scheme. With a massive outlay of ₹99,446 crore, this scheme aims to create 3.5 crore jobs over the next two years. This decision marks a strategic step by the Government of India to strengthen job creation, support first-time workers, encourage formalisation of the labour force, and give a much-needed boost to the employment landscape post-pandemic.

The Cabinet Approval - What Has Been Decided

The ELI scheme, announced in the 2024-25 Union Budget, was approved by the Cabinet chaired by Prime Minister Narendra Modi. The core objective is to support employment generation, enhance employability, and improve social security. The scheme will operate under two parts.

Part A – First-Time Employees - Focuses on individuals entering the workforce for the first time. They will receive a wage subsidy of up to ₹15,000 (in two instalments) via Direct Benefit Transfer (DBT). The second instalment is conditional on 12 months of employment and completion of a financial literacy course. A portion of the benefit will be deposited in a fixed savings account to promote long-term saving.

Part B – Incentives to Employers - Targets additional job creation across sectors, especially manufacturing. Employers will receive monthly incentives for each new employee retained for at least 6 months, as follows -

1. ₹1,000 (wage up to ₹10,000)
2. ₹2,000 (₹10,000–₹20,000)
3. ₹3,000 (₹20,000–₹1 lakh)

For the manufacturing sector, incentives extend up to 4 years, ensuring long-term employment generation.

PLI Scheme - The Precursor and Inspiration

The Production Linked Incentive (PLI) Scheme, launched earlier to boost domestic manufacturing and exports, has laid the groundwork for employment-focused incentives like ELI.

Definition - The PLI Scheme offers financial incentives to firms based on incremental production. It was aimed at making India self-reliant, especially in critical sectors.

Key Sectors Covered - Electronics, pharmaceuticals, telecom, automotive, textiles, food processing, and renewable energy — all of which have significant employment potential.

Impact of the PLI Scheme So Far - Attracted large-scale investments. Boosted exports. Encouraged local value addition. Created lakhs of jobs, especially in electronics and mobile phone manufacturing. However, most job creation remained indirect or contract-based, underlining the need for direct, formal employment incentives, which the ELI Scheme now addresses.

Significance of the ELI Scheme

1. **Addresses Formal Employment Gaps -** In India, over 90% of employment is informal. ELI aims to bring millions into the formal net via EPFO-linked jobs.
2. **Supports First-Time Workers -** Youth entering the job market will now receive government support directly, improving financial literacy and security.
3. **Boost to Manufacturing -** By offering multi-year incentives in the manufacturing sector, the scheme aligns with Make in India and Atmanirbhar Bharat initiatives.
4. **Social Security Inclusion -** Linking with EPFO ensures pension, provident fund, and long-term security for new workers.
5. **Encourages Retention and Skilling -** Employers will now focus on retaining and skilling employees, reducing attrition and improving productivity.

Challenges & Implementation Risks

1. Awareness among MSMEs about scheme provisions
2. Verification mechanisms for sustained employment
3. Ensuring financial literacy modules reach all beneficiaries
4. Timely DBT payments and tracking
5. Avoiding misuse or inflated employment claims

Way Forward

1. **Mass Awareness Campaigns -** Especially among small and medium enterprises and job seekers.
2. **Digital Monitoring Framework -** Using real-time data from EPFO, Aadhaar, and PAN systems to monitor impact.
3. **Capacity Building of Employers -** Simplified portals, compliance tools, and onboarding support.
4. **Convergence with Skilling Initiatives -** Linking ELI with Skill India, PMKVY, and Digital India to ensure employability.
5. **Regular Audits and Reviews -** For transparency and course correction.

Conclusion - Building a Secure, Skilled Workforce

The Employment Linked Incentive (ELI) Scheme is a landmark initiative that bridges the gap between skilling, job creation, and formalisation. While schemes like PLI gave India a manufacturing push, ELI will strengthen the human capital supporting this growth. If implemented well, ELI could become the cornerstone of India's employment revolution — giving millions of youth a secure start, incentivising employers, and enabling India's march toward a $5 trillion economy with dignity of work at its core.

Main Practice Question (30 words) -

1. "Critically evaluate the Employment Linked Incentive (ELI) Scheme in the context of India's formal employment challenges. How does it differ from the PLI Scheme in intent and impact?"

Answer Guidelines -

1. Introduction (30–50 words)

Briefly introduce the Employment Linked Incentive (ELI) Scheme — its launch in 2024-25, objective of generating 3.5 crore formal jobs, and alignment with India's employment and skilling needs.

2. Key Features of ELI Scheme (100–120 words)

1. Part A - Direct wage support to first-time employees through EPFO-linked incentives and financial literacy conditions.
2. Part B - Incentives to employers for creating and retaining formal jobs, especially in manufacturing (up to ₹3,000/month/employee).
3. Use of DBT, EPFO tracking, and focus on formalisation.

3. India's Formal Employment Challenges (100–150 words)

1. Over 90% of India's workforce is in the informal sector.
2. High youth unemployment and low EPFO coverage.
3. Need to boost manufacturing jobs, especially post-pandemic.
4. Gender disparities and underemployment.
5. Explain how ELI directly targets these issues, especially through wage subsidies and retention incentives.

4. Comparison with the PLI Scheme (100–120 words) Feature

	PLI Scheme	**ELI Scheme**
Aim	Boost manufacturing output and exports	Promote formal employment
Beneficiary	Companies with incremental production	First-time employees and employers
Type of Incentive	Linked to output growth	Linked to job creation
Sector Focus	Electronics, pharma, textiles, etc.	All sectors, with special focus on manufacturing
Nature	Production-centred	Labour/employment-centred