

ELI Scheme: Empowering Employers to Build a Formal and Inclusive Workforce

In line with global best practices, the Modi Government has approved a landmark initiative aimed at strengthening employment across all sectors of the Indian economy. The Employment Linked Incentive (ELI) Scheme is a much-needed reform that not only supports job creation but also recognises the importance of empowering both workers and employers.

We thank the Government of India for this bold step. The ELI Scheme complements ongoing efforts under the Production Linked Incentive (PLI) Scheme, National Manufacturing Mission, and Make in India. With this, the government is now incentivising all core factors of production, labour, capital, and material, demonstrating a clear, focused strategy for supporting industry and promoting inclusive economic growth.

The incentives announced for employers are a game changer, and we are confident that entities across the spectrum, from large corporations to MSMEs, will respond by expanding formal hiring and building long-term employment capacity.

Announced in the Union Budget 2024–25 as part of the Prime Minister's package of five strategic schemes focused on employment, skilling, and opportunity creation, with an outlay of Rs 99,446 Crore, the ELI Scheme aims to incentivize the creation of more than 3.5 Crore jobs in the country, over a period of 2 years. Out of these, approximately 1.92 Crore beneficiaries will be first timers, entering the workforce. It is a well-designed response that reflects the priorities of today's workforce while being fully aligned with industry requirements. As employers, we fully support this initiative and stand ready to implement the scheme immediately.

Supporting Employers, Enabling Expansion

One of the defining features of the ELI Scheme is its direct wage-linked subsidy to employers who create new formal jobs. For every new employee registered with the Employees' Provident Fund Organisation (EPFO), employers are eligible to receive Rs. 1,000 to Rs. 3,000 per worker per month. For employees earning less than Rs. 10,000 monthly, an additional incentive of 10 percent of the EPF wage is provided. These benefits are extended for two years across all sectors and up to four years in the manufacturing industry.

Such financial support reduces the net cost of hiring, thus making it more feasible for employers, particularly those with tight operating margins, to expand their workforce. This not only strengthens the business case for scaling operations but also encourages a shift from informal to formal hiring, which has long been a challenge for many enterprises.

Formalisation as a Path to Stability

The ELI Scheme mandates that all jobs supported under its framework be registered with the EPFO. This requirement ensures that new hires are brought under India's formal labour regime, gaining access to social security benefits such as provident fund, gratuity, medical insurance, and pension entitlements.

For employers, this improves worker retention by providing employees with security and long-term career prospects. Reduced attrition means less expenditure on retraining, more productive teams, and higher continuity, factors critical to operational efficiency and sustainable growth. In sectors like textiles, retail, and construction, where turnover tends to be high, such stability can be transformative.

Aligned with National Goals, the ELI will Empower MSMEs and Fuel 'Viksit Bharat'

The ELI Scheme is strongly aligned with the vision of Viksit Bharat@2047, which envisions India as a developed, inclusive, and self-reliant economy. By focusing on MSMEs, the backbone of India's economy, the scheme ensures that growth percolates across geographies and enterprise sizes, and is not limited to large corporations alone.

Moreover, the emphasis on manufacturing, where incentives are extended for a longer period, reinforces the objectives of the Make in India and Atmanirbhar Bharat missions. This targeted support is vital for establishing India as a global manufacturing hub and for creating job-rich, skill-linked growth for the future.

An Investment in Human Capital and Financial Literacy

The scheme also introduces a first-time employment incentive of up to Rs. 15,000 for young workers, provided in two instalments, the second contingent on completion of a financial literacy course. This ensures that employees entering the workforce for the first time are equipped not only with social security, but also with practical financial skills that promote long-term security and productivity. Employers will benefit from a workforce that is more financially aware, responsible, and stable, a win-win for productivity, retention, and overall workplace culture.

A New Chapter in Employment-led Development

The ELI Scheme proclaims a new era in India's labour market, where formal job creation is not merely encouraged but actively supported through structured, scalable financial incentives. For employers, it reduces hiring costs, supports compliance, and boosts employee retention. For the nation, it drives formalisation, productivity, and inclusive economic development.

As India moves steadily towards its centenary of independence in 2047, the ELI Scheme will play a pivotal role in transforming India's demographic dividend into a productive, skilled workforce. Employers, large, medium, and small, now have a clear and timely opportunity to not only grow their businesses, but also to participate in building a resilient, future-ready, and prosperous Viksit Bharat.