



Legal & Secretarial

# ***Union Cabinet Approves Employment Linked Incentive (ELI) Scheme***



July 08, 2025

## INTRODUCTION

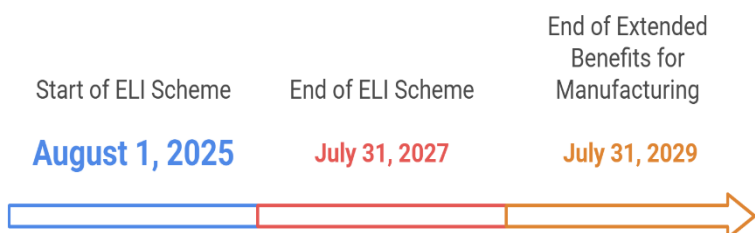
The Union Cabinet, led by Prime Minister Narendra Modi, has approved the Employment Linked Incentive (ELI) Scheme to boost employment generation, enhance employability, and strengthen social security, with a special emphasis on the manufacturing sector.

## OBJECTIVE

The ELI Scheme aims to generate over 3.5 crore formal jobs across all sectors, with a special focus on the **manufacturing industry**. It seeks to reduce hiring costs for employers through wage subsidies, while supporting first-time employees with direct financial incentives, financial literacy training, and social security coverage.

## EFFECTIVE PERIOD

The ELI Scheme will be applicable to all new jobs created between August 1, 2025, and July 31, 2027. The manufacturing sector will get extended benefits for another two years



## SCHEME STRUCTURE

The ELI Scheme comprises two distinct components designed to promote formal employment, particularly among first-time job seekers, while also incentivizing employers to expand their workforce.

### PART A

Incentives for First-Time Employees

Encouraging formal workforce entry



### PART B

Incentives for Employers

Fostering job creation and retention

## PART A: FIRST-TIME EMPLOYEES

- Applicable to individuals joining the formal workforce for the first time and registered under EPFO.
- Eligible employees (earning up to ₹1 lakh/month) receive a wage incentive up to ₹15,000.
- The incentive is paid in two installments via DBT using the Aadhaar Bridge Payment System (ABPS):
  - i. First installment after 6 months of continuous service
  - ii. Second installment after 12 months of service and completion of a financial literacy program.
- A portion of the incentive will be deposited in a savings instrument or account for a fixed period, and can be withdrawn by the employee at a later date.

## PART B: EMPLOYERS

- Employers registered with EPFO who hire new employees with monthly salaries up to ₹1,00,000 are eligible for a direct financial incentive of ₹1,000 to ₹3,000 per employee per additional employee per month, depending on the employee's wage bracket:

Up to ₹10,000

₹1,000

₹10,001 – ₹20,000

₹2,000

₹20,001 – ₹1,00,000

₹3,000

- Establishments with a workforce of fewer than 50 employees must hire at least two additional employees, while those with 50 or more employees must hire a minimum of five new employees to qualify.
- The new hires must be retained on a for at least six months to be eligible under for incentive.
- Incentive payments are made directly to the employer's PAN-linked account



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