

From Skill to Scale: How ELI is Empowering India's Workforce

India, home to the world's largest youth population and fastest-growing major economy, stands at a unique inflexion point. Yet, beneath its demographic strength and fast-paced growth lies a complex challenge of how to equip millions of young Indians with the right skills, connect them to meaningful work, and ensure they are productively engaged in a fast-changing world of employment. At this juncture, the recently launched Employment Linked Incentive (ELI) Scheme offers a strategic bridge between skill development and formal employment. By directly linking government incentives to the hiring of trained and first-time workers, the scheme aims to correct long-standing mismatches in the labour market while paving the way for a more structured, skilled, and resilient workforce. 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, 1.92 Crore beneficiaries will be first timers, entering the workforce.

ELI: Aligning Skills with Opportunity

India's labour market has witnessed substantial improvement in youth employment outcomes over the past decade, driven by sustained investments in human capital development. Flagship initiatives such as Skill India, the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), and the National Apprenticeship Promotion Scheme (NAPS) have collectively trained over 1.4 crore youth across a wide range of trades and professions. These programmes have played a critical role in enhancing job readiness and bridging the gap between education and employment.

The impact of these efforts is reflected in recent EPFO payroll data, which shows that between 2021–22 and 2024–25, approximately 3.7 lakh new entrants aged 35 years or below, along with 1.6 lakh individuals above 35 years, entered the formal workforce. These additions point not only to growing confidence among job seekers but also to a gradual and encouraging shift towards formalisation, especially among the youth.

Complementing this, Periodic Labour Force Survey (PLFS) data highlights notable improvements in labour market participation among educated youth (aged 15–29 years; graduates and above). Between 2017–18 and 2023–24, the Workforce Participation Rate (WPR) for this group increased from 34.8% to 46.6%. This steady rise indicates growing engagement of young, educated individuals in economic activity and reflects the increasing alignment between education, skilling, and job market outcomes.

Yet, despite these advances, the transition from skilling to sustained employment has remained a persistent challenge. The Employment Linked Incentive (ELI) Scheme directly addresses this gap through a focused, incentive-based approach. Under the scheme, employers who hire new workers into EPFO-registered formal jobs receive direct financial support, easing the cost burden of formal hiring, especially for small and medium enterprises.

Equally important is the scheme's provision for first-time job seekers, who are eligible for a direct benefit of up to ₹15,000, disbursed in two instalments. The second instalment is conditional upon the completion of a mandatory financial literacy course, a forward-looking measure that equips young workers with essential financial skills and encourages deeper engagement with formal financial systems. This not only promotes income stability but also improves job retention and long-term career planning.

Beyond incentives, the ELI Scheme is also designed to foster structured skilling pathways through internship-based models, industry partnerships, and placement-linked training. By integrating skill acquisition with direct employment outcomes, the scheme ensures that youth are not only trained in classrooms or workshops but are actively absorbed into formal jobs, facilitating a seamless and productive transition into the labour force.

The ELI Scheme strengthens the link between skills and opportunity, providing a scalable and sustainable framework for employment-led growth, while empowering India's youth to become confident, capable, and formally integrated members of the workforce.

Impact on Labour Market Dynamics

By design, the ELI Scheme injects momentum into job creation while favouring formalisation. It nudges businesses, particularly MSMEs, to hire formally rather than through

informal contracts, which often lack security or benefits. This transition has ripple effects on the labour market: higher social security coverage, more predictable incomes, and improved workforce stability. The scheme offers a way to retain talent while sharing the cost of compliance with the state. Over time, as these industries build a pool of skilled and reliable workers, their productivity and growth prospects improve.

From the perspective of job seekers, the scheme lowers the entry barrier into the formal economy. With financial support, institutional backing, and a skills-first approach, young workers are better prepared and more confident to take up stable employment. This transformation of the entry-level job market could be a defining feature of India's employment story over the next decade.

A Boost to Business, Innovation and Equity

Skill-based employment also fuels innovation. As more young professionals join the formal sector, businesses benefit from fresh ideas, adaptability, and a willingness to learn. By promoting this entry-level engagement, the ELI Scheme lays the foundation for a knowledge-driven economy, which is especially vital in rapid technological change. Moreover, this model holds promise for inclusive growth. Women, rural youth, and marginalised communities often left out of formal employment stand to benefit significantly from targeted hiring, skilling, and wage-linked support. By addressing structural inequities in the labour market, the scheme helps build a more equitable society in tandem with economic goals.

Towards Viksit Bharat: A Vision Grounded in People

At its core, the ELI Scheme is more than a policy- it is a vision. A vision where economic progress is not measured merely by output, but by opportunity. A vision where India's youth are not just a statistic, but participants in nation-building. The government's outlay of ₹99,446 crore for the scheme is an emphatic investment in this idea.

As India sets its sights on becoming a developed nation by 2047 (Viksit Bharat), investing in the capabilities and employment of its people becomes non-negotiable. Skilling must be followed by placement, training must lead to earning, and every job must carry the dignity of social protection. The ELI Scheme captures this principle with clarity and conviction.

The ELI Scheme, by linking skills with formal employment, presents an opportunity to transform potential into productivity, aspirations into achievements. In doing so, it not only revitalises the labour market and supports enterprise growth but also charts a human-centred path to national development. In the journey to Viksit Bharat, the real catalyst will not be capital alone, but capable, skilled, and secure workers, ready to build a better India.