Impact of Budget 2024 on Employment

Rudra Srivastava
Partner
E: rsrivastava@singhania.in

Neha Meena
Senior Associate
E: neha@singhania.in

Unemployment remains one of India's most pressing economic challenges, prompting significant budgetary reforms with the introduction of five schemes aimed at youth employment and skill development over five years[1]. These initiatives align with the Central Government’s vision of "Viksit Bharat 2047," a roadmap to making India a developed nation by 2047. The budget 2024 has allocated Rs. 1.48 lakh crore specifically for employment and skilling. Given their direct impact on both employees and employers in India, a detailed analysis is necessary.

EPFO Related Incentive Schemes

The Employees' Provident Fund (“EPF”) is a retirement benefit scheme in India aimed at providing financial security for salaried employees, administered by the Employees' Provident Fund Organisation (“EPFO”). The EPF mandates contributions from both the employee and employer, currently set at 12% of the employee’s salary. These contributions accumulate over time and can be withdrawn upon retirement or under specific circumstances.

To stimulate employment generation across all sectors, including manufacturing, three employment-linked incentive (“ELI”) schemes have been introduced in the 2024 budget. These schemes offer subsidies to both employers and employees for a period of two years, based on EPF enrolments. The proposed measures will also help extend EPF coverage to more employees across sectors. The ELI schemes aim to:

- Recognize and benefit first-time employees while encouraging new entrants into the workforce.
- Generate new job opportunities across various sectors.
- Provide support to employers for generating additional employment opportunities.

The three ELI schemes are explained below:

Scheme A: First Timers

- **Applicability/Eligibility:**
  - Applicable to all formal sectors.

[1] Ministry of Finance, Budget Documents <https://www.indiabudget.gov.in/ >.

- First-time employees with a salary less than Rs. 1 lakh per month upon EPFO registration.
- **Incentive/Subsidy**: Direct benefit transfer of one month's salary (up to Rs. 15,000) in three instalments.
- **Additional Requirements for Subsidy Continuity:**
- If the employment of the first timer ends within 12 months of recruitment, the employer must refund the subsidy.
- The employee must complete a compulsory online financial literacy course before claiming the second instalment.

Scheme B: Job Creation in Manufacturing

- Applicability/Eligibility:
  - Applicable to manufacturing sector.
  - Employees must be new entrants to EPFO, in-sourced and drawing a salary of up to Rs. 1 lakh per month, subject to EPFO contribution.
  - Employers must have a three-year track record of EPFO contributions.

- **Incentive/Subsidy:**
  - Incentives for substantial hiring of first-time employees at a specified scale (24%, 24%, 16%, 8% of wage/salary shared equally between employer and employee) with respect to their EPFO contribution in the first four years of employment.
  - For employees with a salary exceeding Rs. 25,000 per month, the incentive will be calculated based on Rs. 25,000 per month.
  - This subsidy is in addition to the benefits under Scheme A.
- Additional Requirements for Subsidy Continuity:
  - Employers must hire previously non-EPFO enrolled workers (at least 50 workers or 25% of the baseline, i.e., the previous year's EPFO employees, whichever is lower).
  - The enhanced employment threshold must be maintained throughout.
  - If the employment of the first-timer ends within 12 months of recruitment, the employer must refund the subsidy.

Scheme C: Support to Employers

- **Applicability/Eligibility:**
  - Applicable to all sectors.
  - Employees with a salary of up to Rs. 1 lakh per month.
  - New employees need not be new entrants to EPFO.
  - Employers who increase employment above the baseline (previous year's number of EPFO employees) by at least two employees (for those with less than 50 employees) or five employees (for those with 50 or more employees) and sustain the higher level.

- **Incentive/Subsidy:**
  - The government will reimburse the EPFO employer contribution up to Rs. 3,000 per month (for two years) to the employer for additional employees hired in the previous year.

- This subsidy is in addition to the benefits under Scheme A and not applicable to employees covered under Scheme B.

➢ **Additional Requirements for Subsidy Continuity:**

- For employers creating more than 1,000 jobs:
- Reimbursement will be made quarterly for the previous year.
- The subsidy will continue for the third and fourth years at the specified scale (24%, 24%, 16%, 8% of wage/salary shared equally between employer and employee).

Skilling Programme & Upgradation of Industrial Training Institutes

Skill development is vital for boosting employability, productivity, and fostering sustainable enterprise development. To enhance job opportunities for youth and improve the quality and outcomes of skilling initiatives, the Union Government has introduced a skilling programme to benefit 20 lakh youth over five years in collaboration with state governments and industry. Key elements of this centrally sponsored scheme cover:

- **Upgradation of Industrial Training Institutes ("ITIs")**: Upgradation of 1000 ITIs using a hub and spoke model.
- **Trainer Capacity Building**: Capacity augmentation of 5 national institutes to train trainers.
- Industry-Aligned Courses: Aligning course content and design with industry needs and emerging trends.
- **Skilling Loans**: Providing loans up to 7.5 lakh with government-backed guarantee.
- **Women's Participation**: Promoting participation of women in the workforce through women-specific skilling programmes and market access initiatives for women Self-Help Group (SHG) enterprises.

Internship Program for Youth

To further enhance skills, increase employability, shape better future for youth in the country and provide real-life business experience to such youth, the Union Government has proposed an internship programme scheme offering the following:

- ➢ **Internship Opportunities:** Providing internships to 1 crore youth in 500 top companies.
- ➢ **Duration and Stipend:** Offering 12-month internships with a monthly allowance of Rs. 5,000.
- ➢ **Eligibility**: Youth aged 21-24 who are unemployed, not in full-time education, belong to families not assessed for income tax, and have no government employee family members.
- ➢ **Cost-Sharing Structure:** A cost-sharing arrangement between the Government and companies.
- ➢ **Voluntary participation from companies.**
- ➢ **Phased Implementation:** Phase 1 will last for 2 years, followed by Phase 2 for 3 years.
- ➢ **Application Process:** Eligible candidates to apply through an online portal, with companies having discretion to shortlist candidates with lower employability.

The above schemes proposed in the budget aim to significantly improve skill levels and employability among the youth, thereby addressing unemployment crisis and contributing to sustainable enterprise development and economic growth. However, the real challenge for the union government is to ensure effective implementation of these schemes within the fixed timeframe.