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## **Employment and Union Budget 2024:**

**Government Gives Impetus to Employment Generation, Skill Development, and Better Women Workforce Participation**

## INTRODUCTION

In the Union Budget 2024, the Government of India has *inter alia* demonstrated a renewed focus on employment generation in the formal sector of the workforce and has emphasised on skill enhancement initiatives in collaboration with the industry and the state governments. In this update, we discuss the key takeaways from the Union Finance Minister’s speech (FM Speech) that impact the work populace, while we await appropriate notifications, schemes and circulars from the Union Ministry of Labour and Employment and other ministries to bring the announcements into effect.

**Employment generation:** On the employment front, talking first about the organised workforce, it was being reported in the media that the Government of India may enhance the wage ceiling for mandatory coverage under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act). While this does not feature in the Union Budget 2024, few notable announcements made in the FM Speech are the 3 schemes intended to address the concerns around unemployment while expanding coverage under the EPF Act.

**First scheme:** The first scheme appears to cover all industries in the formal sector and seeks to provide one-month wage to all new employees entering the organised sector and earning salary up to INR 1,00,000. This amount will be paid in 3 instalments and will extend up to INR 15,000 per month. Before claiming the second instalment amount, employee would be required to undergo compulsory online financial literacy course. Also, the employer would be required to refund the subsidy if the employment of the new joiner ends within 12 months of recruitment (although it is uncertain whether the employment cessation referred to here would cover both termination by employer and resignation by employee). The scheme will operate for 2 years.

**Second scheme:** The second scheme focuses on the employees engaged in the manufacturing sector and seeks to provide monetary support as regards employee contributions under the EPF Act in the first 4

years of employment. This scheme will operate in addition to the first scheme for 2 years and will provide incentive to the employer and the employee in the following manner, in case of employers that hire at least (a) 50 fresh employees, or (b) 25% of the previous year’s number of enrolled employees as fresh employees, whichever is lower (such threshold to be maintained for the entire period of the subsidy).

Year	Incentive (as % of wages, shared equally between employers and employees)
1	24
2	24
3	16
4	8

The second scheme is applicable only in respect of employees with wages up to INR 1,00,000 per month. Also, incentive will be capped at INR 25,000 per month for employees whose wages exceed INR 25,000 per month. Like the first scheme, the employer would be required to refund the subsidy if the employment of the new joiner ends within 12 months of recruitment.

**Third scheme:** The third scheme intends to cover employers specifically, providing them with an opportunity to obtain reimbursement of up to INR 3,000 per month for 2 years for each additional employment generated within a salary bracket of INR 1,00,000 per month. This additional employment need not be limited only in respect of newly enrolled members into the EPF Act – even previously enrolled members would be considered. In order to avail the incentive, the employer would be required to increase the employment by at least 2 employees (for establishments with less than 50 employees) or 5 employees (for establishments with 50 or more employees), when compared to the number of enrolled employees in the previous year. The scheme will operate for 2

years and will be in addition to the first scheme.

It will be worthwhile to see the way these schemes would work in tandem with those currently in operation under the fold of the EPF Act, particularly because thus far, such kind of direct benefit / reimbursement framework under the aegis of the Government of India has not been envisaged under the law.

**Participation of women in workforce:** To ensure greater participation of women in the workforce, the Government of India plans to set up women's hostels in collaboration with the industry as well as creche facilities.

**Skill development:** The Government of India has been focusing on skill enhancement for some time now, with recent amendments to National Apprenticeship Promotion Scheme among other developments. Under the Union

Budget 2024, a fourth Centrally sponsored scheme has been tabled that proposes upskilling of 20,00,000 youth over a 5-year period. Apart from offering guaranteed loans up to INR 7,50,000, it is intended to upgrade 1,000 Industrial Training Institutes and revisit some of the existing courses to align skill enhancement training with industry demands.

**Revamping of government-maintained labour database:** As per the FM Speech, a more comprehensive e-Shram portal is on the anvil which will see integration of other labour-specific portals to help candidates find suitable employment and skill enhancement opportunities.

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