



# Cabinet approves special package for employment generation in leather and footwear sector

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The Union Cabinet chaired by Prime Minister Shri Narendra Modi has approved the special package for employment generation in leather and footwear sector. The package involves implementation of Central Sector Scheme "Indian Footwear, Leather & Accessories Development Programme" with an approved expenditure of Rs. 2600 Crore over the three financial years from 2017-18 to 2019-20.

## Major Impact:

The scheme would lead to development of infrastructure for the leather sector, address environment concerns specific to the leather sector, facilitate additional investments, employment generation and increase in production. Enhanced Tax incentive would attract large scale investments in the sector and reform in labour law in view of seasonal nature of the sector will support economies of scale.

The Special Package has the potential to generate 3.24 lakhs new jobs in 3 years and assist in formalization of 2 lakh jobs as cumulative impact in Footwear, Leather & Accessories Sector.

## Details of the Indian Footwear, Leather & Accessories Development Programme

- 1. Human Resource Development (HRD) sub-scheme:** HRD sub-scheme proposes to provide assistance for Placement Linked Skill Development training to unemployed persons @ Rs. 15,000 per person, for skill up-gradation training to employed workers @ Rs. 5,000 per employee and for training of trainers @ Rs. 2 lakh per person. The placement of 75% of trained persons is proposed to be mandatory for availing assistance related to skill development training component. The proposal under this sub-scheme is to train/skill 4.32 lakh unemployed persons, upgrade the skills of 75,000 existing employees and train 150 master trainers during the three years with proposed outlay of Rs. 696 crore.
- 2. Integrated Development of Leather Sector (IDLS) sub-scheme:** IDLS sub-scheme proposes to incentivize investment and manufacturing including job creation by providing backend investment grant/subsidy @ 30% of the cost of new Plant and Machinery to Micro, Small & Medium Enterprises (MSMEs) and @ 20% of the cost of Plant and Machinery to other units for Modernization /technology upgradation in existing units and also for setting up of new units. The proposal under this sub-scheme is to incentivize 1000 units in Leather, Footwear and Accessories & Components sector during the three years with proposed outlay of Rs.425 crore.
- 3. Establishment of Institutional Facilities sub-scheme:** The sub-scheme proposes to provide assistance to Footwear Design & Development Institute (FDDI) for upgradation of some of the existing campuses of FDDI into "Centres of Excellence" and establishing 3 new fully equipped skill centres alongside the upcoming Mega Leather Clusters, based on project proposals, with proposed outlay of Rs.147 crore for the three years.
- 4. Mega Leather, Footwear and Accessories Cluster (MLFAC) sub-scheme:** The MLFAC sub-scheme aims at providing infrastructure support to the Leather, Footwear and Accessories Sector by establishment of Mega Leather, Footwear and Accessories Cluster. Graded assistance is proposed to be provided upto 50% of the eligible project cost, excluding cost of land with maximum Government assistance being limited to Rs. 125 crore. The outlay of Rs 360 crore has been proposed to support 3-4 new MLFACs, for the three years.
- 5. Leather Technology, Innovation and Environmental Issues sub-scheme:** Under this sub-scheme, assistance is proposed to be provided for upgradation/installation of Common Effluent Treatment Plants (CETPs) @ 70% of the project cost. The sub-scheme will also provide support to national level sectoral industry council/ association and support for preparation of vision document for Leather Footwear and Accessories Sector. The proposed outlay for this sub-scheme is Rs. 782 crore for the three years.
- 6. Promotion of Indian Brands in Leather, Footwear and Accessories Sector sub-scheme:** Under this sub-scheme, the eligible units approved for Brand Promotion are proposed to be assisted. The Government assistance is proposed to be 50% of total project cost subject to a limit of Rs.3 crore for each brand, each year for 3 years. The proposal under this sub-scheme is to promote 10 Indian brands in the international market in three years with proposed outlay of Rs. 90 crore.
- 7. Additional Employment Incentive for Leather, Footwear and Accessories Sector sub-scheme:** Under this scheme, it is proposed to provide the employers' contribution of 3.67% to Employees' Provident Fund for all new employees in Leather, Footwear and Accessories sector, enrolling in EPFO for first 3 years of their employment. The sub-scheme would be applicable to employees with salary upto Rs.15,000/-. The proposed outlay is Rs. 100 crore to assist in formalization of approximately 2,00,000 jobs in the sectors.

The special package also includes measures for simplification of labour laws and incentives for employment generation, as under:

- 1. Enhancing Scope of Section 80JJAA of Income Tax Act:** For providing deduction to Indian Company engaged in manufacture of goods in a factory towards additional wages paid for three years to new workman, the provisions of minimum 240 days employment in a year to a workman under Section 80JJAA of Income Tax Act would be further relaxed to 150 days for Footwear, Leather & Accessories Sector considering the seasonal nature of this sector.
- 1. Introduction of fixed term employment:** In order to attract large scale investments at global scale, the regulatory framework for labour related issues is proposed to be addressed by introduction of Fixed Term Employment under Sub Section (1) of section 15 of Industrial Employment (Standing Order) Act, 1946 looking at the seasonal nature of Leather, Footwear and Accessories industry.

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