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# social protection floor initiative

## SPF country brief: India

India has traditionally been described as a “social economy”, with a relatively high level of attention paid to social sector needs and concerns. Such concerns were by no means abandoned in the wake of the country’s shift towards economic liberalisation from 1990 onwards. Indeed, the decade of the 1990s saw the launch of some of India’s largest social protection schemes, notably the National Old-Age Pension Scheme (NOAPS), together with valuable provisions by way of family benefits and maternity protection, and measures to assist the prime working age groups. In 2004, the United Progressive Alliance (UPA) was elected to government on the basis of its Common Minimum Programme (CMP), within which the extension of social protection forms a major theme. This promise was translated into two programmes which have gained much international attention: the National Rural Employment Guarantee Scheme (NREGS), essentially a cash-for-work programme, and a health insurance scheme for the informal sector to be funded jointly by the central and state governments, Rashtriya Swasthya Bima Yojna (RSBY).

Beyond the central level, a number of Indian states governed by a range of political parties have initiated a considerable variety of social protection schemes targeted towards their poorest citizens. Many of these schemes provide benefits and services which can be seen to represent elements of the social protection floor. The issues of income security for the active age population and social health protection may be seen, however, to be of particular importance, regarding which the Indian approach offers valuable experience, and accordingly this note focuses specifically on the two aforementioned national policies.

### The National Rural Employment Guarantee Scheme (NREGS)

The National Rural Employment Guarantee Scheme, now promoted under the title of the Mahatma Gandhi National Rural Employment Gurantee Scheme (MGNREGS), is a cash-for-work programme, the implementation of which began in 2005. The scheme is designed to meet the needs of the poor population by providing wage employment opportunities in the rural areas, where, notwithstanding the trend of urbanization, more than 75 per cent of the Indian population still lives and works. In these areas, unemployment and underemployment (with out-of-labour-force days averaging 104 days per year) of agricultural labourers remains a severe problem. The NREGS provides a quantum of guaranteed employment, paying wages at a specified minimum level in principle (presently rupees 100 per day) to help in creating sustainable rural livelihoods.

The scheme is effectively self-targeting and demand-based: any rural household can make an application for employment and is entitled then that work be allocated to one member within 5 km of his/her residence (or with paid transport if more distant) within 15 days, up to a maximum of 100 days per year, failing which the claimant family will be entitled to the payment of unemployment allowance. The total amount budgeted runs at a level of INR 40,100 crore (approx. US\$ 8.77 billion) for FY 2010-2011, so that, at least in nominal terms, the budget provision of INR 39,100 crore (approx. US\$ 8.55 billion) for FY 2009-2010 has been maintained.

Following its inception in 2005, the scheme was rolled out progressively between 2006-08 and is now operational in the whole country, covering 619 districts. It has provided employment to around 52.5 million households amounting to an estimated 2.83 billion person-days in 2009-2010. One measure of success is that estimates show effective minimum daily wage levels for those on the lowest incomes to have increased, as a by-product of the scheme, from US\$ 1.4 to US\$ 2. The scheme is judged to have been highly effective in reaching vulnerable groups, with positive impacts on equality, participation and empowerment and the self-esteem of workers. Women's workforce participation has risen from 33% to 48%, and progress has been made towards equal pay and reducing discrimination on the basis of not only of gender but also caste, and other disadvantaging characteristics. The scheme has also shown benefits in terms of improved productivity where the works conducted have focused on land development, afforestation and irrigation. While the scheme itself employs workers only on an unskilled basis (which has been one aspect of criticism) in the wider picture new opportunities have also been created for skilled labour in rural areas, for example for engineers, IT personnel and accountants. A further gain has been the entry point provided by the scheme for access, as work site facilities, to other social services (health services, safe water, etc.)

## **Health Insurance - RBSY**

The second of the schemes in India that has attracted attention as representing the successful implementation of elements of a national social protection floor is the health insurance scheme for the unorganized sector, Rashtriya Swasthya Bima Yojna (RSBY). The level of public expenditure on health in India, by the central and state governments together, has for many years been very low by international standards, accounting for only about 20% the total health expenditure, with more than 78% of such expenditure made on an out-of-pocket basis. Moreover, services have been difficult to access other than by those in formal employment. Accordingly, the (central) government decided to increase overall public health expenditure, within the context of programmes intended specifically to reach the poorest citizens in the unorganized sector (or informal economy).

In fact, the local governments in several state had previously attempted to set up health insurance schemes, but these generally suffered from poor design, insufficient funding or inflexibility, resulting in lack of "portability" of benefits

when workers moved to other parts of the country. Noting the lessons learnt from these experiences, the central government began the implementation in 2008 of a national health insurance scheme for the unorganized sector, targeting families living below the poverty line. Coverage has progressed from 2 states at the outset to 26 states by May 2010, with enrollment reaching about 56 million people. The RSBY is operated through private insurance companies, selected state by state, through a competitive bidding process and through accredited public and private providers. The scheme is funded mainly by the central and state governments, in the respective proportions of 75% and 25%, in addition to a nominal registration fee of 30 Rupees paid by the members themselves.

A highlight of the scheme is the use of up-to-date technological solutions to minimize administrative costs, and limit fraud. A major objective is to operate the scheme on a basis which is as far as possible “cashless” (at the point of service) and “paperless”, and so both accessible and “user friendly” for the scheme members. Members obtain medical services through the use of “smart cards”, and it is envisaged that this technology will allow access for members in any of the participating states and (eventually) nationwide. The scheme is designed to meet the costs of hospitalization, up to Rs. 30.000 (approximately 650 USD) and transport, and the available data suggest that on this basis 95% of needs can be met.

The scheme is judged to have achieved high levels of effectiveness and transparency, with the result that the Indian government has already decided to extend RSBY to many other categories of unorganized sector workers beyond those whose need is assessed simply on the basis of living below the poverty line (“BPL”). In addition, the possibility is foreseen of using the RSBY networks to deliver different a wider range of social security benefits to the vulnerable sections of society.

August 2010

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