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MGNREGA to VB-G RAM G: Decoding India's Shift in Rural Employment Policy

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India, a diverse democratic nation, mostly comprises 374,851 rural villages. Approximately 72 percent (NSSO-2000) of India's total population resides in rural areas, with agriculture being the principal and associated occupation. Regrettably, some individuals possess neither agricultural land nor agricultural products to sustain their livelihoods (Mukesh upadhyay, 2011)[1]. Some rely on paid labour. India, being a growing nation, is experiencing significant poverty, unemployment, and various other social issues.

Numerous pioneers, including Mahatma Gandhi, asserted that "India lives in villages," indicating that India's progress is contingent upon the advancement of its rural areas (Manish Kumar-2014)[2]. Consequently, Gandhi asserted that India's genuine development should rely on village self-sufficiency, the decentralisation of economic and political authority, the enhancement of cottage industries in rural areas, equitable wealth distribution, and the effective utilisation of human resources. As a developing nation, India should contemplate harnessing its tremendous human resources. Nevertheless, Indian villages continue to exist in a state of adverse socio-economic conditions.

Consequently, the socio-economic status of villages is exceedingly poor. The unequal distribution of natural resources generates a significant divide between the affluent and the impoverished, fostering estrangement among individuals. Following independence, India has endeavoured to enhance the socio-economic conditions of rural populations to the fullest extent. Considering this, India has implemented numerous development projects aimed at eradicating poverty, particularly in rural areas. India has devised Five-Year Plans (1951), integrated programs, and various schemes to eradicate social and economic issues while ensuring sustainable livelihoods for the underprivileged. Rural development programs have been implemented to ensure livelihood security. It has been enabled by the enhancement of infrastructure. Rural development directly impacts the economic status of rural populations and indirectly affects social transformation.

India, as a developing nation, faces numerous socio-economic challenges that impact sustainable development. Post-independence, India faces the significant task of addressing issues with maximum public engagement, particularly in rural areas. All rural development programs are implemented to eliminate poverty and ensure sustainability. The primary objective of these programs is to diminish the disparity between the affluent and the impoverished to uphold equality (Sahu. B.K., 2003)[4]. The elimination of rural poverty has been a critical issue in India's economic planning and growth. Rural development programs are promoted to improve the quality of life for the rural population. There is a prevailing belief that certain individuals have not reaped the benefits of governmental development programs; their socio-economic conditions remain dire. These individuals urgently require programs and initiatives with essential improvements to alter the socio-economic landscape.

Article 41 of the constitution:

Article 41 of the Indian Constitution is a Directive Principle of State Policy (DPSP) that obligates the State to ensure the rights to employment, education, and public assistance.

Although these principles are non-justiciable and not immediately enforceable in court, they are essential to governance and provide the moral underpinning for India's welfare legislation. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (Jena SK, 2012)[5], established in 2005, was the principal legal embodiment of the "Right to Work" as outlined in Article 41. The primary objective of NREGA is to ensure guaranteed employment for the rural impoverished while fostering the creation of sustainable assets in rural regions through optimal utilisation of existing human and natural resources. The initiative aims to eradicate rural poverty by raising purchasing power, enhancing consumption, and improving livelihoods.

Transformation of NREGA to MGNREGA:

In 1991, the Prime Minister of India, Mr. P.V. Narasimha Rao, initially introduced NREGA in Parliament; however, the lower house rejected it for various reasons. The National Rural Employment Guarantee Act was drafted in July 2004 and submitted to the National Advisory Council. The NAC promptly deliberated on it, implementing requisite amendments. The proposed measure was discussed and accepted in parliament on 21 December 2004. It was finally announced on September 7, 2005, during Dr. Manmohan Singh's tenure as Prime Minister. It was subsequently called the Mahatma Gandhi National Rural Employment Guarantee Act on 2 October 2009. This is the most exceptional program in the history of Indian rural development collaboration. According to the Act, a legally mandated 100 days of guaranteed employment would be offered to rural households whose adult members volunteer for unskilled physical labour. MGNREGA is the preeminent public entitlement program globally. This is a well-founded program adopted for the first time in the history of rural development. The Constitution of India, grounded in the principles of state policy, guarantees the right to work with dignity. Consequently, MGNREGA advocates for the policy of the right to work. Initially, it was implemented in 200 areas identified as the most underdeveloped in 2006 and 2007, with an additional 130 districts subsequently included. Subsequently, it has been effectively executed throughout India, especially in rural regions, excluding urban areas.

India has encountered multifaceted issues, such as poverty and unemployment. Unemployment results in intricate, multifaceted problems throughout time. According to estimates, 7 million individuals become unemployed each year due to a scarcity of economic possibilities and overpopulation. However, poverty is increasing not due to unemployment, but rather the inconsistency of employment. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) seeks to improve the livelihood stability of the rural impoverished by ensuring a minimum of 100 days of guaranteed wage employment for every household with an adult member willing to engage in unskilled manual labour within a financial year (Patidar B, Gupta D, 2012)[6].

Aims of the Act:

MGNREGA is the most ambitious and widely recognised initiative, regarded as the premier intervention for eradicating rural poverty and promoting inclusive development through livelihood security, social protection, and democratic governance. MGNREGA, as a premier initiative, has the following primary objectives:

1. Contributing to the social protection for the helpless that live in rural India by providing employment. The main aim of the scheme is to eradicate unemployment and reduction of severity of unemployment at the rural level.

2. To confirm livelihood security for the rural poor by creating permanent assets, like improved water security, soil preservation and higher land yield. It is firming drought-proofing and flood supervision in the rural area.
3. To empower the marginalised groups like SCs, STs and women by protecting their legal rights.
4. To avoid migration from rural to urban centres.
5. To strengthen democratic principles through decentralised and active participation of rural people for effective implementation of rural development programmes.
6. To ensure the authority at the grass-root level panchayat raj institutions.
7. To bring greater transparency and accountability in governance.

Ultimately, MGNREGA is a beneficial initiative for rural households. It has enhanced the livelihood of impoverished villagers by ensuring 100 days of guaranteed pay employment annually for each home. A comprehensive initiative aimed at establishing sustainable assets, fostering a protective environment, preventing migration, and empowering women, scheduled castes, and scheduled tribes. It has facilitated employment for all residents in rural areas to attain social security, grounded in social equality. Consequently, MGNREGA has three distinct objectives: protective, preventative, and promotional. MGNREGA is a distinctive program that mandates a reservation for women, stipulating that one-third of the participants must be female according to the Act. The initiative has established essential amenities for the workers at the site, including shade, drinking water, and necessary equipment. A single woman is designated to supervise the children of female workers at the job when there are more than 10 female workers employed under MGNREGA (Raghuraman.S. 2009)[7].

The Role of the Gram Panchayat: The Gram Panchayat is to submit the annual plan approved by the Gram Sabha to the Programme Officer.

The Role of the Programme Officer: The Programme Officer is responsible for examining the annual plans to determine if the activities align with the allowed works and if the general wage-material ratio is upheld. The Programme Officer consolidates these plans into the Block Plan and proposes them to the Block Panchayat for approval.

Role of other Implementing Agencies: If tasks are to be performed by organisations other than Gram Panchayats, these tasks shall be presented to the intermediate or district Panchayats together with anticipated results. All such approvals shall be communicated to the Gram Panchayat prior to their implementation.

Role of the Block Panchayat/Intermediate Panchayat: The Block and the Intermediate Panchayats consider and approve the Labour Budget proposed by the Programme Officer. The Block / Intermediate Panchayat then submit the approved plan to the District Programme Coordinator.

Role of District Programme Coordinator (DPC): The Block plans will be unified and sanctioned at the district level. The district will serve as the coordinating entity for integrated planning under the DPC's leadership, which must ensure that the Annual Action Plans for Mahatma Gandhi NREGS, IWMP, and PMKSY are harmonised. This coordination aims to create a comprehensive project for the village, watershed, or command area, incorporating all necessary activities for the integrated development of the specified area.

Role of State Government: A comparable consolidation and approval process should be executed at the State Level. The States and Union Territories are instructed to integrate advancements in space technology and remote sensing for GIS-based planning, ensuring that all

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permissible activities under the Mahatma Gandhi NREGS are identified in saturation mode and incorporated into the implementation plan in a phased approach. The State Governments must guarantee that when the Gram Panchayat serves as the implementing agency, the projects are approved by the relevant Gram Sabha. If the implementing agency are not the Gram Panchayat, the projects must be approved by the intermediate or District Panchayats, along with the anticipated outcomes.

Role of Empowered Committee (EC) of the Ministry: State Governments and Union Territory Governments should endeavour to propose a pragmatic labour budget. The States and Union Territories must annually submit their Labour Budget proposals, including implementation plans and strategies, to the Empowered Committee of the Ministry. The function of the EC is to pragmatically evaluate the proposal and establish an indicative LB (Labour Budget) for the State/UT by reviewing performance, assessing the planning process employed, appreciating the initiatives and strategies of the State, and considering the State's requirements regarding poverty (based on deprivation statistics from the Socio Economic Caste Census, 2011) and natural disasters such as drought. The resultant LB is not a limitation on actual performance. The States/UTs may surpass their LB if there is demand on the ground.

Gram Panchayats as custodian of shelf of works: When the Gram Panchayat serves as the implementing agency, all projects must receive mandatory approval from the Gram Sabha. The Gram Panchayat serves as the overseer of project initiatives, and all Project Implementing Agencies (PIAs) operating within the Gram Panchayat must submit their proposals to the Gram Panchayat (Rhonda Breitkreuz, 2017)[8], which should appropriately integrate them into the annual plan of the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS). Approval for projects executed by PIAs, except Gram Panchayat, may be secured from the Block, Intermediate, or District Panchayat, contingent upon the amount of involvement. The project shelf at the Gram Panchayat level must be at least double the expected demand for jobs.

Vikasit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin):

In December 2025, the Government of India officially replaced the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) with a new legislative framework: the Viksit Bharat–Guarantee for Rozgar and Ajeevika Mission (Gramin), generally known as VB-G RAM G. The VB-G RAM G, 2025 (**VB—GRAM G Bill (2025)**[9] obtained Presidential assent on December 18, 2025, following its passage by both chambers of Parliament during the Winter Session. The new legislation signifies a transition from MGNREGA's demand-driven safety net to a budget-managed initiative aimed at long-term rural development.

The VB-GRAM G (Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin)) Act, 2025, supersedes MGNREGA, ensuring 125 days of employment per rural household for unskilled manual labour. It emphasises rural infrastructure and income security, with funding provided through normative allocation (predictable budget) instead of demand, guaranteeing continuous support while generating sustainable assets for a "Viksit Bharat" (Developed India) by 2047. The Scheme will be executed as a Centrally Sponsored Scheme, wherein the financial responsibility will be divided between the Central Government and the State Government based on the fund-sharing ratio specified in sub-section (2) of section 22 of this Act (60:40), with an increased share for the Central Government concerning the North-Eastern and Himalayan States (90:10)[10], and the obligation of the State Government to cover any costs exceeding its designated share.

Main provisions of the act are:

1. Every project conducted under this Act shall originate from the Viksit Gram Panchayat Plans formulated under sub-section (3), and shall be consolidated at the Block, District, and State levels, subsequently gathered into the Viksit Bharat National Rural Infrastructure Stack, which will consist of a comprehensive catalogue of projects aligned with national development priorities.
2. The Central Government shall determine the State-wise normative allocation for each financial year, based on objective parameters as may be prescribed by the Central Government.
3. Any expenditure incurred by a State in excess of its normative allocation shall be borne by the State Government in such manner and by such procedure as may be prescribed by the Central Government.
4. The Central Government can choose the rural region in the State to ensure that every household with adult members who volunteer for unskilled manual labour receives no less than one hundred and twenty-five days of guaranteed employment during a financial year, as stipulated by the Scheme established under this Act.
5. The Central Government may, after evaluating the recommendations from the State Government, implement specific relaxations, such as temporary expansion of allowable activities, simplified documentation requirements, or increased wage employment provisions, as deemed necessary to address the situation[11].

Findings of the paper:

1. A group of prominent economists and social scientists from around the world have demanded that the government must change its proposal and have cautioned that the destruction of the scheme would be a mistake that would be remembered for generations. They asserted that the right to economic dignity is a fundamental right, and studies demonstrated that the MGNREGA has had beneficial impacts[12].
2. Before the new act, MGNREGA was the closest approximation to article 41 of the constitution; however, the new act has removed the very sole of this provision. The labourers who were previously employed in villages and their legal rights taken away by the national government.
3. The expenditures have been distributed between the central government and the states according to the new legislation to the ratio of 60:40 and 100 percent of the material cost by the states. This is in contrast to the 90:10 ratios that were in place under the MGNREGA. This has resulted in an increase in the burden that is placed on the state governments[13].
4. Section 5 (1) of the act gives the central government the authority to notify the rural areas inside the state; as a result, it facilitates an increase in the central government's ability to exert influence over certain states. Because of this, the permissible works have been reduced, which has a negative impact on the local planning.
5. According to the new act, the central government will not only be responsible for determining the normative allocation for each state during every financial year, but it will also be responsible for determining the budget for each state on which the money will be spent. Because of this measure, the decentralisation was weakened, and the institutions of the panchayati raj were undermined.
6. Nikil Dey, a founding member of Mazdoor Kisan Shakthi Sangathan (MKSS) who was instrumental in the process of drawing the bill of MGNREGA, expressed his disapproval

of the fact that the measure has deprived workers of privileges that they have enjoyed for more than twenty years.

7. In light of the fact that women make up 90 percent of the workforce at MGNREGA, a number of members of parliament belonging to the opposition have asserted that the new act is against women. A substantial number of these women are the primary providers for their families. They are going to be out of employment as a result of this[14].
8. The act is likely to rely increasingly on digital systems, which may result in the exclusion of vulnerable workers, particularly women, older workers, and communities that are disadvantaged owing to technical problems.

Conclusion:

The transition from MGNREGA (2005) to the VB-GRAM G Act (2025) marks a fundamental shift from a "rights-based" demand-driven relief model to a "productivity-linked" supply-driven national development framework. While MGNREGA focused on immediate social protection, VB-GRAM G aligns rural employment with the Viksit Bharat 2047 vision for a developed India. MGNREGA guaranteed work on demand, legally obliging the Centre to fund any surplus demand. VB-GRAM G shifts to normative allocation, where the Centre pre-determines state-wise budget caps. Any expenditure beyond this limit must be borne by the State governments. The scheme moves from being almost entirely centrally funded (for wages) to a Centrally Sponsored Scheme (CSS**)** model. States now bear a significant 40% share of the total cost (60:40 ratio), which aims to increase state accountability and places a heavier burden on poorer states. While proponents view the transition as a modernization of rural welfare into a capital expenditure tool, critics argue it represents a dilution of rights**.** By shifting to a supply-driven model with budget caps, there are concerns that the "guarantee" of employment may become less responsive to ground-level distress than the original MGNREGA. Southern states primarily have raised significant allegations against the Union Government regarding the VB-GRAM G Act 2025. Their grievances focus on a perceived reduction in central funding and a shift toward "fiscal punishment" for states that efficiently utilized the previous program. Officials from Southern states argue they are being penalized for their success. Because these states have historically generated high person-days of work (e.g.,Tamil Nadu creating 40.87 crore person-days in 2023-24), the new supply-based caps may drastically reduce their actual receipts compared to the old demand-driven MGNREGA. It's very clear that the poorer states and especially southern states would face the economic crises.

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