Why does the govt. want to replace MGNREGA? | Explained

Besides the name, what are the changes in the Viksit Bharat Guarantee For Rozgar and Ajeevika Mission (Gramin) Bill? Who were the biggest beneficiaries of the Mahatma Gandhi National Rural Employment Guarantee Act? Why is the Opposition upset?

Published - December 21, 2025 03:20 am IST

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The story so far: On December 18, three days after the government circulated the Viksit Bharat Guarantee For Rozgar and Ajeevika Mission (Gramin) or VB-G RAM G Bill to replace the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA), Parliament passed the Bill despite protests from both the Opposition and civil society. The Opposition accused the government of not conducting any consultations before passing the legislation.

How did MGNREGA originate?

In 2005, Parliament passed a national rural employment guarantee Act. By 2008, it was extended to all districts. After 2009, it was officially renamed the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

In *The Politics of Poverty Reduction in India — The UPA Government, 2004–2014*, James Chiriyankandath et al write that after the Congress-led United Progressive Alliance (UPA) government's victory in 2004, a small group of distinguished and progressive civil society leaders, retired civil servants, and intellectuals joined the National Advisory Council (NAC), chaired by Congress president Sonia Gandhi. Only a limited agenda had been fixed for the initial meeting of the NAC, but two of its members — civil society leader Aruna Roy and the economist Jean Drèze — arrived with detailed plans for two new initiatives: a Right to Information Act and an ambitious employment guarantee programme for the rural poor.

The initial draft of MGNREGA emerged from the NAC's meeting on August 19, 2004, only a month after its first meeting. However, the Bill that was sent to Parliament deviated greatly from the NAC draft. A provision calling for the extension of the employment guarantee to the entire country within three years had been removed. The government was given the power to opt out of the Act's requirement so that it was, in effect, no longer a guarantee. Its universal nature was replaced with a means-tested approach, in which only families designated as living below the poverty line could participate.

This largely weakened Bill went to the Parliamentary Standing Committee on Rural Development, which was headed by Bharatiya Janata Party (BJP) leader Kalyan Singh. Civil society organisations mounted demonstrations in New Delhi and elsewhere. The activists grouped around the "Right to Food Campaign," a collective of committed citizens that fought for the adoption of rights-based legislation. The committee eventually recommended that most of the original provisions of the Bill be restored. The government accepted the recommendations, and the Bill passed in 2005.

How was MGNREGA unique?

It gave every rural household the right to demand 100 days of employment per year — unskilled manual labour on modest wages. The wage rates notified in 2025-26 ranged from ₹241 (Nagaland and Arunachal Pradesh) to ₹400 (Haryana). It was meant to save the poor from complete destitution, a fall-back option. It was unique because it was universal and without any limitations. It did not target any special social category such as Scheduled Castes or Scheduled Tribes. Unlike many Indian programmes, it was not targeted at people holding 'Below Poverty Line' cards. With the hugely disputed metric of measuring poverty, this was a great advantage. Anyone willing to work was able to access it.

Latest estimates show that there are 12.61 crore active workers who rely on the scheme. More than half of the MGNREGA workers are women. On average, women's participation has been around 58% in MGNREGA over the last five years. According to an India Human Development Survey, about 45% of female MGNREGA workers were either not working or worked only on a family farm before MGNREGA. Thirty-five per cent of the total workforce are Scheduled Castes and Scheduled Tribes. Studies have shown that consumption among Dalit and Adivasi households increased during the agricultural lean season by as much as 30%.

MGNREGA's role has also been well documented during the COVID-19 pandemic. A survey led by Azim Premji University assessing MGNREGA's impact during COVID-19 found that in the surveyed blocks in Karnataka, more than 60% of households felt that MGNREGA had contributed to the development of the village.

Not having to migrate was chosen as the most important reason for the continuation of MGNREGA, and more than 8 out of 10 respondents recommended that MGNREGA should provide 100 days of work per person in a year instead of 100 days of work per household. A key idea behind MGNREGA was also that it would form the basis for workers to create a culture of civic engagement premised on citizenship rights. It has been shown to have a remarkable impact, such as those affiliated with unions in Rajasthan and Karnataka, among others.

Why has government bought in a new Bill?

Union Rural Development Minister Shivraj Singh Chouhan informed Parliament that MGNREGA was riddled with several deficiencies, including rampant corruption and misuse of funds by State governments. Though there have been incidents of pilferage, these were implementation issues. MGNREGA had been equipped with one of the most robust social audit mechanisms and a transparent IT-based system where every step was recorded, from the demand registered, work done, payment transfers, and so on.

What are differences between the two?

The new Bill marks a shift from a "demand-driven framework" to a "supply-driven scheme." Under the new system, allocations will be capped within a fixed budget determined by the Union government based on "parameters" not yet specified, and employment will be provided only in rural areas notified by the Centre. While the Bill increases the number of guaranteed workdays from 100 to 125, it also raises the financial burden on States from the current 10% share to 40% of total expenditure.

Under MGNREGA, the Union government was responsible for 100% of the labour wages and 75% of the material wages. In practice, this translated to a 90:10 cost share between the Centre and the States. However, Section 22(2) of the VB-G RAM G Bill says that "the fund-sharing pattern between the Union government and the State governments shall be 90:10 for the north-eastern States, Himalayan States/Union Territories (Uttarakhand, Himachal Pradesh, and Jammu and Kashmir), and 60:40 for all other States and Union Territories with legislature." While this increases the financial burden on States, the new Bill also gives the Centre greater control over where and how the scheme will be implemented. Section 4(5) states: "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." Section 5(1) empowers the Union government to "notify rural areas in a State" where the scheme will be implemented. This is a departure from MGNREGA, which was universal.

Another significant departure from MGNREGA is that the new Bill allows for a blackout period, pausing the programme during peak agricultural seasons to "facilitate availability of labour."

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