

India: 125 Days of Promise, but How Many Days of Work Will Actually Come?

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The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) which for nearly two decades provided a solid foundation to India's rural employment policy, has now been replaced by the Viksit Bharat Rozgar Aur Ajeevika Mission (Gramin) Guarantee Adhinyam, 2025, known as the VB-GRAM JI Act.

This new law is set to come into force across all states and union territories of the country from 1 July 2026, and MGNREGA will officially stand repealed. While tabling the bill in Parliament, **Union Rural Development Minister Shivraj Singh Chouhan** stated that the guiding intent behind this change was to address the structural flaws in MGNREGA and transform it into a modern, implementable, and integrated employment guarantee.

However, the most significant and troubling change that stands out in this new law is the silent dismantling of the rights-based entitlement that guaranteed rural households 100 days of unskilled employment. According to experts, MGNREGA was not merely an instrument for fulfilling the right to work embedded in the Directive Principles of the Indian Constitution, it was also an important vehicle for mobilising resources to strengthen the livelihoods of the rural poor. On the other side, some argue that MGNREGA amounted to avoidable waste of resources. The principal opposition party, the Congress, has already announced its intention to rally against the new law and demand the restoration of MGNREGA. Members of the opposition raised fierce objections in Parliament to the provisions making this a supply-driven scheme and imposing a 40 percent expenditure burden on states, causing considerable uproar in the House.

Before examining the core provisions of the law, it is necessary to scrutinise the manner in which it was passed. The Lok Sabha approved the bill on 16 December 2025, and presidential assent was obtained within just three days. This haste is truly astonishing, especially given how wide-ranging the economic and administrative consequences of this law are going to be. This is a matter of particular concern for state governments, which carry the primary responsibility for implementing employment guarantee programmes. No prior consultation was held with the states before the bill was introduced, a fact that raises serious questions about the central government's commitment to cooperative federalism. After the law came into existence, the Rural Development Minister dismissed claims of undue haste and insisted that extensive consultations had taken place with state governments, but no public record of these consultations is available. The law was also not referred to any standing committee or Joint Parliamentary Committee a long-standing convention for major legislative reforms.

Critics argue that the new law converts a statutory employment guarantee into a centrally-sponsored scheme that offers no legal guarantee whatsoever. Their concerns stem from six key provisions. Under Section 4(5), the statutory employment guarantee of MGNREGA is converted into an annually allocated, centrally-sponsored scheme, and the central government is given the authority to determine state-wise allocations each year. Section 5(1) empowers the centre to notify the rural areas where the guarantee will apply, effectively ending the universal eligibility that was the hallmark of MGNREGA. Section 22(2) raises the states' share of expenditure from 10 percent to 40 percent, although for north-eastern and Himalayan states the ratio will remain 90:10. Section 22(4) replaces MGNREGA's funding mechanism with a standard allocation determined by the centre. Critics contend that this transforms a rights-based, demand-driven entitlement into a supply-constrained, allocation-based programme. The new law removes the provision for year-round employment in response to local demand, and under Sections 6(1) and 6(2), work is restricted to only 60 days during the peak agricultural season.

It is true that not all of these changes are entirely new. For instance, the central government's power to notify areas under Section 5(1) is a verbatim reproduction of Section 3(1) of MGNREGA, which was included for phased implementation with the intent that the entire country would be covered within five years of the law coming into force. The new law, however, carries no commitment to universal coverage within any fixed timeline. The concern that employment guarantee under VB-GRAM JI will not remain universal is therefore not without basis. With no publicly declared criteria for which areas are to be included, the law offers very little protection against arbitrary or politically motivated exclusions.

The law also caps states' entitlement through standard allocations to be determined by criteria set by the central government. This provision appears to be an attempt to address an old flaw in MGNREGA, the tendency for expenditure to lean towards states with comparatively lower rural poverty. Evidence shows that the share of expenditure by high-poverty states and the actual incidence of poverty among them did not correspond spending depended largely on a state's capacity to generate demand and the environment for translating that demand into action. But this imbalance was not merely a function of financing it also reflected the severe lack of administrative capacity in high-poverty states. Unless sustained investment is made in strengthening state-level capacity, increasing the share of poorer states through standard allocations is unlikely to improve matters. Wealthier states will see their allocations reduced, while poorer states will remain unable to utilise their increased shares the likely outcome being a broad decline in both the coverage and expenditure of the employment guarantee programme.

Raising the states' expenditure share from 10 percent to 40 percent poses even greater challenges. For many large states in western and southern India, this amounts to a double blow limited central allocation compounded by a heavier fiscal burden. Estimates suggest that if the 60:40 cost-sharing formula had been applied in the financial year 2025, states would collectively have had to bear an additional burden of ₹31,000 crore. Uttar Pradesh alone would have had to contribute ₹4,230 crore more, Andhra Pradesh and Tamil Nadu each over ₹3,000 crore, and Bihar and Madhya Pradesh would each have had to pay more than ₹2,500 crore additionally. It is difficult to justify imposing such massive financial obligations on states without prior consultation.

Yet it may be difficult for states to simply dismiss this new formula as impractical, given that they themselves are spending heavily on direct benefit schemes such as unconditional cash transfers to women. According to data from PRS India, 12 states have budgeted ₹1,68,040

crore for the financial year 2026 for cash transfer schemes targeted exclusively at women. Bihar too, on the eve of its recently concluded assembly elections, spent ₹2,500 crore on an unconditional cash transfer scheme for women under the name 'Das Hazari'.

The question of whether it is justified to mandatorily shut down the programme during the busiest months of the agricultural calendar is also an important one. During the drafting stage of the 2005 Act, a similar provision from the Maharashtra Employment Guarantee Act, 1977 was considered and rejected after deliberation. Policymakers at the time acknowledged that the availability of a public employment alternative like MGNREGA even during the crop season served as a powerful disciplining force to ensure that agricultural labourers received at least the statutory minimum wage. Economist Karthik Muralidharan, in his 2024 book *Accelerating India's Development*, noted that MGNREGA's most significant impact was not only on the wages of MGNREGA workers themselves, but on the indirect increase in wages of all rural labourers. Removing this public alternative risks leaving rural labour-dependent households defenceless before the monopsonistic power of large landowners. Moreover, the evidence that MGNREGA significantly disrupted the supply of agricultural labour is mixed—the peak sowing and harvesting months account for only 15 percent of total MGNREGA person-days. A blanket two-month suspension was therefore neither necessary nor wise.

The minister has highlighted certain features of the new law. The minimum guaranteed employment period per household has been raised from 100 to 125 days. Works have been categorised under four broad themes: water security, basic rural infrastructure, livelihood-related assets, and climate-disaster protection. A provision has been made to direct more resources towards states with higher rural poverty. Rules relating to unemployment allowance and delayed payment of wages have been made stricter. The use of digital tools such as biometric identification, geospatial planning, mobile applications, dashboards, and artificial intelligence-based fraud detection has been made mandatory. Some of these changes are thoughtful, while many are largely symbolic. The decision to raise the guaranteed employment days to 125 is the best example of this. Audits by the Comptroller and Auditor General have revealed that actual employment generation under MGNREGA was far lower in practice—declining from 54 days in one year to 43 days in another. Between financial years 2007 and 2025, average employment remained between 46 and 50 days, and one study found that only 7 to 12 percent of households actually received the full 100 days of work. Raising the ceiling to 125 days is therefore unlikely to change outcomes in the short term. The reclassification of permissible works under four themes is appropriate but not transformative. Whether explicitly stating expected outcomes in the law will improve implementation quality depends not on its design but on its actual execution. On the other hand, removing the disqualification condition for unemployment allowance and introducing parallel evaluation processes are genuinely welcome changes.

The mandatory use of digital tools is more contentious. Many of these systems are already in place through executive orders. Activists and researchers familiar with ground-level implementation have raised questions about the effectiveness of the National Mobile Monitoring System app used for attendance verification. Digital tools can improve transparency, but only when safeguards exist to ensure that the rights of those without digital access are not undermined.

Critics of MGNREGA have identified four long-standing structural weaknesses in its implementation—repeatedly flagged by the Comptroller and Auditor General as well. These are the consistently poor performance of Bihar, Maharashtra, and Uttar Pradesh, which

together account for 46 percent of rural poor; concerns about the quality of assets created; delays in wage payment; and corruption through fake job cards, inflated measurements, and the use of machinery. The first problem is sought to be addressed directly through standard allocations, but this will not be sufficient unless sustained efforts are made to strengthen administrative capacity in poorer states. Concerns about asset quality, while valid, are often overstated. A 2018 study by the Institute of Economic Growth based on fieldwork across 30 districts in 21 states found that 76 percent of surveyed households rated asset quality as good or very good, while only 0.5 percent described it as unsatisfactory.

On the issue of delayed wage payments, the new law has included a set of provisions in Schedule II making payment within 15 days mandatory which is essentially a replication of the existing guidelines of the Ministry of Rural Development. Whether merely giving statutory status to these provisions, without any change in the underlying processes, will actually stop delays remains uncertain. The new framework places heavy reliance on technology-driven monitoring and social audit to curb corruption and leakages. Experience, however, counsels caution despite its conceptual strength, social audit has never been fully or consistently implemented across all states, and its impact has remained uneven.

Beyond these implementation concerns lies a broader and more fundamental question should rural livelihood security in Viksit Bharat@2047 continue to rest primarily on unskilled manual labour? Viewed from this lens, the VB-GRAM JI Act does not appear forward-looking. It largely ignores the growing employment potential of the rural services sector, particularly the care economy. Creches to enable women's participation in the workforce, trained manpower for an ageing population, and systematic skills development of the rural workforce to enhance productivity and expand opportunities are equally essential. A reimagined employment guarantee scheme could have incorporated these emerging forms of labour within its ambit. The failure to do so represents a major missed opportunity and in the ongoing debate over the VB-GRAM JI Act, this deserves to be spoken about far more prominently.

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