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From MGNREGS to VB-G RAM G — Can Restructuring Save India's Safety Net?

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The Indian Express

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INTERVIEW ANGLE

"The MGNREGS has been restructured into VB-G RAM G with an increased 125-day guarantee and a new livelihood focus. Does this represent genuine enhancement of rural social protection or a budget-driven dilution of an entitlement that India's most vulnerable depend on?"

WHY IN NEWS

Union Budget 2026-27 announced the restructuring of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) into VB-G RAM G (Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission), with the employment guarantee increased from 100 to 125 days per household per year and a new focus on livelihood linkages beyond wage employment.

MGNREGS: WHAT TWO DECADES OF EVIDENCE TELL US

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 — enacted by the UPA government — created India's most ambitious social protection programme: a legally enforceable right to 100 days of wage employment per rural household per year. Twenty years of evidence establishes that when properly implemented, MGNREGS:

Provides a wage floor — Acts as a minimum wage anchor in the rural labour market. States where MGNREGS wages are above market rates see upward pressure on agricultural wages

Reduces distress migration — Studies show reduced out-migration in drought years in MGNREGS-intensive districts

Builds rural assets — Roads, check dams, water conservation structures, afforestation — the assets created have measurable productivity returns

Delivers gender benefits disproportionately — MGNREGS mandate of 33% female participation has been exceeded (actual ~56% female) — making it one of India’s most successful women’s employment programmes

Acts as a macroeconomic stabiliser — Works as an automatic stabiliser: demand rises during economic stress, providing counter-cyclical support

The scheme’s weakness is equally well-documented: **implementation failure**. Wage delays (average 40+ days), fake job cards, contractor capture, low asset quality in some states, and administrative corruption have undermined delivery. The Socio-Economic Caste Census (SECC) data and multiple state-level evaluations document these failures.

WHAT VB-G RAM G CHANGES — AND WHAT IT DOESN’T

What changes:

125-day guarantee (up from 100) — the headline change. For households dependent on MGNREGS, this means 25 additional days of income security per year. At an average wage of Rs 250–320/day (varies by state), this means Rs 6,250–8,000 additional annual income per household — not transformative but meaningful.

Livelihood linkages — VB-G RAM G adds a “Rozgar and Ajeevika” component, connecting wage employment with skill development, self-help groups, and micro-enterprise support. This structural addition recognises that wage employment alone does not break the poverty trap — it provides survival income but not asset-building or upward mobility.

Viksit Bharat framing — The rebranding under the government’s flagship “Viksit Bharat 2047” mission signals a philosophical shift: from employment guarantee as a safety net to employment guarantee as a platform for rural economic transformation.

What does not change:

The demand-driven entitlement remains — the legal right to employment on demand is preserved. If a worker demands employment and the state fails to provide work within 15 days, unemployment allowance is payable. This right-based architecture is MGNREGS’s most important feature — unlike scheme-based welfare, it cannot be quietly rationed.

The asset creation mandate — works under VB-G RAM G are expected to create durable community assets. This connection between employment generation and infrastructure creation remains.

The minimum wages framework — state MGNREGS wages are revised annually, linked to Consumer Price Index for agricultural labourers (CPI-AL).

THE BUDGET NUMBERS: CAUSE FOR CONCERN

The restructuring announcement must be read alongside the budget numbers:

VB-G RAM G allocation: Rs 95,692 crore — a new combined line

MGNREGS allocation (reduced legacy line): Rs 30,000 crore

MGNREGS actual spending FY25: ~Rs 86,000 crore (estimated)

The aggregate implications are ambiguous. If VB-G RAM G absorbs and replaces MGNREGS entirely, the Rs 95,692 crore is adequate for the programme at current scale (approximately 8–9 crore households generating work, with some demand suppression due to administrative barriers). However, if the Rs 95,692 crore is a Budget Estimate that assumes 20–25% lapse (standard for MGNREGS given demand uncertainty), actual spending could fall short.

The historical pattern of MGNREGS underfunding: MGNREGS demand is counter-cyclical — it rises during droughts, economic downturns, and crop failures. Budget Estimates (BEs) are set conservatively; Revised Estimates (REs) are increased if demand materialises. In years of agrarian stress, MGNREGS RE has exceeded BE by 30–50%. The restructuring should preserve this demand-responsive funding mechanism.

THE STRUCTURAL CRITIQUE: WHAT VB-G RAM G MUST ADDRESS

MGNREGS has been underpowered as a poverty programme not because of its design but because of three structural failures that the restructuring must address:

Failure 1: Wage delays destroying entitlement value A legal right that pays wages 60 days after work is effectively not a right — households that need wage income for food security cannot wait 60 days. The VB-G RAM G must mandate payment within 7 days through direct bank transfer, with automatic penalty deduction from state government for delays.

Failure 2: Administrative rationing of demand States regularly under-report demand, creating phantom job cards, and discouraging registration. The result: MGNREGS demand appears to fall even when rural distress rises. VB-G RAM G must strengthen the grievance redressal mechanism — the National Mobile Monitoring System (NMMS) and direct worker verification must be expanded.

Failure 3: Urban exclusion MGNREGS is a rural scheme. India's migrant population — estimated at 80 million internal migrants — loses access when they migrate to cities for work. A future evolution of VB-G RAM G could extend portable employment guarantees for migrant workers, though this remains unaddressed in Budget 2026-27.

THE POLITICAL ECONOMY OF RESTRUCTURING WELFARE

The rebranding of MGNREGS into VB-G RAM G is not merely administrative. It carries political economy significance:

MGNREGS was the UPA's flagship — it was personally opposed by many in the current government's ideological tradition, who argued it created dependency, encouraged idleness, and was fiscally irresponsible. Finance Minister Arun Jaitley famously called MGNREGS a “monument to the failure of Congress governance” in 2015. Yet the NDA government not only continued but significantly expanded spending on MGNREGS during COVID-19 — revealing a pragmatic recognition of its stabilisation value.

The VB-G RAM G rebranding achieves several political objectives:

- Claims ownership of a successful programme by renaming it
- Signals ambition (Viksit Bharat framing; 125-day expansion)
- Adds livelihood components that align with government's skill-development priorities
- Retains the fiscal flexibility to manage allocation year-on-year

The test of VB-G RAM G is not whether it is named differently — it is whether rural households demanding work receive it within 15 days, are paid within 7 days, and whether the assets created serve community needs. These implementation metrics will determine whether the restructuring is substantive or cosmetic.

UPSC RELEVANCE

MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) Act 2005; 100 days → VB-G RAM G 125 days; VB-G RAM G = Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission; allocation Rs 95,692 crore; DPSP Article 41 (right to work) Article 43 (living wage); female participation in MGNREGS ~56%; NMMS (National Mobile Monitoring System); unemployment allowance (failure to provide work within 15 days); CPI-AL (Consumer Price Index for Agricultural Labourers) — basis for MGNREGS wage revision; PM Awas Yojana Grameen Rs 54,917 crore (+69%); PMGSY Rs 19,000 crore (+73%); Socio-Economic Caste Census (SECC).

*MGNREGS restructuring into VB-G RAM G — continuity vs change; evidence on MGNREGS effectiveness — wage floor, migration, assets, gender; implementation failures and reforms needed; demand-driven vs scheme-based social protection; optimal rural employment guarantee architecture for India. **GS-2:** DPSP provisions for labour rights; Concurrent List issues in implementation of central welfare schemes; Right to work as a constitutional and statutory entitlement.*

★ FACTS CORNER — KNOWLEDGEPEDIA
MGNREGS TO VB-G RAM G:

MGNREGS Act: **2005** (Mahatma Gandhi NREGS Act; UPA government)

Employment guarantee: **100 days** → **125 days** per household per year (VB-G RAM G)

VB-G RAM G: Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission

VB-G RAM G allocation Budget 2026-27: **Rs 95,692 crore**

MGNREGS legacy line (Budget 2026-27): Rs 30,000 crore

MGNREGS actual spending estimate FY25: ~Rs 86,000 crore

MGNREGS KEY FEATURES:

Right to employment on demand within **15 days** (else unemployment allowance payable)

Wages paid directly to bank accounts; supposed to be within **15 days** of work completion

Female participation mandate: **33%** (actual: ~56% female participation)

Wage indexed to: **CPI-AL** (Consumer Price Index for Agricultural Labourers)

Scheme governed under: **DPSA Article 41** (right to work) and **Article 43** (living wage)

MGNREGS EVIDENCE BASE:

Functions as **automatic stabiliser** — demand rises during drought/economic stress

Acts as **wage floor** in rural labour markets

Reduces **distress migration** in poorly performing agricultural years

Asset creation: roads, check dams, ponds, afforestation, watershed development

Female beneficiaries: highest participation of any govt employment scheme

RELATED RURAL BUDGET ALLOCATIONS:

PM Awas Yojana (Grameen): **Rs 54,917 crore** (+69%)

PMGSY (Pradhan Mantri Gram Sadak Yojana): **Rs 19,000 crore** (+73%)

NRLM (National Rural Livelihood Mission): **Rs 19,200 crore** (+20%)

NSAP (National Social Assistance Programme): **Rs 9,671 crore** (+5%)

OTHER RELEVANT FACTS:

India estimated internal migrants: ~80 million (not covered by MGNREGS in cities)

NMMS (National Mobile Monitoring System): Mobile-based worker attendance and monitoring

SECC (Socio-Economic Caste Census): Used for MGNREGS beneficiary identification

MGNREGS renamed to add “Mahatma Gandhi” prefix in **2009** (was NREGS initially)

Unemployment allowance under MGNREGS: 1/4 of wage rate for first 30 days; 1/2 thereafter

Sources: Indian Express, PIB, PRS Legislative Research

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