From Guarantee to Allocation: Rural Workers and the Indian State

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The enactment of the Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission (Gramin) Act (VB-G RAM G), 2025 represents the legal culmination of a process that has been unfolding in India for over a decade: the gradual displacement of employment as a legally enforceable right, redefined instead as an administratively mediated outcome. While public discourse has disproportionately centred on the symbolic removal of the word “Gandhi” from the title of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 the more significant transformation lies elsewhere. What is at stake is not merely the loss of a name but the dismantling of a distinctive institutional framework—one that momentarily disrupted the normal functioning of India’s labour markets by subordinating them to legal obligations rather than executive discretion.

Employment as a Legal Right

MGNREGA, enacted in 2005, following years of mobilisation by rural workers' movements and civil society organisations, represented a unique exception in post-liberalization India. It did not merely offer relief or redistribution; it established a legal right. The state took on a legitimate responsibility to provide work on demand and, in the event of failure, to compensate workers through unemployment allowances. In this way, it shifted the balance of power between labour, capital, and the state, albeit in a modest and uneven manner. Rural workers were no longer entirely reliant on the unpredictable nature of agricultural seasons, local employers or patronage networks; they could, at least in principle, require the state to take action.

The replacement of this framework by VB-G RAM G does not take the form of an abrupt repeal. Instead, it consolidates a decade-long strategy of attrition: fiscal constriction, administrative obstruction, and technological re-engineering were used to hollow out the substance of the right while leaving its formal shell somewhat the same. The new act legalises what had previously existed in conflict with the law. Where MGNREGA's failures were violations, VB-G RAM G renders similar outcomes compliant with statute. Employment is no longer guaranteed; it is allocated. Accountability no longer flows from workers to the state through laws but upwards through bureaucratic hierarchies governed by targets, norms, and centrally defined priorities.

This should not be interpreted merely as a technocratic realignment of India's welfare policies. Rather, it's a reconfiguration of the state's relationship with labour, occurring amid increasingly centralised executive power. The

transition from obligation to discretion mirrors wider patterns in modern capitalism, where managerial governance and algorithmic control have replaced rights-based regimes. In the Indian context, this transition is particularly significant due to the extensive presence of the informal workforce, the vulnerability of rural livelihoods and the historical inadequacy of labour's institutional representation.

MGNREGA emerged from a conjuncture in which agrarian distress, declining public investment, and the informalisation of workforce had eroded traditional livelihood strategies across rural India. This distress was not episodic but structural, reflecting the limits of India's post-liberalisation growth model in generating productive and stable employment for a vast rural workforce. Stagnant agricultural incomes, declining public investment in rural infrastructure and the fragmentation of landholdings produced a condition of chronic livelihood insecurity rather than cyclical downturn. In this context, MGNREGA functioned more as a transitional safety net than as a mechanism for stabilising the reproduction of labour power under conditions of persistent agrarian crisis. Its significance lay not in resolving rural distress, but in temporarily containing its most destabilising effects by partially insulating livelihoods from market volatility. The slogan that animated the movement—*har haath ko kaam do, kaam ka poora daam do*—captured a demand that was both material and political. Work was to be a right, not a gift; wages were to be publicly fixed and legally enforceable, even if often set below statutory minimums. When Parliament unanimously passed the Act, it did more than introduce a large public works programme. It acknowledged, however tentatively, that livelihood security constituted a public obligation rather than a residual outcome of growth.

The legal architecture of MGNREGA was central to its political effects. The Act was demand-driven: any rural household could apply for work, and the state was obliged to provide it within a fixed time frame. Failure triggered compensation. The funding was not capped in advance but was meant to respond to demand, making a break from most welfare programmes. This structure constrained the state in ways that were unusual in India's post-1991 political economy. Fiscal considerations were formally subordinated to social obligation, at least within the narrow domain of rural employment.

The consequences of this design were widely documented. By establishing a wage floor, MGNREGA exerted upward pressure on rural wages, particularly in regions where agricultural labour markets had long been characterised by surplus labour and depressed earnings. It expanded employment opportunities for women by offering work close to home, mitigating some of the social constraints that limited their participation in migratory or male-dominated employment markets. For workers trapped in bonded or semi-bonded relationships, the programme offered an exit option, weakening local forms of coercion. Less visibly, it created a space—however constrained—for collective organisation around entitlements, grievances, and claims from the state.

These effects explain both the programme's popularity among rural workers and the intensity of elite opposition it provoked. At stake was not merely the fiscal cost of public employment but the disruption of established mechanisms through which a large surplus labour population is disciplined and rendered available to capital on insecure terms. By offering an alternative source of employment at a publicly enforced wage, MGNREGA weakened the capacity of employers to mobilise surplus labour through wage suppression, seasonal

insecurity, and localised coercion. The hostility it provoked must therefore be understood as a class response to the partial decommodification of labour power within an otherwise liberalised agrarian economy. Criticism of MGNREGA was often couched in the language of fiscal prudence or efficiency. The programme was accused of distorting labour markets, encouraging idleness, or imposing unsustainable burdens on the exchequer. Yet as Jean Drèze and others have argued, such critiques obscured a more fundamental discomfort: MGNREGA interfered with the ability of employers to discipline labour through wage suppression and insecurity. By institutionalising an alternative source of employment, it reduced workers' dependence on private employers and altered the terms on which workers could be hired. [1]

Attrition Without Repeal

From this perspective, MGNREGA's fate under the Modi government is less surprising. While the Act was popular to repeal outright, it was politically expendable as a rights-based framework. In 2015, the Prime Minister famously described it as a "living monument" to the failures of previous governments[2], signalling both ideological distance and strategic intent. What followed was not abolition but erosion.

Budgetary allocations ceased to respond meaningfully to demand, effectively reintroducing rationing through the back door. Wage payments, legally required within a fortnight, were routinely delayed, with compensation provisions ignored. Administrative hurdles multiplied. Over time, participation declined not because need diminished, but because the costs of accessing work—uncertainty, delays and foregone income—became prohibitive for many households. What could not be dismantled politically was undermined

administratively.

The turn to digital governance intensified this process. The introduction of the NREGA Mobile Monitoring System and the Aadhaar-Based Payment System was presented as a move towards transparency and efficiency. In practice, these systems functioned as mechanisms of exclusion. Attendance recording through geotagged photographs presupposed access to smartphones, reliable connectivity and digitally literate supervisors—conditions often absent at rural worksites. Biometric authentication linked wage payments to databases riddled with inconsistencies, leading to widespread payment failures and job card deletions. Millions of workers disappeared from official rolls, not because they no longer required employment, but because they could not navigate the technological architecture imposed upon them.

Digitisation did not eliminate corruption; it displaced it. Delayed and unreliable payments pushed workers back to informal arrangements with contractors, who offered cash advances in exchange for compliance. The very systems designed to eliminate intermediaries ended up reinstating them, now insulated by technical complexity rather than local patronage. What emerged was not transparency but opacity, and not empowerment but surveillance.

From Rights to Discretion

By the time VB–GRAMG was introduced, much of MGNREGA’s substance had already been hollowed out. The new act does not reverse these practices; it codifies them. The demand-driven principle is replaced by ‘normative allocations’, within which central funding applies and beyond which states must bear the full financial burden. Seasonal suspensions restrict access

during periods deemed more suitable for private employment, regardless of local ecological or economic conditions. Gram Panchayats, once envisaged as sites for participatory planning, are reduced to implementing agencies for centrally designed programs.

The cumulative effect is a profound restructuring of accountability. Under MGNREGA, failures to provide work or timely wages constituted legal violations, opening space—however limited—for grievance and redress. Under VB–GRAMG, similar outcomes are rendered administratively legitimate. The Union government maintains control over design, funding norms, and coverage, while it transfers responsibility for unfulfilled demand to states and local bodies. Workers, meanwhile, are stripped of enforceable claims. Employment becomes a privilege, revocable and conditional, rather than a right. MGNREGA also operated, albeit unevenly, as a partial brake on distress-driven migration, enabling rural households to stabilise livelihoods without immediate recourse to precarious urban labour markets. Its erosion and eventual replacement by VB–GRAMG thus have implications that extend beyond the countryside. By weakening employment security in rural areas, the new framework accelerates the flow of labour into informal urban sectors under increasingly adverse terms, reinforcing the very insecurities that rights-based employment sought to mitigate. In this sense, the dismantling of the employment guarantee contributes to the recommodification of labour power across spatial scales, linking rural precarity directly to the expansion of informal labour regimes in towns and cities.

Centralisation and the Re-scaling of Power

This transformation has implications that extend beyond rural employment

policy. It illuminates a broader shift in the Indian state's mode of governance, characterised by executive centralisation, technocratic control, and the erosion of rights-based frameworks. Centralisation here is not merely administrative. It redistributes power away from toiling populations and locally accountable institutions towards a vertically integrated executive apparatus insulated from democratic pressure. Fiscal control becomes a tool of political discipline, as evidenced by the prolonged withholding of MGNREGA funds from opposition-ruled states such as West Bengal. What had been an aberration under a rights-based regime—the executive's failure to meet legal obligations—becomes structurally acceptable under a discretionary one.

The symbolic politics surrounding the renaming of the Act, while not irrelevant, obscure these deeper shifts. The power of MGNREGA never resided in its association with Gandhi but in its legal architecture. By foregrounding symbolism, political opposition has often ceded the territory of substantive political economy, allowing debates over identity to eclipse the dismantling of worker's rights. VB–GRAMG's significance lies precisely in its ability to effect a far-reaching transformation without the drama of repeal. Rights are not abolished; they are redefined out of existence.

VB–GRAMG exemplifies a wider trajectory within contemporary capitalism, where the language of development and efficiency masks a systematic narrowing of the space for collective claims. For India's rural working class, the consequences are immediate and material: diminished bargaining power, heightened vulnerability to political discretion and the erosion of institutional channels through which livelihoods were once secured.

The consolidation of VB–GRAMG must be situated within a wider

reorganisation of Indian federalism and state authority, one that has unfolded unevenly but decisively over the past decade. While debates over rural employment policy are often framed in technocratic terms—efficiency, leakage, coordination—the deeper transformation concerns the redistribution of power across scales of governance and, crucially, the insulation of labour policy from democratic contestation.

Despite its many administrative shortcomings, MGNREGA was embedded within a constitutional framework that recognised decentralisation as a democratic necessity rather than a managerial convenience. The Act placed primary responsibility for planning and implementation at the level of the Gram Panchayat, with the Gram Sabhas formally empowered to identify works, prioritise projects, and monitor execution. This architecture was neither accidental nor merely procedural. It reflected an understanding, borne out of decades of experience with centrally designed poverty programs, that the political efficacy of employment guarantees depended on their proximity to workers' lives—seasonal rhythms, ecological constraints, gendered labour divisions, and local power relations.

Decentralisation under MGNREGA was thus not simply a matter of administrative efficiency but rather a partial reconfiguration of political agencies. For rural workers, participation in Gram Sabhas and local planning processes constituted one of the few institutionalised spaces through which collective claims about the state could be articulated. Even when these processes functioned imperfectly, they established a principle: employment generation was to be shaped by local needs rather than imposed national templates. Water conservation in drought-prone regions; land development for smallholders; and afforestation work adapted to specific climatic

conditions were not incidental byproducts but central to the program’s design.

The gradual erosion of this decentralised architecture preceded the formal introduction of VB–GRAMG. Central guidelines increasingly circumscribed the range of permissible works, while digital monitoring systems shifted accountability away from local deliberation to remote surveillance. Panchayats were transformed from sites of decision-making into nodes of compliance, tasked with implementing centrally mandated schemes under strict procedural oversight. What had once been participatory planning became the local execution of nationally defined objectives.

VB–GRAMG completes this transformation. While the Act retains the formal language of decentralisation, its substantive provisions relegate Panchayati Raj institutions to an instrumental role. Centrally administered programmes subordinate employment generation, sharply constraining the scope for locally determined priorities. The logic of the scheme is no longer to guarantee work in response to expressed demand but to deploy labour as an input for pre-selected development initiatives. In this configuration, labour ceases to be the primary subject of policy and instead becomes a means to achieve targets set elsewhere.

This shift has profound implications for India’s federal structure. Under MGNREGA, the Union government bore primary responsibility for financing employment in response to demand, while states retained a degree of autonomy in implementation. Fiscal accountability followed legal obligation: if demand rose, allocations were meant to increase. Although this principle was frequently violated in practice, it established a normative framework against which such violations could be contested.

VB–GRAMG reverses this relationship. Central funding is now tied to ‘normative allocations’ determined by the Union government, beyond which states must finance employment entirely from their own resources while adhering to centrally imposed guidelines. For fiscally constrained states—often those with higher levels of rural poverty and dependence on public employment—this arrangement effectively caps the provision of work. This arrangement shifts the burden of unmet demand downwards, while maintaining the centralisation of decision-making authority. The Union government paradoxically holds states responsible for employment shortfalls that they lack the resources or autonomy to address. VB-GRAMG institutionalises a governance pattern that exercises central control without corresponding obligation, a pattern that is becoming increasingly evident across policy domains.

The prolonged withholding of MGNREGA funds from West Bengal since 2021 offers a stark illustration of how fiscal discretion operates within this framework. Despite the absence of findings indicating corruption on a scale unique to the state and notwithstanding judicial interventions, the Union government effectively suspended the program by blocking fund releases. For millions of rural workers, this situation translated into the de facto withdrawal of a legal right. The significance of this episode lies less in the specifics of central-state conflict than in what it reveals about the transformation of rights into bargaining chips within an increasingly centralised regime. What appeared under MGNREGA as an extraordinary breach of legal obligation becomes, under VB–GRAMG, a structurally permissible outcome.

Technocracy and Labour Discipline

Technocratic governance plays a crucial role in this process. The proliferation of digital monitoring systems, performance metrics and algorithmic decision-making mechanisms under VB–GRAMG exemplifies a mode of rule in which accountability is directed upwards, towards administrative hierarchies and data dashboards, rather than downwards, towards citizens and workers. Labouring bodies are rendered legible to the state as data points, abstracted from the social and ecological contexts in which work takes place.

This abstraction has political effects. By translating complex social relationships into technical indicators, technocratic systems depoliticise decisions that are fundamentally distributive. Choices about where, when, and for whom employment is generated are reframed as matters of technical optimisation rather than political judgement. Contestation is displaced from public forums to administrative procedures, where asymmetries of expertise and access favour the executive. In this sense, technocracy functions not merely as a tool of governance but as a mechanism of political containment.

The marginalisation of collective working-class political agencies further reinforces the erosion of democratic mediation. MGNREGA, for all its limitations, provided a material basis for the articulation of workers' demands. Delays in wage payments, denials of work, and procedural violations could be contested through protests, petitions and legal action precisely because they constitute breaches of a recognised right. VB–GRAMG, by contrast, narrows the space for such contestation. When employment is contingent on administrative discretion and normative ceilings, the grounds for collective claim-making are weakened. The Act individualises, proceduralises, and ultimately deflects grievances.

Authoritarian Labour Governance

From a political economy perspective, this trajectory reflects the imperatives of a development strategy that seeks to reconcile accelerated capital accumulation with social stability without granting durable institutional power to labour. In diagnosing this transformation, it is important to avoid nostalgia for MGNREGA as it existed in practice. The programme was always unevenly implemented, frequently undermined by bureaucratic resistance and political indifference. Its achievements were partial and fragile. Yet precisely because of these limitations, its legal architecture mattered. It created a framework within which failures could be named as violations rather than misfortunes. VB–GRAMG removes this framework. What remains is a system in which the provision of work depends on managerial judgements, fiscal ceilings and centrally determined priorities.

The implications of this shift extend beyond rural India. They speak to the narrowing of democratic space in contemporary Indian capitalism and to the changing modalities through which labour is governed. As rights are transformed into permissions and obligations into options, the ability of the workforce to make claims on the state is similarly reduced. Centralisation, technocracy and discretion converge to produce a form of governance that is simultaneously more powerful and less accountable.

In this sense, VB–GRAMG represents not a rupture but a culmination. It formalises a mode of rule that has been emerging across policy domains—one that privileges executive control over legal constraints and managerial flexibility over democratic obligations. For India’s rural working class, the consequences are immediate: reduced bargaining power, heightened

exposure to political selectivity, and the erosion of institutional channels through which livelihoods were once secured. The transformation for the Indian state unveils the outlines of a political economy that increasingly prioritises the containment of labour over its protection.

1 See Jean Drèze, *India's Right to Work* (Oxford University Press, 2011); Jean Drèze and Christian Oldiges, "How Is NREGA Doing?", *Economic & Political Weekly*, vol. 46, no. 11 (2011).

2 Narendra Modi, speech in Lok Sabha, 27 February 2015; see also *The Hindu*, 28 February 2015.

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