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THE PRODUCTIVITY PARADOX OF MGNREGA

Evidence from 2019-2025 and a Pathway to
Rural Transformation



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Transformation

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Abstract

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has functioned as a vital social protection initiative in India for the past two decades. Despite its role in alleviating distress, rural productivity and structural transformations have remained unchanged. This study employs 24 quarters of macroeconomic and programmatic data (2019-2025) to examine the intricate relationship between MGNREGA participation, rural unemployment, and inflation. Regression analyses indicate that MGNREGA primarily acts as a reactive safety net, with participation increasing in response to rising unemployment rates. However, it does not significantly reduce unemployment when broader economic factors are considered. Conversely, rural inflation, used as a proxy for economic activity, exhibits a strong inverse relationship with unemployment, suggesting that local economic dynamism, rather than public work alone, drives employment growth. The study underscores the key structural limitations of MGNREGA's current design and advocates for a paradigm shift towards integrated rural productivity strategies. These strategies include linking employment guarantees to skill development and enterprise growth, enhancing institutional convergence, and fostering inclusive ecosystems that transform relief into resilience. Drawing on contrasting case studies of Palamu, Jharkhand, and Dindigul, Tamil Nadu, the research illustrates how institutional capacity, programmatic convergence, and alignment with local economic potential critically determine rural employment outcomes. As India approaches 2047, reimagining the MGNREGA and the broader rural employment framework is crucial for unlocking the full potential of rural India and achieving sustainable and inclusive growth.

Keywords: MGNREGA, Rural Employment, Structural Transformation, Skill Development, Rural Productivity, Rural Unemployment, Public Work Programs, Economic Dynamism, Labour Market Resilience, Inclusive Growth

Introduction

Over the past two decades, India has made significant progress in establishing a robust rural safety net. Initiatives such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Direct Benefit Transfers (DBTs)¹ have played a crucial role in protecting rural households from systemic as well as cyclical disruptions, ranging from droughts to the COVID-19 pandemic. Despite these advancements, rural productivity in India has remained stagnant. While these programs effectively ensure subsistence, they frequently fall short of promoting upward economic mobility and sustainable livelihoods.

India's developmental trajectory is fundamentally intertwined with its rural economy. With over 65% of the population residing in villages and the majority reliant on agriculture and informal labour, rural India's productivity is crucial for inclusive national growth.

This paper provides an in-depth analysis of the underlying factors contributing to persistent rural underemployment, utilising 24 quarters² of data (from June 2019 to March 2025). The interaction between MGNREGA participation, rural unemployment, and inflation is central to this study. A key finding emerges: MGNREGA functions as intended by offering a crucial buffer during economic downturns; however, it does not directly foster long-term employment or productivity growth. By contrast, rural inflation, serving as a proxy for economic activity, exhibits a strong negative correlation with unemployment, indicating that employment increases when the rural economy is active.

These implications are significant. However, merely expanding employment guarantees is insufficient. Structural productivity can only be achieved by integrating these guarantees with targeted interventions in skill development, enterprise promotion, and rural industrialisation. MGNREGA must evolve from a lifeline to a launchpad for rural development.

Recommendations set forth in paper advocate for an integrated rural productivity strategy. These include the creation of a dynamic Rural Productivity Dashboard, reconfiguring MGNREGA to incorporate skill-linked workdays, clustering skilling programs around high-potential value chains, scaling rural start-ups, and institutionalising dignified migration pathways. A reimagined MGNREGA, embedded within a broader productivity framework, is essential to realising the vision of a self-reliant India by 2047.

The central question is as follows: Why has increased participation in schemes such as the MGNREGA not resulted in sustainable income growth or structural employment transformation? Rural employment continues to be characterised by seasonal, casual, and subsistence-oriented work³, with limited access to formal jobs, productive assets, and upward mobility.

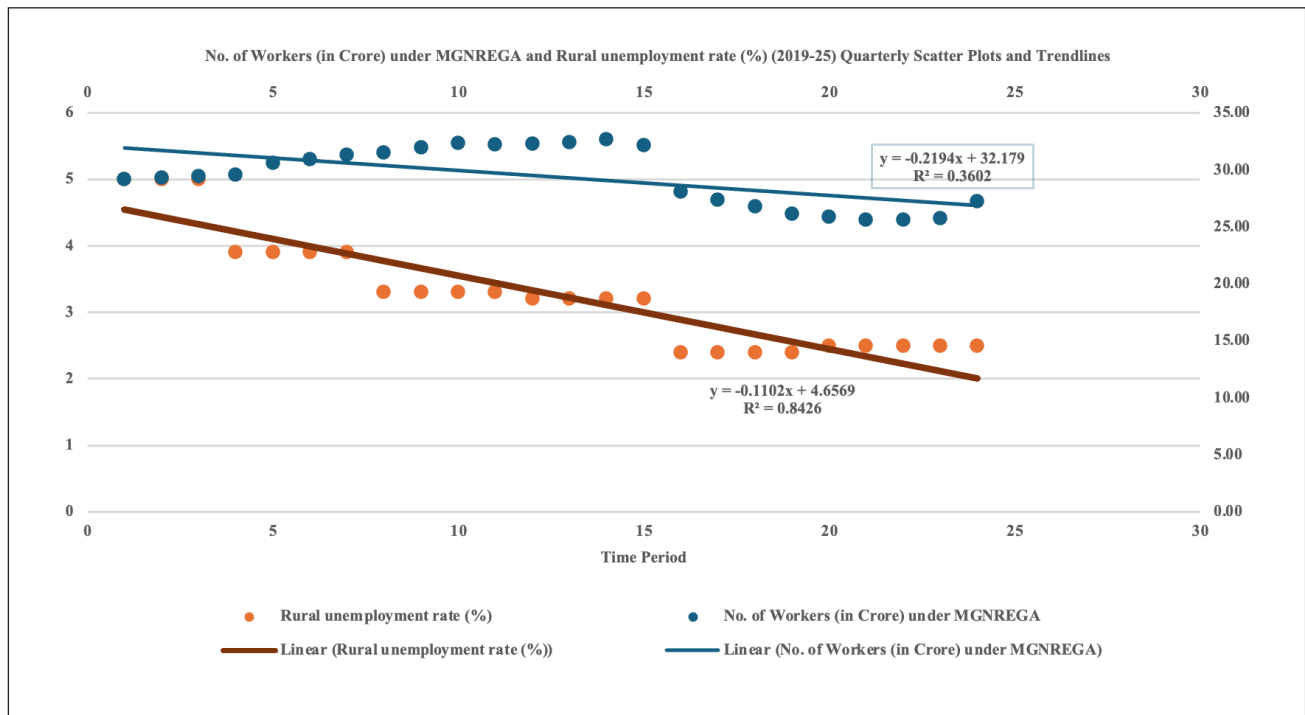
To investigate this paradox, we conducted regression and correlation analyses⁴ using 24 quarters of data from June 2019 to March 2025. The dataset includes indicators such as rural unemployment rates, the number of MGNREGA workers, and the Consumer Price Index for Rural areas (CPI-Rural), which serves as a proxy for rural economic dynamism.

¹ Drèze, Jean & Khera, Reetika. (2017). "Recent Developments in MGNREGA: Achievements, Challenges, and the Road Ahead." *Economic & Political Weekly*.

² Ministry of Rural Development, MGNREGA Annual Report 2022–23, Government of India.

³ CPI-Rural data sourced from the Ministry of Statistics and Programme Implementation (MoSPI), used here as a proxy for economic activity.

⁴ CMIE, Consumer Pyramids Household Survey (2019–2025).



METHODOLOGY AND KEY FINDINGS

While its role in mitigating rural distress is well documented, a deeper analysis of the program's interaction with rural labour markets yields valuable insights into its limitations⁵ and structural implications.

Simple Regression Model: MGNREGA as a Reactive Employment Mechanism

A foundational linear regression model was developed to investigate the bivariate relationship between the number of MGNREGA workers (in crores) per quarter and the rural unemployment rate. This study aimed to evaluate whether increased participation in MGNREGA is associated with reductions in unemployment, as might be anticipated if the scheme effectively mitigated rural joblessness. Contrary to expectations, the findings indicate a statistically significant positive association between MGNREGA participation and unemployment in the short run.

The regression analysis yields a coefficient of +1.39, indicating that for each additional crore (10 million) workers engaged under MGNREGA, rural unemployment increases by approximately 1.39

percentage points. This relationship is statistically significant at the 5% level ($p = 0.025$), with a 95% confidence interval of $[0.19, 2.59]$, which excludes zero, thereby confirming the reliability of this estimate. The model's R^2 value of 0.208 suggests that approximately 21% of the variance in rural unemployment is explained by fluctuations in MGNREGA participation, with a corresponding F-statistic of 5.77.

At first glance, this outcome may seem counterintuitive: how can a program intended to mitigate unemployment be linked to increasing joblessness? This paradox is clarified by considering the demand-driven and reactive nature of the MGNREGA. The program ensures wage employment for any rural adult seeking work, particularly during times of economic distress. Consequently, increases in MGNREGA participation often reflect worsening economic conditions rather than improving them for rural poor. In this context, MGNREGA functions as an indicator of distress rather than a remedy, and its rising utilisation signifies underlying failures in the rural job market.

⁵ Azim Premji University (2021), State of Working India Report.

This interpretation is further substantiated by the model's moderate correlation coefficient ($R = 0.456$), indicating a consistent, albeit not predominant, relationship between rising unemployment and increased demand for public employment. The positive direction of the coefficient, along with its statistical significance, reinforces the argument that MGNREGA operates as a counter-cyclical mechanism: it expands during periods of rural economic slowdown, absorbing surplus labour when necessary, yet does not independently reduce unemployment.

The implications of this study are twofold. First, the responsiveness of MGNREGA to unemployment underscores its significance as a safety net, particularly during periods of structural or seasonal distress. Second, the absence of a negative (i.e. unemployment-reducing) effect advises caution against excessive reliance on the scheme as a mechanism for long-term employment generation or productivity enhancement. In its current configuration, MGNREGA does not seem to facilitate pathways out of poverty or unemployment rather serves as a temporary buffer and a fiscal and policy response to labour market volatility.

In light of the limited explanatory power of this simple model ($R^2 = 0.208$) and the program's interconnection with broader macroeconomic trends, it became imperative to reassess the approach. In particular, we investigated whether additional variables, especially those indicative of rural economic dynamism, could provide more profound insights into unemployment trends. To this end, multivariate regression was conducted, incorporating CPI-Rural as an additional predictor. The results of this enhanced model, discussed in the following section, reveal a significant shift in explanatory power and offer further evidence that MGNREGA's influence is primarily reactive rather than transformative.

Multivariable Regression: The Influence of Inflation and Economic Activity

To enhance the explanatory capacity of our analysis, we developed a multivariate linear regression model. This model incorporates two independent variables: the number of workers (in crores) employed under

MGNREGA and the Consumer Price Index for Rural India (CPI-Rural), which serves as a proxy for rural inflation and, by extension, economic activity.

The model yielded a Multiple R of 0.902 and an R^2 value of 0.814, signifying that approximately 81.4% of the variance in rural unemployment is accounted for by the combination of these two predictors. This represents a significant enhancement in explanatory power compared to the simple regression model ($R^2 = 0.21$), underscoring the importance of integrating macroeconomic indicators into labour market analysis. The Adjusted R^2 of 0.797 further corroborates the model's robustness, even after adjusting for the number of predictors and sample size.

A critical insight emerges from the coefficient estimates.

The CPI-Rural variable demonstrates a highly statistically significant negative coefficient of -0.0494 ($p < 0.000001$). This finding implies that a 1-point increase in rural inflation is associated with a 0.049 percentage point decrease in rural unemployment, assuming that other variables remain constant. This inverse relationship suggests that inflation, often indicative of increased rural demand, agricultural output, or seasonal economic activity, correlates with enhanced labour absorption in the informal and semi-formal sectors. Conversely, the coefficient for MGNREGA worker participation is -0.0512 , yet its p-value of 0.206 renders it statistically insignificant at the conventional 5% level. The 95% confidence interval (-0.13 to $+0.03$) encompasses zero, indicating that the effect of MGNREGA participation on unemployment is not distinguishable from zero once inflation is accounted for in the model.

These findings indicate a critical empirical inflection point. While the simple model implied a reactive correlation between rising unemployment and increased MGNREGA uptake (suggesting that the scheme acts as a buffer), the inclusion of CPI-Rural shifts the analytical terrain. Inflation appears to be the primary factor contributing to the majority of variations in rural unemployment. The lack of statistical significance of the MGNREGA variable

in this expanded model indicates that its observed correlation with unemployment in a bivariate context is not causal, but rather reflects broader economic conditions.

The interpretation is further substantiated by the model's F-statistic of 46.06 and a Significant F value of 2.09×10^{-8} , which collectively affirm the overall validity of the regression model. In essence, while MGNREGA serves as a crucial short-term safety net during periods of economic distress, it does not operate as a structurally transformative mechanism for rural employment when macroeconomic factors such as inflation are considered.

The regression-based findings align with the theoretical perspective that the MGNREGA operates as a counter-cyclical social protection mechanism. It expands during periods of rural economic downturn and contracts when local economic dynamism revives the labour demand. Consequently, programs such as MGNREGA may reflect underlying distress rather than generate endogenous growth, necessitating a paradigmatic shift in rural employment policy from reactive support to productivity-linked engagement.

Collectively, these findings underscore an essential policy insight: the resilience of livelihoods cannot be achieved solely through the expansion of safety nets. The structural transformation of rural labour markets necessitates the convergence of public employment, macroeconomic stability and enterprise ecosystems. While the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) plays a critical role in mitigating short-term distress, its long-term impact on unemployment remains statistically neutral when economic activity indicators are considered. Therefore, policymakers must reconceptualise MGNREGA not as a final intervention but as a transitional platform that links public work to skill development, rural infrastructure, and productive capital formation.

EMPIRICAL EVIDENCE AND INTERPRETATION

The results derived from both regression models offer

a compelling empirical narrative of the characteristics and limitations of public employment interventions within India's rural economy. Simple regression analysis confirmed a positive and statistically significant correlation between increasing rural unemployment and participation in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), thereby underscoring the scheme's function as a counter-cyclical safety net. While the advanced multivariate model revealed a nuanced reality: when rural inflation, serving as a proxy for localised economic activity, is considered, the apparent relationship between MGNREGA and unemployment loses statistical significance. This highlights that MGNREGA does not structurally reduce unemployment but rather responds to unemployment that has already manifested.

Empirical trends derived from secondary datasets further substantiate these quantitative insights. In districts such as Palamu (Jharkhand), there is a notable coexistence of high participation in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) with persistent distress, low enterprise density, and chronic out-migration. In these areas, program enrolment experiences a significant increase during periods of drought or price shocks, indicating that rural workers resort to the MGNREGA not for upward mobility but for immediate survival. Similarly, the analysis of seasonal employment demand spikes closely aligns with Consumer Price Index Rural (CPI-Rural) inflation cycles. This suggests that during periods of heightened rural market activity, such as harvest seasons, construction booms, or festival demand, unemployment decreases even in the absence of a proportional increase in public job creation.

In contrast, regions such as Dindigul in Tamil Nadu illustrate that when public works are integrated into local economic ecosystems, encompassing skill development, asset creation, and enterprise support, they can contribute to sustainable productivity. In these settings, inflation is not indicative of economic distress but rather reflects demand. As a result, wages increase, informal employment opportunities expand, and the demand for the MGNREGA naturally diminishes.

The primary implication of the regression analysis and data observations is evident: economic activity, rather than employment guarantees, is the primary driver of rural labour absorption in the villages. While the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) addresses critical gaps during economic downturns, it remains a temporary solution in the absence of concurrent economic dynamism. Without integration into rural value chains, skill ecosystems, and financial services, public employment programs risk fostering dependency rather than promoting resilience.

Hence, the empirical evidence underscores the importance of reconceptualising MGNREGA, not merely as an isolated employment initiative but as a framework for productive engagement, skill development, and stimulation of local economies. Future policies should integrate rural employment guarantees within a comprehensive framework that facilitates structural transformation.

DESIGN LIMITATIONS: RELIEF OVER PRODUCTIVITY

The limitations of the program are inherent to its design. MGNREGA positions are primarily manual, low-skilled, and short-term. The types of work involved⁶, such as land levelling, water conservation, and road maintenance, while valuable for creating rural assets, are not linked to market demands and often do not lead to sustained employment or skill development.

Furthermore, the program operates with limited integration into local enterprise systems, agricultural value chains or skill development initiatives. Workers engaged under the MGNREGA rarely transition to higher-value employment. Consequently, the scheme primarily functions as a safety net rather than a stepping stone.

These structural constraints are particularly pronounced in vulnerable groups. Despite participating in large numbers, rural women often encounter

barriers to using MGNREGA as a launchpad into the broader labour market due to mobility constraints, low literacy levels, and caregiving responsibilities. Similarly, rural youth and returnee migrants perceive the MGNREGA as a fallback option rather than a meaningful career path, stressing the need to connect public employment to broader livelihood ecosystems.

THE SKILLS GAP: WHY RURAL YOUTH REMAIN UNDERUTILISED

India is currently at a pivotal demographic juncture. With over 65% of its population under the age of 35, the nation has the potential to significantly benefit from its youthful workforce, often referred to as a “demographic dividend.” This potential is particularly pronounced, yet vulnerable, in rural India. Despite numerous skilling initiatives designed to leverage the productive capabilities of rural youth, a substantial disparity persists between the skills provided and the meaningful employment outcomes. In the absence of urgent policy alignment and systemic reform, India’s demographic dividend risks transforming into a demographic liability.

Flagship initiatives such as the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Pradhan Mantri Kaushal Vikas Yojana (PMKVY), and Skill India have collectively enrolled millions of rural youths. However, the efficacy of these programs is undermined by consistently low employment conversion rates in the region. This disconnect between training and sustainable livelihoods is indicative of deeper structural issues that require attention.

Limitations: Key Barriers to Effective Skilling

1. **Mismatch Between Training and Local Economic Demand:** Training programs frequently emphasise standardised curricula with limited adaptation to local economies. For instance, a youth in rural / Rajasthan may receive training in retail or hospitality, sectors with limited regional

⁶ World Bank (2021), Skilling for Rural Resilience: India Case Study.



absorption capacities. Without alignment to the economic realities and employment opportunities of a specific district, such training has minimal value.

2. **Weak Market and Industry Linkages:** The lack of robust connections between training providers and potential employers' results in suboptimal placement outcomes. Many training centres operate in isolation, lacking meaningful engagement with local industries, MSMEs, or cooperatives that could provide job training or employment pathways.
3. **Inadequate Post-Training Support:** Even when youth complete training, they are often left to navigate the job market independently. Limited support for entrepreneurship, weak mentoring networks, and a lack of access to credit or digital platforms further diminish the effectiveness of the skilling pipeline.
4. **Gender-Based Barriers:** Women in rural India face additional constraints, including mobility restrictions, early marriage, household responsibilities, and safety concerns. These factors limit both enrolment and outcomes, even for those who manage to complete training. Skilling interventions often fail to account for / these socio-cultural dynamics, resulting in skewed participation and poor retention rates.

Preliminary findings from regression-based analyses

investigating the effects of rural skilling programs offer nuanced insights. These findings indicate that skilling alone is insufficient; training exerts a statistically significant positive impact on employment only when coupled with post-training enterprise support or job-placement services. Furthermore, there is a meaningful interaction between gender and skill. Rural women who engage in skilling programs linked to enterprise development, particularly in sectors such as textiles, food processing, or e-commerce, exhibit significantly higher employment conversion rates than those trained in isolation. Additionally, integrated ecosystems yields superior results. Districts that have effectively integrated skilling programs with enterprise support, digital infrastructure, and social empowerment initiatives, such as Dindigul in Tamil Nadu, demonstrate markedly better outcomes in terms of employment and sustained income generation.

As the 20th anniversary of the MGNREGA approaches in 2025, it remains one of the most ambitious social security programmes globally. However, its potential is frequently undermined by persistent operational issues, particularly delays in wage payments. Although the Act stipulates that payments should be made within 15 days, more than 25% of wages were delayed in 2023–24, diminishing trust and dependability. Budget limitations further exacerbate this problem. Despite consistently high

demand, the allocation for 2023–24 was ₹60,000 crore, significantly less than the revised estimate of ₹89,400 crore from the previous year. Mid-year funding shortages halt projects, postpone payments, and deter participation in the project. For MGNREGA to transform into a genuinely empowering platform, it is crucial to restore operational credibility, beginning with ensuring timely payments and funding that aligns with the actual demand.

Recent budgetary patterns provide crucial perspectives on the ongoing importance of MGNREGA. When the Union Finance Minister unveiled the Union Budget for FY 2024–25 in February last year, the revised estimate for MGNREGA spending in FY 2023–24 was ₹90,800 crore, surpassing the initial allocation of ₹60,000 crore. This excess of over ₹30,000 crore highlights a key point: the demand for employment in rural India has remained robust, even long after the peak of the COVID-19 pandemic. This underscores the fact that MGNREGA continues to be an essential safety net for families dealing with seasonal, structural, or economic challenges.

As a demand-driven initiative funded by the Union Government, MGNREGA's yearly spending naturally adjusts to the needs on the ground. However, when observed over a longer period, budget allocations have decreased from ₹1.11 lakh crore in FY 2020–21 to ₹90,800 crore in 2023–24, ₹86,000 crore for FY 2024–25 as well as for FY 2025–26. While this reduction might indicate changing fiscal priorities or expectations of recovery, it also serves as a reminder that the need for rural employment support remains substantial and should continue to guide future allocation. Moving forward, the focus should be on aligning resource availability with field realities to ensure that the scheme remains both responsive and effective.

To fully harness the potential of rural youth, particularly young women, India must transition from perceiving skill development as a standalone

intervention. Skilling should integrate enterprise incubation, credit access, digital literacy, infrastructure for remote work, post-training mentoring, job matching, and social empowerment to address cultural barriers and promote inclusivity. Bridging the skills gap in rural India extends beyond enhancing training content or increasing enrolment. It involves creating enabling environments where skills translate into tangible opportunities and training serves as the initial step in a continuum of support leading to economic independence and long-term resilience for India's rural youth.

CASE STUDIES: DIVERGENT DEVELOPMENT PATHS IN RURAL EMPLOYMENT DYNAMICS

An analysis of two contrasting districts, Palamu in Jharkhand⁷ and Dindigul in Tamil Nadu, demonstrates the critical influence of institutional capacity, programmatic convergence, and alignment with local economic potential in determining rural employment outcomes. Although both districts qualify for the same national-level schemes, their divergent trajectories underscore the significance of proper scheme implementation and integration in the results.

Case Study 1: Palamu, Jharkhand - The Cycle of Dependence

Palamu is frequently referenced in development literature as a region ensnared in persistent distress and institutional inadequacy. It consistently records one of the highest rates of participation in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) across the nation, indicating widespread insecurities in livelihood. However, while the scheme offers immediate relief through wage employment, it has not resulted in long-term livelihood stability or structural transformation in the rural economy.

⁷ PRADAN & Centre for Policy Research (2022), "Barriers to Economic Mobility in Jharkhand: The Case of Palamu."

Several field reports, including those from PRADAN and the Centre for Policy Research, underscore the systemic barriers in Palamu:

1. **Weak skilling pipelines:** Programs such as the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and Skill India are operational but encounter significant challenges in outreach, curriculum relevance, and post-training support. Most youth in Palamu either discontinue training or are reluctant to relocate to urban centres due to cultural or economic constraints.
2. **Minimal entrepreneurial activity:** Institutions such as Rural Self Employment Training Institutes (RSETIs) and the Prime Minister's Employment Generation Programme (PMEGP) exist in theory but remain underutilised. Low credit penetration, lack of market linkages, and bureaucratic obstacles discourage rural entrepreneurship in India.
3. **High migration as a default coping strategy:** Due to the absence of stable employment options, seasonal and long-distance migration to cities as well as other states remains a prevalent livelihood strategy in the region. Studies by the India Migration Now initiative reveal that districts such as Palamu exhibit some of the highest migration rates among tribal and marginalised communities.

The overwhelming reliance on MGNREGA, without concurrent efforts in capacity building, skilling, or entrepreneurship, has confined the district to a cycle of reactive, subsistence-oriented employment, where the state intervenes during distress but does little to facilitate structural change.

Case Study 2: Dindigul, Tamil Nadu - Convergence for Transformation

In contrast, Dindigul serves as an exemplar of how targeted public policy and decentralised administrative commitment can facilitate rural transformation. Tamil Nadu is recognized for its robust framework in rural development. Within this

framework, Dindigul is particularly noteworthy for its successful integration of various government schemes. Reports from the Ministry of Rural Development, along with independent evaluations by organisations such as Kudumbashree⁸ and Azim Premji University, highlight several success factors:

1. **Integrated skilling ecosystems:** Dindigul has actively promoted youth training through the DDU-GKY and RSETIs, concentrating on sectors such as textiles, agro-processing, and rural services, which align with the region's economic foundation. Local NGOs and industrial partners involve themselves in both curriculum design and post-training placement, ensuring a seamless transition from learning to earning.
2. **Women-led microenterprise growth:** Through the PMEGP and SHG networks, particularly those supported by the Tamil Nadu Corporation for the Development of Women, Dindigul has experienced a significant increase in women-led businesses. These enterprises often originate from group-based models and utilise the MGNREGA-created infrastructure, such as irrigation channels or rural roads.
3. **Productive asset creation under MGNREGA:** Unlike many districts where MGNREGA is employed solely as a wage support scheme, Dindigul has concentrated on constructing durable and productivity-enhancing assets. Farm ponds, storage sheds, and check dams are integrated into agricultural value chains, thereby increasing rural incomes and resilience to climate shocks. Field accounts and district development plans further illustrate a coherent ecosystem. An ecosystem where employment encompasses not only wages but also entrepreneurship, mobility, and dignity. Dindigul has successfully transformed centrally funded schemes into a locally adaptive engine of inclusive rural growth.

The disparity between Palamu and Dindigul exemplifies a broader principle of rural development: programs alone do not effect transformation unless

⁸ Kudumbashree & TNCDW (2023), Women's Microenterprises and Employment in Tamil Nadu.

they are strategically integrated and adapted to the local context. Although both districts have access to identical funding sources and policy instruments, their outcomes differ significantly because of variations in governance capacity⁹, administrative commitment, and the presence of supportive ecosystems.

In the future, rural employment policy should prioritise facilitating this integration - not merely through guidelines, but by fortifying institutional ecosystems at the district level. This entails empowering local governance, incentivising collaboration among departments, and embedding employment initiatives within broader frameworks of rural enterprise, financial inclusion¹⁰, and women's economic empowerment.

Palamu serves as a reminder that wage-based support is necessary but insufficient to address poverty. Dindigul demonstrates that with alignment and vision, even rural districts can initiate transitions from mere survival to stability, and ultimately to self-sufficiency.

POLICY RECOMMENDATIONS

India's rural employment sector is currently at a pivotal juncture. As evidenced by the varied developmental experiences across different districts, the success of welfare schemes is contingent on accessibility, convergence, adaptability, and context-specific design. The following five policy pillars advocate for a transition from reactive welfare measures to proactive rural transformation by utilising real-time data, integrated programs, and enhanced local capacity.

A. Create a Rural Productivity Dashboard

Policymakers must transcend isolated reporting formats and implement an integrated real-time monitoring system to formulate a responsive and effective rural employment policy.

Key Reforms:

1. The dashboard should integrate district-level data from initiatives such as MGNREGA (person-days, project types), skill development programs (enrolment, completion, placement), inflation indicators (CPI-Rural), migration trends, unemployment estimates, and agro-climatic variables (rainfall patterns, crop sowing).
2. Incorporate geospatial layers (e.g., remote sensing of MGNREGA assets, rainfall data, and land productivity) to enable predictive modelling of distress.

Benefits:

1. It facilitates detailed, localised policymaking, thereby departing from uniform strategies.
2. It equips District Development Committees with real-time diagnostic and planning tools to integrate rural initiatives.
3. It aids in timely adjustments during crises, such as predicting migration increases or unemployment spikes due to droughts.

Implementation:

1. The dashboard may be integrated within the Ministry of Rural Development (MoRD) and connected to the India Stack ecosystem to facilitate authentication and portability of the data.
2. It is advisable to conduct a pilot study with the assistance of data governance partners, including NITI Aayog¹¹, NIC, and ISRO, in five high-priority rural clusters prior to nationwide implementation.

B. Reform MGNREGA into 'Skill-Linked Employment Assets'

MGNREGA should transition from serving merely as a reactive safety net to functioning as a catalyst for

⁹ Accountability Initiative (2024), Budget Brief: MGNREGA.

¹⁰ Union Budget 2024-25, Ministry of Finance, Government of India.

sustainable livelihoods.

Key Reform:

It is recommended that the MGNREGA guidelines be amended to permit the allocation of 20–30% of annual workdays for activities such as skill development, digital tasks (e.g. digitisation of land records), or the construction of market-linked rural infrastructure (e.g. storage units, cold chains, rural haats).

Rationale:

1. Research conducted by the International Labour Organization (ILO) and Azim Premji University indicates that sustained participation in unskilled manual labour, absent a pathway to graduation, confines workers to cycles of low productivity.
2. Integrating the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) with rural skill development augments income potential and facilitates the creation of enduring public assets with economic significance.

Implementation:

1. Initiate pilot programs in 25 high-distress districts (for example, Palamu, Dantewada, and Barmer) by integrating them with DDU-GKY and RSETIs.
2. Frameworks for certification, assessment, and placement should be developed through collaborations with the NSDC and state skill missions.

C. Cluster-Based Skilling and Enterprise Support

India's rural economic geography is diverse and training programs must reflect regional comparative advantages

Key Reform:

Formulate district-level skill development plans

aligned with local rural value chains. For example, the dairy industry in Gujarat (Banaskantha, Anand), handlooms and crafts in Rajasthan (Barmer, Bhilwara), and Agro-processing in Bihar (Muzaffarpur, Purnia) should be focused on.

Implementation:

Set up Enterprise Incubation Centres (EICs) near Rural Skill Training Institutes (RSTIs). These centres will offer guidance, connect to markets, provide digital access, and give financial help after training through the National Rural Livelihoods Mission (NRLM) and the Prime Minister's Employment Generation Programme (PMEGP).

Benefits:

1. It promotes self-employment and entrepreneurship in sectors with established market demand.
2. It enhances youth retention in rural areas, thereby mitigating distress migration.

Governance:

The State Rural Livelihood Mission (SRLMs) should pioneer this initiative, receiving technical support from industry associations and agri-tech platforms.

D. Build a Rural Start-up Ecosystem

To stimulate innovation and employment opportunities in rural India, it is essential to emulate the dynamism of the Startup India¹² initiative in non-urban settings:

1. Utilise the initiatives of Startup India, the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), and the National Rural Livelihood Mission (NRLM) to bolster innovation clusters in rural regions.
2. Establish incubator programs specifically designed for rural women, self-help groups (SHGs), artisans, and returning migrants, providing them with business planning support,

¹¹ NITI Aayog (2022), District-Level Planning for Employment Generation.

seed capital, and access to formal credit facilities.

Implementation:

1. Implement performance-based grants for novice rural entrepreneurs, focusing on women and individuals from Scheduled Castes and Scheduled Tribes (SC/ST).
2. Promote connections to e-commerce platforms (e.g. ONDC and Amazon Saheli) to enhance the marketability of rural products.

Case Example:

The Rural Business Incubator located in Dindigul, Tamil Nadu, with the support of the Rural Self Employment Training Institute (RSETI) and the District Industries Centre, has facilitated the growth of over 600 microentrepreneurs by providing them with access to training, market opportunities, and mentorship.

E. Enable Dignified Rural Migration

Recognising migration as a livelihood strategy rather than a policy failure necessitates implementing safeguards that both protect and empower migrant workers.

Institutional Reforms:

Establish State-operated Migration Support Centres (MSCs) in major destination cities such as Delhi, Mumbai, Surat, and Bangalore. These centres should offer shelter, legal assistance, modular skill development courses, job placement services, and support for addressing grievances with employers to help women workers.

Benefit Portability:

1. Ensure the universal implementation of the One Nation, One Ration Card initiative.
2. Broaden the scope of eShram cards to encompass portable health insurance, pension schemes, and

digital skill development modules, with a particular focus on youth and women migrants.

Ethical Recruitment:

1. Establish standards for safe migration through Memoranda of Understanding (MoUs) between source and destination countries.
2. Promote the adoption of labour mobility agreements by industries, with oversight from the Ministry of Labor and Civil Society Organizations.

These policy pathways acknowledge that transforming rural employment necessitates more than mere wage safety nets. It requires a fundamental shift in the ecosystem from fragmented programs to integrated, context-sensitive, data-driven interventions. By investing in productive capacity, enterprise ecosystems, and the dignity of the rural workforce, whether they remain, acquire new skills, or migrate, India can ensure that its demographic dividend does not become a liability.

CONCLUSION

As India approaches its centenary of independence in 2047, it is imperative to reconceptualise the role of rural India, not as a region perpetually in need of assistance but as a dynamic engine of economic vitality, innovation and inclusive growth. The future trajectory of India's development will be significantly influenced by its villages, which house the nation's demographic dividend¹³, sustain food security, and nurture cultural heritage. However, realising this potential necessitates a decisive shift from fragmented welfare schemes to coherent, productivity-driven rural-development strategies.

Our analysis reveals a critical insight: inflation-induced economic activity and private sector engagement, rather than public employment schemes alone, correlate with reduced rural unemployment. This underscores a fundamental truth: livelihood security must be constructed not merely through wage guarantees but through

¹² Startup India, Rural Start-up Incubation Strategy Document, 2023.

enabling environments that foster enterprises, skill development, and economic participation.

Programs such as the MGNREGA have served as essential social safety nets during periods of distress, including droughts, pandemics, and agricultural downturns. However, as India progresses economically, these schemes must evolve in purpose. By 2047, public employment initiatives should be transformed into platforms for upskilling, digital literacy, and rural enterprise incubation¹⁴. MGNREGA should not be limited to wage provision; it should serve as a stepping stone to self-sufficiency and skilled employment.

Similarly, skilling programs must be anchored in regional economic identity rather than generic curricula. Rural youth should be trained in skills pertinent to their districts, whether in agro-processing, textile design, green energy maintenance, or digital services. Furthermore, training must be seamlessly integrated into local market ecosystems and credit access.

Despite recent fiscal trends indicating a 12% increase in the budget allocation for MGNREGA over the past five years, as reported by the Ministry of Rural Development (MoRD), the scheme's fundamental design remains largely unchanged. While increased MGNREGA budget shows its importance as a safety net during crises, it has not led to structural transformation or productivity gains. This observation reinforces the central argument of this study, that the current configuration of MGNREGA functions effectively as a reactive buffer but must now evolve into a proactive instrument for rural economic

empowerment. Enhanced financial support must be complemented by strategic integration with skill building, rural enterprise development, and value chain linkages to ensure that increased expenditure yields a lasting impact.

India must transition from programmatic silos to convergence. Data dashboards, interoperable benefits, cluster-based planning, and mobile support centres for migrants are not merely technocratic innovations; they are foundational for dignified, inclusive rural citizenship. Governance must be more transparent, decentralised, and responsive, enabling district administrations to function as hubs of innovation and accountability.

By 2047, the objective should not be solely to reduce rural unemployment but also to generate dignified, diversified, and durable livelihoods. Rural areas should be capable of retaining talent, attracting investment, and anchoring economic resilience, rather than merely absorbing shocks. A farmer's child should have the opportunity to become a skilled artisan, digital entrepreneur, or climate scientist without the necessity of leaving home.

This vision demands more than funding; it requires alignment, ambition and faith. Faith that India's villages are not its problems, but its potential. Only by reimagining rural employment as a driver of prosperity, rather than merely a cushion against poverty, can India truly rise to meet the promise of 2047, an inclusive, innovative, and economically vibrant republic rooted in the strength of its people, wherever they reside. •

By Dr. Bidisha Bhattacharya

¹³ India Migration Now (2023), Migration and Rural Youth Aspirations: Insights from 11 States.

¹⁴ United Nations Population Division (2022), World Population Prospects: India Highlights.

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