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**THE INFORMAL ECONOMY AND LABOUR EXPLOITATION IN INDIA**- Shweta Tripathi<sup>1</sup> & Mr. Ashok Kumar**Abstract**

The informal economy in India employs the vast majority of workers yet subjects many to precarious conditions. This article analyses labour exploitation beyond a state-centric lens, foregrounding power among labour, capital and intermediaries within neoliberal restructuring. The original contribution is a power-centred framework integrating ethnographic narratives with sector-comparative indicators to show how intermediary power and strategic state neglect co-produce precarity beyond the formal/informal binary. Using a qualitative, multi-case design in construction, domestic work and home-based garments, the article draws on 60 worker and 15 key-informant interviews, participant observation and ethnographic/narrative inquiry. The article shows how intermediaries—thekedar (labour contractors), placement agencies and subcontractors—mediate access to jobs and credit, institutionalising wage theft and peshgi (advances) akin to debt bondage in unregulated workplaces. In the sample, wage delays were widespread (45–65%), peshgi common in construction/garments (35–45%); written contracts were absent (100%) and ESI/PF coverage negligible (0%). Statutory protections are symbolic amid weak enforcement and bureaucracy, while caste, gender and migrant status shape vulnerability. Yet workers exercise agency through tactics, boycotts and civil-society-backed associations. The article reconceptualises precarity as a socio-legal condition produced by regulatory neglect aligned with capital's demand for “flexibility.” Policies should include universal social protection; community enforcement and grievance redress; recognition of non-standard worker organisations and bargaining; and targeted measures for women, migrants, Dalits and Adivasis. The article offers a power-centred framework for India's shadow economy.

**Introduction**

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<sup>1</sup> Student at Atal Bihari Vajpayee School of Legal Studies, Chattrapati Sahuji Maharaja University, Kanpur  
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The economic narrative of India is marked by pronounced disparities. In the context of accelerated economic growth and modernisation, a significant and resilient shadow economy persists, involving more than 90% of the workforce in the nation. This sector, often referred to as the informal or unorganised economy, is characterised by a lack of formal contracts, social protections, and regulatory oversight. While it functions as a crucial provider of employment and a livelihood for millions, it is also characterised by considerable vulnerability, highlighted by precarious working conditions, power imbalances, and systemic exploitation. The persistence and expansion of the informal sector in India represent not merely transient phenomena but essential features of the nation's political economy, presenting considerable obstacles to inclusive development, social equity, and the rights of workers. Understanding the intricacies of this economy is crucial for addressing the nation's most pressing socio-economic issues.

The conventional discourse surrounding the shadow economy has often been framed within a dichotomous lens, contrasting it with the formal, regulated sector. Historically, policy interventions have focused on formalisation measures, grounded in the assumption that incorporating informal enterprises and workers into the legal and regulatory framework of the state will inherently mitigate issues of exploitation and precariousness. This perspective often simplifies the complex realities that exist in situ. The analysis inadequately addresses the significant relationships and interdependencies that exist between the formal and informal sectors, where formal enterprises often engage informal labour through subcontracting and outsourcing as a means to reduce costs and evade labour regulations. A focus primarily on state mechanisms often overlooks the profound implications of governmental inadequacies or the strategic voids that may arise. In various contexts, the inadequacy of the state to fulfil its expected responsibilities in providing welfare, redistributing the labour force, or protecting its most at-risk citizens creates a void that allows for the unchecked proliferation of exploitative power dynamics.

This research study offers a comprehensive re-evaluation of labour exploitation within the Indian shadow economy, moving beyond a purely state-centered perspective. It argues that a deep understanding requires an analysis of the intricate web of power dynamics that influence the lives of vulnerable workers. The dynamics of power transcend the traditional employer-employee relationship, encompassing intermediaries, financial lenders, and local influencers, all operating within an overarching neoliberal paradigm that emphasises market adaptability

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over the security of the workforce. The neoliberal framework, marked by deregulation and the emergence of non-state economic actors, has significantly altered the labour landscape, intensifying precarity and creating new vulnerabilities. Consequently, the concepts of "work," "power," and "precarity" necessitate a thorough re-evaluation to authentically capture the realities faced by individuals engaged in labour at the margins of the formal economy.

This research aims to advance academic and policy dialogues by developing a more nuanced analytical framework to understand the mechanisms that produce and sustain labour exploitation in India. This work builds upon significant scholarly discourse that challenges the presumption of the state's ubiquitous presence and effectiveness, highlighting the institutional gaps and social dynamics that emerge in its absence. This article seeks to explore the following fundamental research questions through a synthesis of insights from labour studies, sociology, and political economy:

**RQ1. How are power dynamics formed and contested within the informal economy of India?**

**RQ2. What are the specific processes involved in labour exploitation, and in what ways do these mechanisms perpetuate a cycle of precarity?**

**RQ3. In light of governmental disengagement and the influence of neoliberal pressures, what forms of agency and resistance emerge among workers in precarious conditions?**

### **Literature Review**

An in-depth analysis of the shadow economy and labour dynamics in India necessitates a comprehensive evaluation of a wide array of theoretical and empirical literature. This review synthesises key conceptual frameworks, situating the Indian context within global discourses on informality, exploitation, and state regulation. The analysis begins by dissecting the term "shadow economy," exploring its evolution from a focus on informality to a broader understanding of precarity. The analysis subsequently delves into theoretical perspectives regarding worker exploitation and power dynamics, emphasising the structural conditions that perpetuate vulnerability. The role of the Indian state, oscillating among regulation, welfare provision, and neoliberal reforms, is subjected to critical analysis. This review identifies a notable deficiency in existing research, calling for a more nuanced methodology that goes

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beyond state-focused and purely economic paradigms to include the lived experiences and agency of workers within the complex socio-economic landscape of India.

### **Theoretical Frameworks of Labour Exploitation and Power Dynamics**

The occurrence of labour exploitation within India's shadow economy can be examined through various theoretical frameworks that illuminate the structural power imbalances inherent in informal labour markets. Radical political economy presents a foundational framework, perceiving exploitation not as an anomaly but as an intrinsic feature of capitalist evolution. From this perspective, the shadow economy functions as a "reserve army of labour," exerting downward pressure on wages and influencing the dynamics of the workforce across both formal and informal sectors. By providing a significant pool of low-cost, flexible, and unregulated labour, it allows capital to enhance surplus value while externalising the social costs associated with production, such as healthcare, pensions, and workplace safety. The existence of this significant, unprotected labour force fosters a detrimental "race to the bottom" regarding labour standards, thereby undermining the bargaining power of all workers.

Theoretical frameworks surrounding labour-market segmentation are crucial for understanding the internal hierarchies within the shadow economy. The informal labour market exhibits considerable heterogeneity, characterised by distinct divisions based on skill level, caste, gender, religion, and immigration status. The interplay between social hierarchies and economic forces results in differing levels of vulnerability and exploitation. Individuals from marginalised castes, specifically Dalits, along with tribal communities known as Adivasis, in addition to women and internal migrants, are significantly over-represented in the most vulnerable and low-paying segments of the informal economy. This includes sectors such as construction, domestic work, and agricultural labour. This segmentation is maintained by social networks that govern access to employment opportunities and by discriminatory practices that continue to reinforce historical inequalities. Power dynamics extend beyond the employer-employee relationship; they are intricately woven into complex social systems that privilege certain dominant groups while systematically marginalising others.

Furthermore, a thorough analysis of power dynamics must include not only the direct relationship between employers and employees but also the impact of intermediaries. In various informal sectors, labour contractors, moneylenders, and other intermediaries play a

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pivotal role in the recruitment, management, and oversight of workers. Mediators often operate through informal, personalised networks, creating relationships characterised by dependency and obligation. Through the regulation of access to employment and credit, it becomes possible to appropriate a portion of workers' income while imposing exploitative employment conditions, which may encompass modern manifestations of debt bondage. The decentralisation of authority complicates workers' capacity to identify a definitive employer and seek legal remedies, thereby exacerbating their sense of powerlessness. The power wielded by these organisations is fundamentally rooted in their ability to capitalise on the economic hardships and social isolation experienced by workers. Consequently, the exploitation present within the shadow economy extends beyond mere low wages; it is deeply embedded in a complex web of social, economic, and political power relations that systematically undermine the autonomy and rights of workers.

### **The Role of the State: Regulation, Welfare, and Neoliberal Challenges**

The influence of the Indian state on the dynamics of the shadow economy and labour exploitation is complex and often paradoxical. In the aftermath of independence, India adopted a developmentalist approach, emphasising the protection of labour through a comprehensive legal framework that governs wages, working conditions, and social security. Nevertheless, the scope of this legislation was largely confined to the formal, organised sector, leading to a situation where the vast majority of workers in the informal sector received minimal legal safeguards. This bifurcated legal framework has successfully created a delineation between formal and informal sectors, thereby generating a protected space for certain workers while leaving others in a state of regulatory neglect. The implementation of current labour regulations by the government, particularly within the formal sector, has been markedly inadequate, hindered by a lack of effective inspection systems, corruption, and a complex legal framework that often remains out of reach for economically disadvantaged and marginalised workers.

The advent of neoliberal economic reforms in the 1990s marked a significant transformation in the state's strategy regarding labour. The updated policy framework underscored the importance of economic growth, deregulation, and labour market "flexibility" as mechanisms to attract investment. This led to a methodical weakening of labour protections and an implicit approval, if not encouragement, of informalisation as a strategy to enhance competitiveness.

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The role of the state has evolved from primarily protecting labour rights to actively facilitating capital accumulation. The ongoing efforts to amend labour legislation reflect a trend aimed at streamlining the processes of hiring and terminating employees, while simultaneously promoting the utilisation of contract labour. This development serves to blur the lines that traditionally differentiate formal employment from informal employment. While proponents of these reforms argue that they are crucial for fostering job development, critics assert that they have primarily intensified precarity and solidified a growth model characterised by low wages and high levels of exploitation.

In response to mounting criticism and social unrest, the Indian government has implemented a range of social welfare initiatives aimed at mitigating the most acute effects of poverty and informal employment. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which guarantees 100 days of paid work, alongside the Public Distribution System (PDS) that provides subsidised food grains, serves as a notable illustration of a concurrent, welfarist dimension of governmental intervention. In recent developments, the Unorganised Workers' Social Security Act of 2008 has been enacted to create a structured framework for social security initiatives that cater to health, maternity, and old age concerns for informal workers. Nevertheless, the implementation of these programmes has been inconsistent and often inadequate. They frequently encounter difficulties stemming from insufficient financial resources, suboptimal targeting strategies, bureaucratic impediments, and leakages associated with corruption. These welfare measures, while noteworthy, often function as temporary alleviations rather than as catalysts for substantial change. Their approach addresses the symptoms of precarity while neglecting to engage with the underlying structural factors that perpetuate exploitation and informality, which are upheld by the neoliberal economic policies of the state. The fundamental tension between the state's role as an advocate for deregulation and its responsibility as a provider of social assistance is pivotal to its failure to secure decent employment and uphold dignity for the majority of its labour force.

### **Identifying the Research Gap: Beyond State-Centric Analyses**

The existing body of research provides a robust foundation for understanding the structural dimensions of India's shadow economy; however, there remains a significant gap in the literature concerning the examination of labour dynamics from a grassroots perspective. The

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study places considerable emphasis on macroeconomic trends, policy frameworks, and the role of the state, often depicting informal workers as a uniform, passive cohort of victims. This methodology, while essential for highlighting systemic issues, often overlooks the variety of experiences, the complex power dynamics at the micro level, and, crucially, the agency and resistance strategies utilised by workers themselves. There exists a pressing need for research that goes beyond conventional structural analyses to explore the lived experiences of employment, power, and precarity as they are encountered and navigated by informal workers in their daily lives.

Modern analytical frameworks frequently investigate exploitation through an economic lens, highlighting aspects such as compensation, labour duration, and the capture of surplus value. While this is crucial, it does not fully address the non-economic dimensions of exploitation, such as the erosion of dignity, social marginalisation linked to caste and gender, and the psychological strain of ongoing insecurity. A thorough analysis requires an exploration of the mechanisms of power, which operate not solely through economic coercion but also through social norms, cultural practices, and everyday interactions that sustain hierarchies and subjugation within both professional and communal settings. It is imperative to conduct research to clarify the specific processes through which employers and intermediaries exercise control, alongside an examination of how these mechanisms are contested or negotiated by workers.

Furthermore, there exists a tendency to view the role of the state primarily in terms of formal policy and its implementation, or the lack of such actions. This state-centric viewpoint may obscure the ways in which workers perceive, interact with, and navigate the state and its institutions. How do employees understand their rights and benefits? What are the experiences individuals encounter when seeking access to legal or welfare systems? What informal mechanisms do they employ to achieve justice and social protection in the context of inadequate official intervention? Examining these enquiries can provide critical understanding of the gap between policy goals and real-world experiences, clarifying the complex interactions of governmental engagement, oversight, and responsibility in perpetuating exploitative labour relations. In conclusion, while existing research acknowledges the lack of formal unionisation within the informal sector, there remains a significant gap in the literature regarding the alternative strategies of collective action, informal organisation, and everyday resistance employed by workers to advocate for their

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rights and improve their working conditions. This study aims to deepen our comprehension of the intricate interactions between work, power, and precarity within India's shadow economy. It focusses on less examined aspects, providing a detailed, agent-centered analysis that enriches current structural models.

### **Research Methodology**

This chapter outlines the methodological framework employed to investigate the complex relationships between the shadow economy, labour exploitation, and precarity in India. This study aims to go beyond conventional statistical analyses to clarify the complex, real-life experiences of individuals engaged in these informal and often precarious economic settings. A qualitative methodology was deemed the most suitable for a comprehensive exploration of power dynamics, individual work and survival experiences, as well as the expressions of agency within frameworks of structural vulnerability. This methodology provides a coherent and ethically robust framework for understanding the intricate dynamics of labour within India's informal economy.

### **Qualitative Research Design**

This study utilises a qualitative design grounded in an interpretivist framework. This approach acknowledges the complexity of social reality, which is influenced by context and shaped by the interpretations individuals ascribe to their experiences. A quantitative approach, while useful for mapping the scope of the informal economy, falls short in uncovering the intricate power dynamics, social relationships, and subjective perceptions that define the phenomenon of worker exploitation. A qualitative design facilitates a deep, contextual comprehension of the production and experience of precarity among workers.

This research employs an ethnographic approach combined with narrative inquiry methodology. Ethnography involves a deep engagement with the social contexts of participants, allowing for comprehensive, firsthand observations of work settings, social interactions, and the intricate dynamics of power negotiation. This immersive methodology is crucial for understanding the underlying regulations, informal norms, and relational contracts that govern a substantial segment of the shadow economy. Narrative inquiry highlights the stories and life histories of individuals within the workforce. This research aims to enhance the representation of individuals often marginalised in traditional economic discourse by gathering and examining their narratives, thereby clarifying their perspectives on labour,

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dignity, survival, and resistance. This dual methodology enables an in-depth analysis that connects individual experiences to broader structural factors, such as governmental policies, market dynamics, and social hierarchies. Transcripts and fieldnotes were coded using an inductive–deductive approach: open coding to surfaceemic categories followed by axial coding to relate mechanisms across cases; analytic decisions were documented through an audit trail and reflexive memos. Credibility was strengthened via methodological triangulation (interviews, observation, documents) and a systematic search for disconfirming cases, with sectoral theme saturation guiding sampling closure. All identifiers were removed at transcription and pseudonyms assigned to preserve confidentiality.

### **Case Study Selection and Rationale**

A multiple-case study design was utilised to ground the research in concrete empirical evidence. This design enables a comparative analysis across various sectors of the informal economy, highlighting both overarching patterns of exploitation and context-specific variations. The chosen case studies were guided by a selective sampling methodology, designed to encapsulate the diverse range of labour arrangements and labour relations that typify India's shadow economy. The sectors chosen for this analysis include: (1) urban construction, (2) domestic labour, and (3) home-based garment production. The selection of these sectors was informed by the following rationale: The urban construction sector predominantly engages a workforce comprising migrant, low-skilled individuals, with a notable emphasis on male workers. The system is characterised by a multi-tiered subcontracting framework that often obscures employer accountability, thereby creating an environment that is conducive to wage theft, unsafe working conditions, and debt bondage. An analysis of this sector reveals the mechanisms of exploitation perpetuated by labour intermediaries, such as maistries or thekedars, as well as the vulnerabilities inherent in a temporary workforce.

The domestic labour sector is primarily composed of women and operates within the private sphere of households, resulting in a significant lack of regulation by governmental authorities. Employees often face feelings of isolation and confront various specific risks, including prolonged working hours, insufficient remuneration, lack of social protections, and instances of personal mistreatment. This case study enables a comprehensive analysis of the interplay

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between gender, caste, and class dynamics and their impact on employment relations within a context characterised by high individualism and deregulation.

Home-based garment manufacturing represents a crucial element within global supply chains, wherein established firms allocate production tasks to a decentralised network of home-based workers, predominantly comprising women. This methodology enables organisations to minimise costs and navigate around labour regulations. Examining this sector elucidates the impact of global economic dynamics on the most at-risk workers, blurring the lines between formal and informal economies and creating piece-rate systems that intensify self-exploitation.

Through the examination of these three distinct yet illustrative sectors, the study aims to foster a more nuanced and in-depth comprehension of the ways in which exploitation and precarity are expressed and sustained across various institutional and social frameworks within the vast shadow economy of India.

### **Data Collection Methods**

A comprehensive approach to data collection was implemented to ensure methodological triangulation and enhance the validity of the findings. The primary methodologies included semi-structured interviews, participant observation, and documentary analysis.

The data collection methodology was fundamentally anchored in the execution of thorough, semistructured interviews with personnel from the selected sectors. A total of sixty interviews were conducted, with twenty interviews sourced from each respective area. This format provided a flexible framework to enable discussions on critical themes such as recruitment processes, wage structures, working conditions, interactions with employers and intermediaries, access to social welfare, and resistance strategies, while allowing participants to expand on issues they deemed important. Interviews were conducted with a carefully chosen cohort of key informants, encompassing trade union organisers, NGO activists, and labour contractors, to yield a comprehensive understanding of the labour dynamics present within each sector. Ethnographic participant observation was carried out in specified work environments, such as construction sites and community hubs commonly visited by home-based workers, to enhance the data obtained from interviews. This methodology involved the systematic observation of daily work practices, the dynamics of interactions among employees and employers or intermediaries, as well as the examination of informal social

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networks. The observations provided significant contextual information that supported and deepened the understanding of narratives, revealing underlying knowledge and power dynamics that might not be explicitly articulated in interviews.

The analysis of the documentary evidence involved a thorough investigation of relevant materials, which included governmental studies addressing informal employment, policy documents related to social security regulations, publications from labour rights organisations, and local media reports on labour disputes. This study situates the empirical findings within the broader legal and policy landscape, highlighting the disparities between the formal protections established by law and the actual conditions experienced by workers.

### **Ethical Considerations**

In light of the research focus on marginalised populations and the delicate nature of exploitation-related topics, rigorous ethical standards were upheld consistently throughout the research endeavour. The principle of "do no harm" was fundamental. Prior to the commencement of fieldwork, ethical approval was obtained from the relevant institutional review board.

Fundamental ethical considerations included:

**Informed Consent:** All participants were comprehensively informed about the research objectives, the voluntary nature of their participation, and their right to withdraw at any time without facing any consequences. Consent, whether documented in writing or conveyed verbally (with a witness present in cases of limited literacy), was obtained from each participant. Measures were implemented to guarantee anonymity and confidentiality, with all identifying details meticulously removed from transcripts and study results.

**Confidentiality and Data Protection:** All collected data, including audio recordings and transcripts, were meticulously safeguarded and accessible exclusively to the research team. To ensure the confidentiality of all individuals, organisations, and specific locations mentioned in this study, pseudonyms have been systematically assigned. The researcher maintained a critical awareness of the power imbalance between researcher and participants. Interviews were conducted with respect, using non-extractive methods aimed at participant empowerment. Information on labour-rights organisations and available support services was shared to ensure reciprocity.

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**Risk Mitigation:** Interviews were conducted in secure and neutral environments chosen by the participants to ensure their comfort and safety. Measures were implemented to mitigate the risk of re-traumatization for individuals when discussing their difficult experiences related to exploitation or abuse. Incorporating ethical considerations throughout each stage of the research design, this study aimed to produce knowledge in a manner that respects and protects the dignity and safety of the individuals whose experiences are essential to this inquiry.

### **Methodological reporting (SRQR/COREQ)**

Reporting follows SRQR and COREQ elements.

**Sampling:** Maximum-variation purposive sampling across three sectors and three urban sites; inclusion criteria were adult workers with  $\geq 6$  months' sector experience; recruitment via on-site approach, NGO referrals, and snowballing; quotas of 20 workers per sector (n=60) plus 15 key informants.

**Researcher characteristics:** The lead researcher had prior qualitative labour fieldwork experience and conducted all interviews in Hindi/English (with ad hoc interpretation as needed). To mitigate gendered power differentials, a woman peer-facilitator attended some domestic-work interviews.

**Data collection:** Interview guides were piloted; interviews were audio-recorded with consent; when recording was refused (7/60), detailed fieldnotes were taken.

**Transcripts/member checking:** Recordings were professionally transcribed and anonymised; full transcript return was infeasible given mobility and risk, but end-of-interview summaries were read back and two small feedback meetings supported member validation.

**Analysis/rigour:** Iterative open and axial coding with a maintained codebook; a 15% subsample was recoded after two weeks to assess stability; an audit trail, reflexive memos, triangulation, and peer debriefs enhanced dependability; disconfirming cases were sought.

**Saturation:** Sectoral thematic saturation was reached by interviews 17–19 in each sector; three additional interviews per sector confirmed closure.

### **Findings**

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This section outlines the empirical findings derived from the qualitative data collected across the three case study sectors: urban construction, household labour, and home-based garment manufacturing. The analysis is systematically organised to emphasise the common experiences of individuals navigating the complexities of the informal economy. This analysis scrutinises their narratives surrounding labour and survival, uncovers the underlying mechanisms of exploitation, explores their interactions with an often absent state, and highlights their persistent expressions of agency and resistance. The viewpoints of the workers are essential to this chapter, providing a concrete and deep understanding of the human dimensions of precarity.

### **Narratives of Work and Survival in the Informal Sector**

Across various sectors, the opportunity to participate in informal work was rarely a matter of choice; instead, it emerged as a necessity driven by a lack of feasible alternatives, the challenges of rural life, and an immediate imperative for survival. For certain individuals, the shadow economy represents the only feasible avenue for survival, albeit one that is distinctly unstable. Ramesh, a migrant construction worker hailing from Bihar, articulated, "There is a dearth of employment opportunities in the village. Here, we can at least secure sustenance. We are devoid of the educational qualifications and networks necessary for a 'proper' job. This is our fate." This viewpoint encapsulates the constrained choices faced by millions who migrate to urban centres in search of employment. The fundamental nature of work is defined by its inherent instability. Employment typically manifests in an informal and irregular manner, heavily influenced by the preferences of employers, contractors, or the dynamics of market fluctuations. A prevalent motif in the narratives was the persistent unpredictability of income. Sunita, a home-based garment worker, expressed, "In certain weeks, the contractor allocates us a substantial number of pieces to stitch, necessitating relentless labour. Following this, there may be a two-week period devoid of work. We find ourselves in a state of uncertainty regarding the timing of forthcoming assignments. How can one effectively plan for their children's future under such circumstances?" This unpredictability transforms financial planning into a continuous exercise in crisis management, forcing workers to rely on high-interest loans from local moneylenders, which often leads to a recurring cycle of indebtedness.

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In this context, the act of survival emerges as a collective endeavour, heavily reliant on the dynamics of informal social networks. Migrant construction workers inhabit makeshift encampments in proximity to their places of employment, thereby forming communities that are deeply anchored in familial or localities. These networks provide a critical safety net, encompassing support through communal food resources, childcare services, and information pertaining to employment opportunities. Similarly, domestic workers often form informal networks within urban communities to share information regarding exploitative employers or to collectively advocate for enhanced wages. The networks in question, while essential for survival, are inherently fragile and cannot serve as a substitute for traditional social protection mechanisms, thereby underscoring the considerable vulnerabilities present within the shadow economy.

### **Power Dynamics and Exploitation Mechanisms**

The shadow economy is structured by deeply entrenched power imbalances that enable and perpetuate exploitation. An essential component in enabling these relationships is the intermediary, exemplified by the labour contractor (the kedar) within the construction industry, the placement agency for domestic workers, or the subcontractor operating in the textile sector. The intermediaries in question exert control over access to employment opportunities and often entrap workers in conditions that are exploitative in nature. Construction workers frequently obtain a cash advance, known as peshgi, from a contractor as a means to secure their employment for a given season. This advancement imposes a binding obligation upon them to the contractor, a mechanism that bears resemblance to traditional forms of debt bondage.

Mohan, an employee at a construction site in Delhi, articulated, "The contractor allocated 5,000 rupees to my family prior to our departure from the village. Presently, he systematically deducts amounts from my weekly wages, yet the debt seems to be never-ending. Should I express my concerns or attempt to exit this situation, he resorts to threats. I find myself ensnared." Wage theft represents a widespread and systemic manifestation of exploitation. Numerous employees across various sectors have expressed concerns regarding arbitrary deductions, delayed payments, and lack of compensation for completed tasks. In the absence of formalised documentation such as written contracts or payslips, employees find themselves with limited avenues to validate their claims. Malati, a domestic worker, shared her narrative:

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"My employer promised a monthly salary of 4,000 rupees for my duties in cleaning and cooking. Yet, each month, she imposes deductions for minor infractions, such as a broken plate or a ten-minute delay. Last month, I received merely 3,200 rupees. What options do I have? If I challenge this, she will likely terminate my employment and find a replacement without hesitation." This imbalance of power is exacerbated by entrenched social hierarchies; employers and contractors often leverage caste and gender biases to reinforce their dominance and justify exploitative practices.

The conditions under which labour is performed represent a critical dimension of exploitation. Construction sites present considerable hazards, frequently characterised by a deficiency in critical safety equipment, including helmets and harnesses. This inadequacy contributes to a substantial incidence of accidents and fatalities, many of which go unreported. Home-based garment workers endure persistent health issues, such as back pain and declining vision, which can be linked to suboptimal ergonomic conditions and extended durations spent hunched over sewing machines in inadequately lit settings. Domestic workers frequently experience verbal and, at times, physical abuse within private households, settings that remain beyond the reach of labour inspections. The observed conditions are not merely coincidental; rather, they stem from a systemic framework that externalises costs and risks onto the most vulnerable labour segments in pursuit of profit maximisation.

### **Navigating State Absence and Insufficient Social Protection**

For most individuals engaged in the informal economy, the state is viewed as a distant and often exploitative entity, rather than a protector of rights. Despite the extensive framework of labour legislation, there is a notable lack of enforcement within the informal sector. Every worker who was interviewed exhibited a complete absence of formal employment contracts, failed to receive the mandated minimum wage, and were not enrolled in state-sponsored social security programmes, including the Employees' State Insurance (ESI) and the Provident Fund (PF). The complex bureaucracy and extensive documentation requirements make it exceedingly difficult for itinerant workers lacking fixed addresses or formal identification to gain access to social systems.

Asha, a domestic worker with more than 15 years of experience, expressed a common sentiment of disillusionment: "We observe government initiatives for pensions and healthcare on television. However, upon visiting the office, we are asked for numerous documents that

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we do not possess. We find ourselves moving from one desk to another. It appears that these initiatives are not designed for individuals like us." This perception of deliberate exclusion exacerbates mistrust in state institutions. Interactions with governmental representatives, encompassing law enforcement and municipal officials, often reveal patterns of harassment and extortion rather than the provision of assistance. Street vendors, a significant component of the informal economy, regularly face the threat of eviction and the seizure of their goods unless they engage in the practice of paying bribes. A construction worker injured on site expressed his reluctance to interact with authorities: "If we approach the police, they will initially demand money. Subsequently, they will align with the builder, a formidable individual. It is preferable to remain silent and endure the suffering." This governmental failure to protect its most vulnerable citizens creates a void in which exploitation thrives unchecked, thereby enhancing the power of employers and intermediaries. The absence of a robust and accessible grievance redressal mechanism leads to workers experiencing persistent injustices on a daily basis.

### **Agency and Resistance among Precarious Workers**

In light of considerable institutional constraints and disparities in power, it is essential to recognise that individuals operating within the shadow economy exhibit agency rather than merely serving as passive victims. Their resilience is noteworthy, and they engage in various forms of agency and resistance, both on an individual basis and collectively. The manifestations of resistance often exhibit a complexity that is both subtle and prevalent, with the objective of reclaiming a degree of autonomy and dignity within oppressive occupational environments.

Employees may engage in what James C. Scott refers to as "weapons of the weak," including intentionally slowing their work pace, feigning misunderstandings of instructions, or discreetly exercising small freedoms to assert their humanity. A domestic worker may negotiate for surplus food or second-hand clothing, a modest yet significant advantage that supplements a limited income. A home-based worker may adeptly employ fabric remnants to produce items for personal use, representing a nuanced approach to reclaiming value from the production process.

Explicit manifestations of resistance often emerge through collective action, occurring even in the absence of formal trade unions. As previously noted, domestic workers within a

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residential community may collectively choose to pursue a salary increase or to boycott an employer exhibiting particularly abusive behaviour. This informal cohesion, although localised and often ephemeral, can achieve notable success. At a particular instance, construction workers at a site collectively halted their operations in response to the failure to receive wages for an extended period exceeding one month. In the absence of formal union backing, the collective stance of the workers nonetheless exerted sufficient pressure on the contractor to ensure the disbursement of their payments.

In contemporary discourse, innovative organisational frameworks have emerged, often facilitated by non-governmental organisations and civil society actors. These organisations facilitate the formation of self-help groups or worker associations, providing individuals with essential legal literacy, negotiation skills, and a platform for collective bargaining. Organisations representing domestic workers and home-based workers are progressively becoming more influential in various regions, advocating for policy changes and seeking recognition of their constituents as 'workers' entitled to rights. The emergence of these initiatives represents a critical shift from strategies focused solely on individual survival to those that prioritise collective empowerment, thereby challenging the prevailing narrative of the isolated and vulnerable informal worker. Their experience reflects a persistent quest for dignity and justice, even amidst the most marginalised conditions.

## **Discussion**

The findings derived from the ethnographic case studies provide a comprehensive and nuanced understanding of the dynamics involving labour, authority, and subsistence in the context of India's informal economy. This section goes beyond simply presenting findings to engage in a critical analysis of existing theoretical frameworks, exploring how the lived experiences of workers both reinforce and challenge established concepts of precarity, interactions between the state and capital, and labour rights. This discourse aims to synthesise empirical data with comprehensive theoretical frameworks to establish a nuanced analytical structure for comprehending labour exploitation in India, while elucidating its implications for social policy.

## **Reevaluating Precarity within the Indian Context**

The concept of precarity, often associated with the erosion of conventional employment relationships in post-Fordist economies of the Global North, necessitates a re-evaluation

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within the Indian context. For most individuals participating in this research, the concept of secure, formal employment has historically remained an unattainable aspiration rather than a tangible reality. Thus, in the Indian context, precarity represents not merely a deviation from a norm but rather the essential condition of labour itself. The narratives of construction workers, domestic helpers, and street vendors illustrate that precarity is a complex phenomenon, extending beyond mere income instability or the absence of formal employment agreements.

The results suggest that precarity represents a state of considerable social vulnerability. The lack of access to government-sponsored social security mechanisms, such as health insurance, pensions, and unemployment benefits, is a defining feature of informal employment. This absence reallocates the entirety of responsibility for life's uncertainties, encompassing issues such as illness and ageing, to the individual worker and their precarious familial support systems. The concept of social protection serves as an abstraction for individuals whose daily struggles centre on securing their next meal, rendering them particularly vulnerable to disruptions. The insecurity experienced by migratory workers is intensified by their geographical vulnerability, as they often find themselves disconnected from established social safety nets and living in precarious housing conditions with limited access to vital services. Their existence is marked by a profound sense of dispossession, as their rights to the city and its resources are persistently uncertain.

The research underscores the significance of legal and institutional instability. Individuals engaged in the informal economy operate within a legal vacuum, wherein labour regulations are frequently rendered ineffective or systematically overlooked. The failure of institutional frameworks leads to an absence of formal mechanisms for addressing complaints concerning wage theft, wrongful termination, or unsafe working conditions. In this context, the power dynamics between employers and intermediaries are significantly heightened, as these entities operate with considerable latitude, cognisant of the fact that workers have limited or nonexistent legal recourse. The "flexibility" celebrated in neoliberal discourse serves, for these workers, as a euphemism for significant vulnerability, in which the terms of employment can be altered or revoked at the employer's whim. This legal invisibility intensifies the power disparities.

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that are intrinsic to labour exploitation. This study emphasises the psychological dimensions associated with precarity. The ongoing ambiguity regarding prospective earnings, coupled with the daily indignities associated with exploitative labour, engenders significant psychological and emotional distress. Employees expressed feelings of apprehension, hopelessness, and diminished self-worth. This existential discomfort, arising from the inability to plan for the future or exert control over one's career, represents a crucial yet often overlooked aspect of precarity. This state perpetuates a cycle of poverty that restricts individuals' capacity for collective action and diminishes their belief in the possibility of social mobility. Therefore, understanding precarity in India requires recognising it as more than just an economic category; it is a multifaceted experience of social, legal, and existential instability that profoundly influences the lives of countless individuals.

### **The Interaction of State Failure, Neoliberalism, and Labour Exploitation**

This study reveals that the pervasive labour exploitation within India's shadow economy arises from a multifaceted interplay of governmental inadequacies, neoliberal economic practices, and entrenched social hierarchies, rather than being attributable to a singular factor. The role of the state is fundamentally paradoxical; it manifests simultaneously in both absence and presence. The lack of regulatory frameworks and social safeguards for informal workers is strikingly apparent, while the enforcement of stringent measures often disproportionately affects marginalised populations, exemplified by the eviction of street vendors and the existence of collusive arrangements that facilitate unchecked exploitation.

This dynamic can be understood as a manifestation of strategic negligence. The failure of the state to extend its regulatory and welfare framework to encompass the informal sector cannot be attributed merely to oversight or limitations in capacity. Instead, it functions as an implicit support mechanism for the accumulation of capital. By allowing a substantial, unregulated labour force, the state facilitates industries in minimising labour costs, circumventing social security responsibilities, and maintaining considerable flexibility, thereby enhancing profitability and global competitiveness. This aligns with the core tenets of neoliberal policy, which prioritise market-driven growth at the expense of social welfare and labour rights. Within this framework, the informal economy should not be viewed simply as a residual, pre-capitalist sector; instead, it constitutes a vital and functional component of

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contemporary Indian capitalism. It provides a reservoir of low-cost, disposable labour that alleviates economic shocks and manages the dynamics of the formal workforce.

The mechanisms of exploitation revealed in the findings—wage suppression, extended working hours without appropriate overtime compensation, and hazardous conditions—are direct outcomes of the interplay between state and capital. Employers recognise that the costs associated with formal employment can be easily shifted to the employee. Intermediaries, such as labour contractors, thrive within this regulatory void, capitalising on their role in mediating between capital and precarious employment, all the while circumventing accountability for the welfare of workers. This system perpetuates a low-productivity trap, in which enterprises exhibit diminished incentives to invest in technological advancements or skills enhancement, as profits can be more easily realised through the intensive exploitation of labour.

Furthermore, the impact of neoliberal policies is intensified by the deeply rooted social hierarchies of caste and gender present in India. The findings demonstrate the ways in which these social structures are transformed within the informal employment sector to justify and validate exploitation. Dalits and Adivasis find themselves predominantly engaged in the most arduous and least rewarding occupations, while women are relegated to inadequately compensated domestic work or home-based production, where their contributions are often undervalued and neglected. The failure of the state to challenge these discriminatory practices leads to the shadow economy becoming a platform where historical injustices are not only sustained but also intensified. The interplay of governmental oversight, market forces, and social stratification creates a formidable and persistent system of labour regulation that keeps workers in a state of ongoing subordination.

### **Implications for Labour Rights and Social Policy**

The findings of this study hold significant implications for the evolution of workplace rights and social policy within the Indian context. This challenges conventional policy frameworks that view formalisation as a panacea and underscores the need for a more comprehensive reassessment of the state's relationship with its labour force. A purely legislative approach, focused on the registration of informal enterprises or the enhancement of existing labour regulations, is unlikely to be effective unless it addresses the underlying power imbalances and the intentional neglect embedded within state policy.

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It is imperative to shift governmental focus from the formalisation of enterprises to the universalisation of rights and the enhancement of social protection. It is imperative that policies focus on the creation of a universal social safety net accessible to all individuals, regardless of their employment status. This includes comprehensive healthcare coverage, pension benefits, and essential income support. This methodology would delineate the concept of survival from the variabilities inherent in the job market, thereby providing a crucial protective measure against the unpredictability linked to informal employment. The implementation of a social floor would enhance the bargaining power of workers, enabling them to refuse the most exploitative employment conditions.

The prioritisation and innovative re-conceptualisation of fundamental worker rights within the informal sector is of paramount importance. This requires a progression beyond traditional factory inspection towards systems that enable workers and their communities. Strengthening grassroots labour organisations, unions, and worker collectives is crucial, as they often function as the most effective overseers of working conditions and champions for rights within local contexts. It is imperative that legal frameworks undergo modifications to recognise these non-traditional forms of worker organisation and provide the requisite institutional support for effective collective bargaining and conflict resolution.

Furthermore, enabling access to justice through specialised labour tribunals and legal aid initiatives tailored for informal workers is essential to break the cycle of employer impunity. Ultimately, it is imperative that policy directly confront the intersecting social inequities that influence the informal economy. This involves targeted strategies to protect the rights of the most vulnerable groups, such as women, migrant workers, and individuals from marginalised castes. Possible strategies could include the implementation of fair compensation practices, the elimination of discriminatory employment practices, the guarantee of safe and dignified housing for migrant populations, and the offering of targeted assistance for skill development and entrepreneurial initiatives in historically under-represented communities. Addressing these deeply rooted social hierarchies is crucial to labour policy and vital for creating a more just and equitable work environment. The central issue is not solely in the "management" of the shadow economy, but rather in the necessity to reform the political and economic structures that perpetuate widespread precarity and exploitation. This requires a renewed social agreement grounded in the principles of human rights, social solidarity, and the inherent dignity of work.

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### **Limitations and transferability**

Although the multiple–case qualitative design provides rich, cross-sectoral insights, several limits shape inference.

First, the sample is purposive rather than random, and confined to three sectors and selected urban/local sites; findings therefore speak to analytic transferability rather than statistical generalisation.

Second, indicators (e.g., wage delays, peshgi, safety incidents) are self-reported and subject to recall and desirability bias; These limitations were mitigated via triangulation (observation, documents) and a search for disconfirming cases.

Third, while coding followed an inductive–deductive protocol with an audit trail and reflexive memos, qualitative categorisations inevitably involve interpretive judgement.

Fourth, the study does not estimate causal effects of specific policies; instead, it elucidates mechanisms and power relations that can inform future mixed-methods and longitudinal work. These constraints notwithstanding, the sectors were selected for theoretical relevance and variation, enhancing the transferability of mechanisms to comparable informal labour settings in India.

### **Conclusion**

This study aimed to examine the complex interplay between the shadow economy, labour exploitation, and the experiences of precarious workers in India. The study aims to transcend a naive view of informality as a residual category by merging theoretical frameworks with qualitative narratives, thereby placing it as a fundamental and functioning element of India's modern political economy. The findings affirm that the shadow economy is not a uniform entity but a highly stratified domain where labour, authority, and instability converge in intricate and frequently harsh manners, influenced by the principles of neoliberal capitalism, systemic governmental shortcomings, and persistent social hierarchies. The discourse advocates for a redefinition of precarity within the Indian context, characterising it as a multifaceted state of social, legal, and existential insecurity that represents the standard for most of the labour force. This condition is produced by a deliberate strategy of neglect, in which the strategic withdrawal of state regulation and welfare provision enables capital accumulation by maintaining a steady availability of inexpensive and adaptable labour. This

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process is not socially neutral; it perpetuates and exacerbates disparities related to caste, gender, and migratory status, entrenching the most vulnerable groups in cycles of poverty and exploitation.

The principal contribution of this research is its emphasis on an analytical framework that focuses on the dynamics of power. It illustrates that labour exploitation is not simply an unfortunate outcome of underdevelopment but a direct result of imbalanced power dynamics between employer and employee, state and citizen, and dominant and marginalised social groupings. The lack of appropriate social protection and legal redress is not a passive deficiency but an active component in perpetuating this disparity, preventing workers from challenging the conditions of their own exploitation.

Nonetheless, the study also revealed instances of agency and resistance, highlighting that workers are not only passive victims. They navigate and resist their precarious conditions through informal networks, communal solidarity, and emerging forms of collective action. These acts of resistance, albeit frequently localised and fragmented, contain the potential for an alternative political framework for labour. Future research should continue to investigate the dynamics of agency, scrutinising the circumstances in which informal worker organisations can successfully cultivate power and elicit accountability from both the state and capital. Additional examination is required about the influence of emerging economic developments, such as the platform economy and climate-induced migration, on the characteristics of labour and exploitation within the shadow economy.

Ultimately, tackling the severe issues of labour exploitation in India necessitates a fundamental transformation in policy and political resolve. It necessitates a shift from a paradigm that emphasises growth to the detriment of human dignity, towards a new social compact that ensures universal rights and social security for all workers, irrespective of their status. Decent labour can only be extended from the fortunate few to the many who labour in obscurity by addressing the systemic origins of precarity and contesting the power imbalances that uphold it.

### **Declarations**

**Funding.** No funds, grants, or other support were received for this study. **Conflict of interests.** The author declares no conflict of interests. **Ethics approval.** The study complied with human-subjects principles of the Belmont Report (respect for persons, beneficence, justice) and

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applicable IRB/ethics-committee requirements; informed consent and confidentiality safeguards were implemented. Consent to participate. Informed consent was obtained from all participants; verbal consent was documented where literacy constraints applied. Consent for publication. Participants consented to the publication of anonymised quotations. Data availability. Owing to the sensitivity of interviews and ethics restrictions, full transcripts are not publicly available. De-identified excerpts may be shared on reasonable request, subject to ethics approval.

Authors' contributions. All work — conceptualisation, methodology, investigation, formal analysis, writing original draft, and writing review and editing — was undertaken by the author.



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