

Wage Floors Without Walls: Spatial Legibility, Enforcement Architecture and the Stratification of Minimum Wage Protection A Theoretical Account, with Application to Migrant Women in Indian Domestic Work

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Abstract

Theories of group wage inequality locate the mechanism either in the employer (taste-based discrimination), in the employer's information about the worker (statistical discrimination), or in the worker's endowments (human capital). Each therefore treats the statutory wage floor as a group-neutral instrument whose reach is limited only by the state's general enforcement capacity. This paper develops a different account. It argues that the binding constraint on the wage floor is the observability of the site of production, that this observability is distributed along ascriptive lines, and that the wage floor is consequently a group-conditioned instrument even when the statute is written in perfectly universal terms. We formalise a household employer's compliance decision when detection depends on site visibility, and derive a critical visibility threshold below which no statutory minimum binds. Five results follow. The threshold is increasing in the statutory wage, so uprating the floor pushes additional workers out of protection. Each site therefore has a collapse point beyond which the paid wage falls discontinuously back to the monopsony level, leaving the employer an opacity rent that rises with the statute. The two channels through which ascriptive position operates, site opacity and foreclosed exit, are complements rather than substitutes, so disadvantage compounds. The resulting wage gap is observationally equivalent, in conventional decompositions, to taste-based discrimination, although no employer in the model holds any discriminatory preference. Finally, the level of the floor and the legibility of the transaction are strict complements in policy space, which yields a sequencing rule: legibility first, level second. We apply the framework to migrant women from Bihar, Jharkhand and West Bengal working in Indian metropolitan households, and anchor it comparatively against the United States before 1974, the Gulf sponsorship systems, and the Brazilian, Uruguayan and South African reforms that moved enforcement from the premises to the payment. The paper closes with an empirical agenda and four costed policy instruments.

JEL classification: J38; J71; J42; J46; K31; O17

1. Introduction

A minimum wage is an instruction addressed to employers and a promise addressed to workers. Between the instruction and the promise sits an enforcement technology, and it is the properties of that technology, rather than the level of the statute, that determine who is actually covered. This much is uncontroversial. What has not been theorised is that the enforcement technology in use almost everywhere is spatial: the labour inspector is empowered to enter a workplace, examine a register and interview those present. Where the workplace is a factory, a shop or a building site, this technology functions imperfectly but intelligibly. Where the workplace is another family's living room, it does not function at all.

The claim of this paper is that this is not a marginal administrative detail but a mechanism of stratification. If the observability of the site of production is what makes a wage floor binding, and if the allocation of workers across sites of differing observability is itself structured by caste, gender, migration

status and language, then the wage floor is a group-conditioned instrument. It reaches some groups fully, others partially, and some not at all, and it does so without any employer in the economy holding a discriminatory preference and without any difference in worker productivity. The instrument is universal on its face and stratified in its incidence.

The empirical setting that motivates the argument is Indian paid domestic work, and within it the position of women who migrate from Bihar, Jharkhand and West Bengal into metropolitan households in Delhi, Gurugram, Mumbai and Bengaluru. Their situation combines the relevant features in an unusually pure form. The work is performed inside a private dwelling, which the constitutional order treats as a protected space rather than as a site of production. Entry into the occupation runs through kin networks and placement intermediaries rather than through any registered labour market. A substantial part of the workforce is live-in, so that the employment contract and the housing contract are the same contract, and exit from one is exit from the other. Caste shapes not only entry but the internal division of tasks, and therefore which parts of the dwelling a worker occupies and how far her presence is acknowledged at all. Several Indian states have notified minimum wages for domestic work. There is no serious claim anywhere that those notifications bind.

We take this situation and ask what a formal theory of it would look like. The model is deliberately spare. A household employer hires a fixed quantum of labour. The state sets a floor. Non-compliance is detected with a probability that is increasing in the visibility of the site, and carries a penalty. The employer complies when the expected sanction exceeds the saving from underpayment. From this we derive a critical level of site visibility. Above it the floor binds and the wage tracks the statute one for one; below it the floor is a dead letter and the wage rests at the monopsony level.

Five results follow, and they are not the results that intuition supplies. First, the critical visibility is increasing in the statutory wage: the more ambitious the floor, the larger the saving from evading it, and therefore the more visible a site must be before compliance is rational. Uprating the minimum wage mechanically expands the set of workers for whom it does not bind. Second, each site accordingly has a collapse point, a statutory level beyond which the employer abandons compliance and the paid wage falls discontinuously back to the monopsony wage. The pass-through of the statute to actual wages is therefore not attenuated but truncated. Third, the two channels through which group position operates, the opacity of the site and the foreclosure of exit, are complements: the live-in arrangement that hides the work is the same arrangement that destroys the outside option, so a single institutional form lowers detection and lowers the reservation wage simultaneously, and the resulting disadvantage exceeds the sum of the two channels considered separately. Fourth, the wage gap this generates is observationally equivalent, under a standard decomposition, to taste-based discrimination, even though the model contains no discriminatory employer; the entire gap would be recorded as unexplained. Fifth, the statutory level and the legibility of the transaction are strict complements in policy space. Below the threshold the marginal return to raising the floor is exactly zero, while the marginal return to raising legibility is strictly positive. This delivers a sequencing rule that runs against the ordinary direction of wage-board politics: make the transaction legible first, then raise the level.

The theoretical apparatus is drawn from stratification economics, from the sociology of state legibility, and from the Bourdieusian account of misrecognition, and the paper's methodological ambition is to make these speak to one another in a form an economist can use. Stratification economics supplies the premise that group position is structural rather than preferential and that the relevant unit of analysis is the group's relative standing rather than the individual's endowment. The literature on legibility supplies the observation that states see through simplifying grids and that some social spaces are deliberately kept outside those grids. Bourdieu supplies the mechanism by which an employment relation inside a household is habitually redescribed as a familial one, a redescription that is not decorative but productive: it is precisely what makes the relation invisible to the grid. The contribution of the model is to give that redescription a parameter and a sign. Misrecognition enters the employer's problem as a reduction in the detection probability, and it can therefore be priced.

The paper is organised as follows. Section 2 states the research gap and positions the argument against three literatures that have not met. Section 3 develops the theoretical lens at length, since the burden of a theoretical paper is carried there. Section 4 presents the model and the five propositions, with proofs in Appendix A. Section 5 examines extensions: partial compliance and payment in kind, endogenous penalties under complaint-based enforcement, intermediaries as suppliers of partial legibility, and the two-sector general equilibrium. Section 6 anchors the mechanism comparatively. Section 7 turns to policy design. Section 8 sets out the empirical implications and the identification strategies each would require. Section 9 states the limits of the argument and Section 10 concludes.

2. The research gap

Three bodies of work bear on the question and none of them answers it.

2.1 The economics of minimum wage enforcement

The enforcement literature has long since abandoned the assumption of perfect compliance. Ashenfelter and Smith (1979) established that non-compliance is an economic decision rather than an administrative failure, and that the compliance rate responds to the expected penalty in the way Becker's (1968) theory of deterrence predicts. Basu, Chau and Kanbur (2010) showed that a government facing costly enforcement may rationally choose not to enforce, and that this choice is anticipated by employers, so that the announced floor and the effective floor diverge in equilibrium. Ronconi (2010), Almeida and Carneiro (2012) and Kanbur and Ronconi (2018) established empirically that enforcement intensity varies enormously across jurisdictions and firms and that this variation does much of the work usually attributed to the statute itself.

The limitation, for present purposes, is uniform across this literature. Enforcement is modelled as varying with characteristics of the firm, chiefly size, formality and sector, or with characteristics of the state, chiefly inspectorate budget and political will. The worker's group identity enters, if at all, as a correlate of firm type. No model in this tradition makes the physical and legal character of the workplace

the carrier of the enforcement constraint, and none draws the implication that the enforcement parameter is therefore distributed across ascriptive groups. Dinkelman and Ranchhod (2012), studying South African domestic workers, come closest to the empirical question and find that wages rose after the sectoral minimum despite negligible formal enforcement, which they attribute to a norm-setting or lighthouse effect. Their finding is important and we return to it, but it is a finding about what happens when the model's mechanism is weak, not a theory of the mechanism.

2.2 The economics of discrimination and stratification

Becker (1957) located group wage gaps in employer preference, Arrow (1973) and Phelps (1972) in employer information about worker productivity, and the human capital tradition in worker endowments. Stratification economics (Darity 2005; Darity, Hamilton and Stewart 2015) rejected the individualist premise of all three and insisted that groups act to preserve relative position, that the relevant inequality is intergroup rather than interpersonal, and that persistent disparity requires a structural rather than a preferential explanation. Deshpande (2011) and Thorat and Newman (2007) established the analogous case for caste in India.

Yet even in the stratification tradition the mechanisms canvassed are ownership of assets, access to credit, occupational closure, residential segregation and social network exclusion. The regulatory apparatus of the labour market is generally treated as a neutral backdrop against which stratifying forces operate, or as a potential remedy. It is not itself theorised as a stratifying instrument. That is the space this paper occupies: a claim that the enforcement architecture of protective labour legislation is a mechanism of intergroup inequality in its own right, and not merely a weak corrective to inequality produced elsewhere.

2.3 The sociology and political economy of domestic work

The scholarship on paid domestic labour has documented the invisibility of the occupation with great care. Palmer (1989) and Ray and Qayum (2009) traced how the employment relation inside a household is culturally recoded as familial dependence, and how that recoding disarms the worker's claims. Neetha and Palriwala (2011) analysed the absence of applicable law in the Indian case. Agarwala (2013) examined how informal workers in India nonetheless construct political claims on the state. The social reproduction literature (Folbre 2001; Bhattacharya 2017; Fraser 2016; Mezzadri 2019) situated the occupation within the broader organisation of care. Shah and Lerche (2020) connected seasonal migration in eastern India to the invisible economies of care at the destination.

This literature names the phenomenon the present paper formalises. What it does not supply is a wage determination result. Invisibility is described as a condition of the occupation and as a source of vulnerability, but it is not connected to a compliance decision, and therefore generates no prediction about how the paid wage responds to a change in the statute. Consequently the policy conclusions drawn from it tend to be exhortative rather than instrumental.

2.4 The gap stated precisely

No existing account makes the spatial and legal character of the site of production the mechanism through which ascriptive group position is transmitted into the wage. The enforcement literature has the compliance decision but not the group. The stratification literature has the group but not the enforcement architecture. The domestic work literature has the site but not the wage determination. Table 1 sets out the positioning.

Table 1
Positioning of the argument against three literatures.

Literature	Core claim	What it leaves unexplained	What this paper adds
Minimum wage enforcement (Ashenfelter & Smith; Basu, Chau & Kanbur; Ronconi; Kanbur & Ronconi)	Compliance is an economic choice; the effective floor differs from the announced floor.	Enforcement varies by firm and state capacity, never by the legal character of the site, and is never group-distributed.	Makes site visibility the enforcement parameter and shows it is ascriptively allocated.
Discrimination and stratification economics (Becker; Arrow; Phelps; Darity; Deshpande)	Group wage gaps arise from preference, information, endowment, or structural intergroup contestation.	Treats protective regulation as neutral backdrop or remedy, not as a stratifying instrument.	Derives a group wage gap from a universal statute with no discriminatory agent anywhere in the model.
Domestic work and social reproduction (Palmer; Ray & Qayum; Neetha & Palriwala; Folbre; Fraser)	The household workplace is culturally recoded as familial; the worker is rendered invisible.	Invisibility is a description, not a parameter; no prediction about wage response to the statute.	Converts misrecognition into a detection probability and generates signed comparative statics.

The gap is not a gap in coverage. All three literatures are mature. It is a gap in articulation: the three explain adjacent parts of a single mechanism and have not been joined, and because they have not been joined the central perverse result, that raising the floor can widen the gap, has not been derived.

3. Theoretical lens

A theoretical paper earns its keep in this section, so we develop the lens carefully rather than gesturing at it. The argument requires four moves: from preference to structure, from structure to observability, from observability to the legal form of the dwelling, and from the legal form to the symbolic work that sustains it.

3.1 From preference to structure: the stratification premise

The neoclassical theories of discrimination share a feature that is easy to miss because it is so deeply embedded. In each, the mechanism runs through somebody's mental state. Becker's employer has a distaste and pays for it. Arrow's and Phelps's employer has a belief about the conditional distribution of

productivity and acts on it. The human capital account dispenses with the employer's mental state but substitutes the worker's past decisions. In all three the remedy is to correct the mental state or the endowment: change preferences, improve information, invest in skills.

Stratification economics begins elsewhere. Its premise is that groups occupy positions in a structure, that positions are defended, and that the persistence of disparity across generations and across changes in individual preference indicates a mechanism located in institutions rather than in heads (Darity 2005). The analytical payoff of that premise is that one can ask a question the neoclassical theories cannot formulate: could a group wage gap be generated by an institution that nobody designed to discriminate and that nobody administers with discriminatory intent? Our answer is yes, and the model in Section 4 is a constructive demonstration.

We adopt the stratification premise in a specific form. Let the group be defined not by a taste that employers hold about it but by its allocation across sites of production. Ascriptive position determines the channel of entry into work; the channel determines the site; the site determines the observability of the transaction; and observability determines whether protective law applies. The group is thereby produced as an economic category by the interaction of two things that are separately innocuous: a universal statute and a spatially organised enforcement technology.

3.2 From structure to observability: legibility and the limits of the grid

Scott (1998) argued that states govern by simplification, constructing standardised grids through which populations and activities become knowable and therefore administrable. Cadastral surveys, permanent surnames, standardised weights and the factory register are instances of the same operation. Labour inspection is a textbook case: the inspectable workplace, the wage register and the muster roll are simplifying devices that render the employment relation visible to the state.

The usual critical reading of Scott emphasises what the grid destroys or misrepresents. We are interested in the complementary observation. Every grid has a complement, a region that it does not reach, and that region is not random. In the labour field the complement is the dwelling. What is distinctive, and what makes the case theoretically rich rather than merely unfortunate, is that the illegibility of the dwelling is not a residue of weak state capacity. It is constituted and actively protected by the same liberal legal order that issues the wage floor. The inviolability of the home is among the oldest protections in liberal constitutionalism, and in India it has been substantially strengthened. The recognition of privacy as a fundamental right in *K. S. Puttaswamy v. Union of India* (2017) reinforces, as a matter of constitutional principle, precisely the barrier that keeps the domestic workplace outside the inspectorate's reach.

This produces a genuine antinomy rather than a mere policy failure, and it is worth stating it in that form because it disciplines the policy discussion later. The liberal state issues a universal wage floor and simultaneously guarantees the inviolability of the space in which a large, ascriptively defined segment of

the workforce performs its labour. The second guarantee disables the first. One cannot resolve this by advocating warrantless entry into homes, both because the constitutional cost is prohibitive and because, as Section 7 argues, the workers concerned would bear the cost of any such regime. The resolution must come from changing what the state looks at, not from expanding where it may enter. That is the analytical origin of the transaction-based architecture we propose.

3.3 The site and the caste order: graded access to space

The claim so far is that the dwelling is opaque. The stratification claim requires more: that allocation to opaque sites is structured by ascriptive position. Two mechanisms do this work in the Indian case.

The first is the channel of entry. Ambedkar's (1936) analysis of caste as a system of graded inequality and, crucially, as an endogamous division not of labour but of labourers, anticipates the point that occupational allocation under caste is not a matter of comparative advantage but of assignment. Entry into paid domestic work runs through kin networks in source districts and through placement intermediaries who recruit within them. The channel is not open. It matches a particular ascriptive profile, in our setting overwhelmingly women from Scheduled Caste, Scheduled Tribe and backward-caste households in the eastern migration belt, to a particular category of workplace.

The second is the internal division of tasks. The caste order does not merely place a worker in a household; it structures her movement within it. The ritual distinction between tasks involving cooking and those involving cleaning, washing and sanitation continues to organise who performs what and which parts of the dwelling a worker may enter. The worker performing the tasks marked as polluting occupies the most peripheral spaces and is the least acknowledged as an employee. Site visibility, in other words, is graded within the household as well as across workplaces, and it is graded along the same axis as caste. This gives the model's key variable a specifically Indian microfoundation, and it explains why we should expect within-occupation as well as between-occupation variation in compliance.

Migration compounds both. A worker who has migrated from Bihar to Gurugram has no local kin, frequently no independent housing, no local language advantage in a Hindi-Haryanvi employer's household if her first language is Maithili or Santali, and no relationship with the local labour office. Srivastava (2011) and Breman (1996) document the general form of this dependence for circulating labour in India. Its relevance here is that each element of it reduces the probability that the employment relation will ever be presented to any authority.

3.4 Misrecognition as a parameter: the Bourdieusian move

The final component of the lens is the one that converts sociology into economics. Bourdieu (1977, 1990) argued that certain economic relations sustain themselves by being systematically misrecognised, that is, experienced and described as something other than what they are, with the misrecognition being a condition of the relation's reproduction rather than an error about it. The gift, in his analysis, is an exchange that must not be acknowledged as exchange in order to function as a gift.

Paid domestic work in India is a limiting case. The relation is habitually described by employers, and often by workers, in the idiom of kinship and moral obligation rather than of employment: she is like family, she has been with us for years, we look after her. Ray and Qayum (2009) documented the vocabulary in detail. The standard critical reading treats this as ideological cover for exploitation, which it is, but that reading stops one step short of the analytically useful point.

The useful point is that misrecognition has an enforcement consequence and therefore a price. A relation described as kinship is not registered as employment, does not generate a wage slip, does not appear in any return, and is not reported by either party to any authority. Misrecognition is thus a technology for reducing the visibility of the transaction. In the model of Section 4, it enters as a downward shift of the detection function $p(v)$. This is the paper's principal methodological claim: a Bourdieusian category is not merely an interpretive overlay on an economic model but can be given a location in the model's parameter space, a sign, and a comparative static. Once it has a sign, it can be contested empirically, and once it has a price, one can ask what it would cost to dismantle it.

We label the object that results a legibility sink: a site of production whose observability is bounded above at a level below what any feasible enforcement regime requires, where the bound is produced jointly by the legal status of the space and by the symbolic redescription of the relation within it. The employer's retained surplus we label the opacity rent. Figure 1 assembles the full transmission.

4. The model

4.1 Environment

Consider a household employer h who engages one worker from group g for a fixed quantum of labour L . The fixity of L is a substantive assumption rather than a convenience: domestic employment in the Indian setting is contracted in tasks and hours that are set by the household's routine and are inelastic to the wage over the relevant range. We relax it in Section 5.1. The worker's marginal revenue product, in the household's own valuation of the service, is m per unit of labour, with mL strictly exceeding the total wage bill at all wages considered, so that the employment relation is always viable.

The state sets a statutory floor $\bar{w}$. In the absence of any statute the wage is determined by bilateral bargaining in which the household has monopsony power, since the worker's outside options are limited by distance from her home district, by the absence of local information, and, in the live-in case, by the joint supply of housing and employment. Write the resulting monopsony wage as

$$w^* = m \cdot \varepsilon / (1 + \varepsilon) \quad (1)$$

where ε is the elasticity of the worker's labour supply to the household (Manning 2003). As ε falls the mark-down deepens and w^* falls toward the worker's bare reservation level; as ε becomes large, w^* approaches m .

Each site has a visibility $v \in [0, 1]$, interpreted as the probability-weighted extent to which the employment relation is observable to any authority: whether it is registered anywhere, whether payment leaves a trace, whether third parties can observe the terms, and whether the worker can present the relation to an official without losing the job. Non-compliance is detected with probability $p(v)$, where p is strictly increasing and concave with $p(0) = 0$. If detected, the employer pays the arrears $(\bar{w} - w)L$ and a penalty F , where F includes statutory fine, procedural cost and any reputational loss. Table 2 collects the notation.

Table 2
Notation.

Symbol	Interpretation	Restrictions
$\bar{w}$	Statutory minimum wage per unit of labour	$\bar{w} > w_\emptyset$
$w_\emptyset$	Monopsony wage in the absence of a binding floor	Given by Eq. (1)
w	Wage actually paid	Endogenous
L	Quantum of labour contracted	Fixed in the baseline
v	Visibility of the site of production	$v \in [0, \bar{v}]$ where $\bar{v}$ is the ceiling attainable at site type e
$p(v)$	Probability that non-compliance is detected	$p' > 0$, $p'' < 0$, $p(0) = 0$
F	Penalty on detection, over and above arrears	$F \geq 0$
ε	Elasticity of the worker's labour supply to the household	$\varepsilon > 0$
Δ	Saving from non-compliance, $(\bar{w} - w_\emptyset)L$	$\Delta > 0$
v^*	Critical visibility at which the employer is indifferent	Defined in Proposition 1
R	Opacity rent retained by the employer	$R \geq 0$
τ	Traceability of the wage transaction	$\tau \in [0, 1]$; policy instrument

4.2 The compliance decision

The employer chooses between paying the statutory wage and paying the monopsony wage and accepting the risk. Since the expected cost of non-compliance is strictly increasing in the shortfall, and since any wage strictly between $w_\emptyset$ and $\bar{w}$ is dominated (it incurs the full detection risk while forgoing part of the saving), the employer's problem reduces to a binary choice. Profits under the two options are

$$\Pi_\emptyset = mL - \bar{w}L \quad (2)$$

$$\Pi_{\bar{w}} = mL - w_{\bar{w}} L - p(v) [(\bar{w} - w_{\bar{w}}) L + F] \quad (3)$$

Writing $\Delta = (\bar{w} - w_{\bar{w}})L$ for the saving from non-compliance, the employer complies if and only if $\Pi_{\bar{w}} \geq \Pi_{\bar{w}}$, which reduces to the following condition, stated as our first result.

Proposition 1

(the visibility threshold)

The household employer honours the statutory floor if and only if

$$p(v) \geq \Delta / (\Delta + F) \quad (4)$$

Equivalently, there exists a critical visibility $v^* = p^{-1}[\Delta/(\Delta + F)]$ such that the floor binds for all sites with $v \geq v^*$ and is inoperative for all sites with $v < v^*$. For sites in the second class the paid wage is $w_{\bar{w}}$ irrespective of the statute.

The interpretation of (4) is worth dwelling on, because it is the hinge of the paper. The right-hand side is the share of the total exposure from detection that consists of arrears rather than punishment. If the penalty F is zero, the right-hand side is one and compliance requires certain detection: an enforcement regime that merely recovers unpaid wages when caught cannot induce compliance at any detection probability below unity. As F grows large the right-hand side falls toward zero and even a barely visible site complies. The whole question of coverage is thus a question about the joint configuration of the detection technology and the penalty, and the statutory level enters only through Δ . Figure 2 displays the threshold and its displacement.

4.3 The perverse effect of uprating

Proposition 2

(the critical visibility is increasing in the statutory wage)

Differentiating the defining relation $p(v^*) = \Delta/(\Delta + F)$ with respect to $\bar{w}$, and using $\partial\Delta/\partial\bar{w} = L$,

$$\partial v^*/\partial \bar{w} = L F / [(\Delta + F)^2 p'(v^*)] > 0 \quad (5)$$

$$\partial v^*/\partial F = - \Delta / [(\Delta + F)^2 p'(v^*)] < 0 \quad (6)$$

Raising the statutory minimum therefore raises the visibility a site must attain before its employer finds compliance rational. The set of sites for which the floor is inoperative expands strictly with the level of the floor. Raising the penalty has the opposite effect. The two instruments are not substitutes in any simple sense: a rise in the floor unaccompanied by a rise in the penalty is, for the marginal site, a de-protecting act.

Proposition 3

(the collapse point and truncated pass-through)

Rearranging (4) in terms of the statutory wage rather than visibility, compliance obtains if and only if $\bar{w} \leq \bar{w}^*(v)$, where

$$\bar{w}^*(v) = w^* + p(v) F / \{ [1 - p(v)] L \} \quad (7)$$

The wage actually paid is therefore the piecewise function

$$w(\bar{w}, v) = \bar{w} \text{ if } \bar{w} \leq \bar{w}^*(v), \text{ and } w^* \text{ if } \bar{w} > \bar{w}^*(v) \quad (8)$$

Three features of (8) deserve emphasis. First, pass-through is not attenuated but truncated: up to the collapse point the statute passes through one for one, and beyond it the pass-through is zero. Second, the paid wage is discontinuous in the statutory wage, falling by the full accumulated gain at $\bar{w}^*$. A legislature that raises the floor past a site's collapse point does not merely fail to help the worker at that site; it withdraws whatever protection she previously had. Third, $\bar{w}^*$ is strictly increasing in p and in F and strictly decreasing in L , so that larger engagements, which offer larger absolute savings from evasion, collapse earlier. Figure 3 plots the schedules.

4.4 Why the two channels compound

So far visibility and the monopsony mark-down have been treated as separate parameters. The institutional facts of the case say otherwise, and recognising the connection strengthens the result considerably.

Proposition 4

(the reinforcement result)

Let θ index the degree to which the employment relation is enclosed within the household: θ rises as the arrangement moves from part-time work for several employers, through full-time single-employer work, to live-in employment in which housing and employment are jointly supplied. Suppose, as the institutional evidence indicates, that $v'(\theta) < 0$ and $\varepsilon'(\theta) < 0$: enclosure reduces both observability and the elasticity of exit. Then

$$d\bar{w}^*/d\theta = \left[\partial \bar{w}^* / \partial p \right] p'(v) v'(\theta) + \left[\partial \bar{w}^* / \partial w^* \right] (dw^*/d\varepsilon) \varepsilon'(\theta) < 0 \quad (9)$$

since both $\partial \bar{w}^* / \partial p$ and $\partial \bar{w}^* / \partial w^*$ are positive and both derivatives with respect to θ are negative. Enclosure thus lowers the collapse point through two reinforcing channels. The substantive content of the proposition is that the live-in arrangement is not merely one among several features of the occupation. It is the institutional form that simultaneously maximises opacity and minimises exit, and it is therefore the configuration in which statutory protection is most completely void. The same observation explains why partial reforms that address only one channel disappoint. Providing an

alternative to employer-supplied housing raises ε but leaves v unchanged; publicising the wage notification raises neither.

A corollary follows directly. Because both channels are set by the same ascriptive allocation, the group-level differential in $\bar{w}$ exceeds what either channel would generate alone. Disadvantage compounds rather than adds, which is precisely the structural claim stratification economics makes and which the model here derives rather than assumes.

4.5 The opacity rent and the direction of transfer

Proposition 5

(the rent is increasing in the statute)

Define the opacity rent at a site as the employer's retained surplus attributable to non-enforcement,

$$R(v, \bar{w}) = (\bar{w} - w^*) L \text{ if } v < v^*, \text{ and } 0 \text{ otherwise (10)}$$

Let group g have visibility distributed with density f on $[0, \bar{v}]$. Aggregate rent is $\Omega = (\bar{w} - w^*) L F(v^*)$, where F is the corresponding distribution function. Then

$$d\Omega/d\bar{w} = L F(v^*) + (\bar{w} - w^*) L f(v^*) (\partial v^*/\partial \bar{w}) > 0 \text{ (11)}$$

Both terms are positive. The first is intensive: for households already outside the reach of the statute, a higher floor enlarges the gap between what is owed and what is paid. The second is extensive: by Proposition 2 the higher floor pushes additional households out of compliance, and each of them begins to earn a rent. An uprating of the minimum wage therefore transfers additional unrealised surplus to precisely the employers of the least protected group. This is an uncomfortable result and we state it carefully: it is not an argument against minimum wages, which for the covered population do exactly what they are intended to do. It is an argument that the level instrument alone, applied to a stratified enforcement architecture, has a regressive component that is invisible in the aggregate statistics.

4.6 Observational equivalence with taste discrimination

Proposition 6

(the decomposition result)

Consider two workers with identical productive characteristics, one employed at a legible site with $v \geq v^*$ and one at a legibility sink with $v < v^*$. The wage gap is $G = \bar{w} - w^* > 0$, and by Proposition 2, $dG/d\bar{w} = 1 > 0$. Now suppose an analyst observes these workers in survey data and performs a standard Oaxaca-Blinder decomposition on observable characteristics. Since the two workers are identical in every included covariate, the entire gap enters the unexplained residual, which the literature conventionally reads as an upper bound on discrimination.

Yet no agent in this model discriminates. Employers have identical preferences and identical beliefs about worker productivity; the statute is universal; the inspectorate applies a uniform rule. The gap is produced entirely by the interaction of a universal rule with a spatially stratified detection technology. Two implications follow. For empirical work, the residual in caste and gender wage decompositions in occupations with heterogeneous site visibility is not interpretable as taste discrimination without an explicit control for the enforcement channel, and the omission will bias the discrimination estimate upward. For policy, interventions aimed at employer attitudes will have no effect whatever on this component of the gap, whereas interventions aimed at the detection technology will eliminate it. Distinguishing the two is not an academic nicety; it determines whether a programme works.

4.7 Comparative statics summarised

Figure 4 assembles the comparative statics of the critical visibility. The three curves trace v^* against the statutory floor for weak, moderate and strong penalties. The horizontal line marks $\bar{v}$, the upper bound on visibility attainable inside a private dwelling under the existing architecture. Where a curve crosses that line, compliance ceases to be attainable for the group at any level of enthusiasm on the part of the wage board, and the statute ceases to be a wage instrument and becomes a rent transfer.

Three policy-relevant readings of Fig. 4 may be noted now and are developed in Section 7. Raising the floor moves along a curve, towards the bound. Raising the penalty shifts to a lower curve, buying room. Raising attainable visibility raises the bound itself, and is the only move that does not eventually exhaust itself.

5. Extensions and robustness

5.1 Partial compliance, payment in kind and the measurement of the floor

The baseline reduces the employer's choice to a binary one by assuming detection risk is invariant to the size of the shortfall. Suppose instead that detection probability rises with the shortfall, $p = p(v, \bar{w} - w)$ with the second argument entering positively, on the reasoning that a grossly underpaid worker is more likely to complain. The employer's problem becomes interior and the paid wage rises continuously with v , but the threshold structure survives in the form of a critical visibility below which the interior solution lies at the monopsony wage. Proposition 2 is unaffected in sign.

A more consequential extension concerns payment in kind. In live-in domestic employment a substantial part of remuneration takes the form of accommodation, meals and used clothing, and Indian minimum wage practice permits some of this to be counted toward the floor. Formally, let a fraction κ of the statutory obligation be dischargeable in kind at a cost to the employer of φ per rupee of imputed value, with $\varphi < 1$ because the marginal cost of feeding an additional person in an existing household is below market value. Then the effective saving from nominal compliance is $\Delta + \kappa(1 - \varphi)\bar{w}L$, which strictly exceeds Δ . In-kind provision therefore raises the right-hand side of (4), raises v^* , and lowers the collapse

point. The policy implication is direct and runs against common practice: permitting in-kind discharge of the minimum wage in enclosed employment does not humanise the arrangement, it enlarges the legibility sink.

5.2 Complaint-based enforcement and the endogeneity of the penalty

Where premises cannot be inspected, enforcement in practice relies on the worker's complaint. This makes both p and F endogenous to the worker's position rather than exogenous instruments of the state. Let the worker complain if the expected gain from complaining exceeds the cost, where the cost includes the loss of employment with probability approaching one and, for live-in workers, the simultaneous loss of housing. Write the worker's complaint probability as $c(\epsilon, \theta)$, increasing in the elasticity of exit and decreasing in enclosure. Effective detection is then $p^\# = p(v) c(\epsilon, \theta)$, and effective penalty $F^\# = F$ multiplied by the probability that a complaint is pursued to conclusion, which for a migrant without local documentation or language is low.

The substitution $p^\#$ for p in (4) sharpens every result: the same enclosure parameter θ that lowers v and ϵ now also lowers c , so the reinforcement of Proposition 4 operates through three channels rather than two. It also identifies the deep flaw in complaint-based enforcement as a design. A complaint mechanism prices access to the law at the value of the job, and it does so most steeply for exactly those workers whose jobs are hardest to replace. It is therefore not a weak version of inspection; it is an enforcement technology whose incidence is the inverse of need.

5.3 Intermediaries as suppliers of partial legibility

Placement agencies are usually treated in this literature as predatory, and much of the evidence supports that reading: they charge workers, retain documents, and in the worst cases traffic. The model nonetheless identifies a countervailing property. An agency-placed worker is one whose engagement exists in somebody's record. The agency has a name, an address and, where registered, a regulatory relationship with the state. It thereby raises v above the level attainable through kin-network placement, without any change in the dwelling.

This yields a non-obvious prediction, and one we regard as a priority for empirical testing: conditional on task and hours, agency-placed domestic workers should display higher compliance with notified minimum wages than kin-placed workers, and the differential should be increasing in the degree of agency regulation. If the prediction fails, the theory is in difficulty. If it holds, it implies that the regulation of intermediaries is a legibility instrument and should be designed as one, with registration obligations and record retention as the operative provisions rather than fee caps alone.

5.4 General equilibrium: the two-sector spillover

The partial equilibrium treatment holds the monopsony wage fixed. In a two-sector setting of the kind analysed by Welch (1974) and Gramlich (1976), a binding floor in the covered sector displaces labour

into the uncovered sector and depresses the wage there. The present framework alters the standard result in one respect that matters. In the classical two-sector model the sector boundary is defined by industry or firm size, and is in principle traversable. Here the boundary is defined by the legal character of the site and by the ascriptive allocation to it, and is therefore substantially closed. Workers displaced from covered employment can enter the domestic sector, but domestic workers cannot readily move the other way. The spillover is asymmetric, and the uncovered wage falls by more than a symmetric model predicts.

Dinkelman and Ranchhod (2012) provide the most important empirical counterweight to the whole argument, finding that South African domestic workers' wages rose after the sectoral determination despite minimal enforcement. The model accommodates this through a mechanism it does not itself contain: the notified wage may serve as a coordination device or reference point in bilateral bargaining, the lighthouse effect documented by Boeri, Garibaldi and Ribeiro (2011) for Brazil. Formally this operates by raising the worker's reservation wage rather than by altering p , and it is therefore not an enforcement effect. Two observations follow. Such an effect requires that the notified wage be known to workers, which in the Indian case is doubtful and is itself a legibility question. And a reference-point effect is bounded by the employer's willingness to pay, whereas an enforcement effect is bounded by the statute, so the two are not substitutes at high floors. The honest statement of the model's scope is that it predicts the enforcement component of pass-through, and that where norms do independent work the observed pass-through will exceed the model's prediction.

6. Comparative anchoring: the mechanism outside India

A theory built on one case invites the charge of parochialism, and a mechanism worth having should identify itself elsewhere. The comparative record does two things for the argument. It shows the mechanism operating in settings with no caste system and very different state capacity, and it supplies natural experiments in which the enforcement architecture was deliberately changed while the level instrument was held roughly constant.

6.1 The United States before 1974

The Fair Labor Standards Act of 1938 excluded domestic and agricultural workers from coverage, an exclusion that Perea (2011) has shown was a condition of Southern legislative support and whose racial intent is documented in the legislative record. Domestic workers were brought within the Act by the 1973 amendments effective in 1974. The instructive feature for present purposes is what followed: coverage on paper did not produce compliance, because the enforcement technology remained premises-based and the premises remained homes. The subsequent contest over the companionship services exemption for home care workers, culminating in the 2013 rule effective 2015, is a further instance of the same structure, with the added complication that a large share of the sector is publicly funded and therefore, in the model's terms, already partly legible through the payment channel.

6.2 Gulf sponsorship systems

Under kafala arrangements the employer's sponsorship of the worker's legal residence produces in its purest form the enclosure parameter θ of Proposition 4. Exit terminates not merely the job and the housing but lawful presence in the country. Naidu, Nyarko and Wang (2016) provide direct evidence of monopsony power in this setting and of its wage consequences. Domestic workers within kafala combine that with the opacity of the dwelling, and the model predicts, correctly, that they occupy the lowest position in the wage structure even relative to other migrant workers under identical sponsorship rules. The prediction distinguishes the enforcement account from a pure sponsorship account, since the latter would not generate a within-kafala differential by site.

6.3 Reforms that moved enforcement to the transaction

The most useful comparative evidence comes from three jurisdictions that changed the architecture rather than the level. Uruguay's Law 18,065 of 2006 brought domestic work within the general labour regime, extended collective wage-setting through the tripartite wage councils to the sector, and, significantly for the model, provided for inspection of the household on judicial authorisation, thereby raising $\bar{v}$ without abolishing the protection of the home. Brazil's Constitutional Amendment 72 of 2013 and the implementing Complementary Law 150 of 2015 established a simplified unified regime for domestic employers with a single digital channel for registration and payment of wage-linked contributions, which is in the model's terms a direct substitution of transaction traceability τ for site visibility v . South Africa's Sectoral Determination 7 of 2002 combined a notified wage with registration of domestic employers for unemployment insurance, again attaching the obligation to a recorded payment relationship rather than to an inspectable site.

We state the evidentiary status of these cases carefully. They are not clean experiments; each bundled several changes, and compliance in all three remains well short of universal. What they establish is weaker but still valuable: in each case the instrument that produced measurable movement in registration and in recorded wages attached to the transaction or to the employer's registration, not to the premises. That is the pattern the model predicts, and no case is known to us in which a purely premises-based intensification produced comparable movement in domestic work. Table 3 sets out the comparison.

Table 3
The mechanism across four settings.

Setting	Source of site opacity	Source of foreclosed exit	Architecture and observed outcome
India (present)	Constitutional inviolability of the dwelling, reinforced by Puttaswamy (2017); familial recoding of the relation	Live-in tenure; distance from home district; broker debt; language	Premises-based; state wage notifications exist and do not bind
United States, 1938–1974	Statutory exclusion made the question moot; the home remained uninspectable after inclusion	Racialised occupational closure; limited alternative employment	Premises-based; formal coverage in 1974 did not produce compliance
Gulf sponsorship systems	The dwelling, plus absence of any registration of the employment relation	Sponsorship ties lawful residence to the employer; exit ends legal presence	Premises-based and complaint-based; documented monopsony wage effects
Uruguay 2006; Brazil 2013–2015; South Africa 2002	Same dwelling, but the obligation was detached from the site	Partly addressed through collective wage-setting and portable social insurance	Transaction-based: judicially authorised inspection, unified digital payment channel, employer registration; measurable movement in registration and recorded wages

India has ratified neither ILO Convention 189 nor its accompanying Recommendation, and the draft national policy for domestic workers has not been enacted. State-level welfare board legislation, of which the Maharashtra statute of 2008 is the leading example, has established registration mechanisms without attaching the wage obligation to a recorded transaction. On the model's reading this is the predictable design error: registration of the worker raises the state's knowledge of the population but not its knowledge of the payment, and it is the payment that (4) requires.

7. Policy: designing for transaction legibility

The model yields policy conclusions that are unusually specific for a theoretical paper, because the critical condition (4) names the parameters an instrument must move.

7.1 The sequencing rule

Proposition 7

(level and legibility are strict complements)

For a site with $v < v^*$, $\partial w / \partial \bar{w} = 0$ while $\partial w / \partial \tau > 0$ wherever raising τ lifts effective detection across the threshold. For a site with $v \geq v^*$, $\partial w / \partial \bar{w} = 1$ and $\partial w / \partial \tau = 0$. The marginal social return to the level

instrument is thus zero precisely where the need is greatest, and the two instruments are strict complements rather than substitutes.

The corollary is a sequencing rule that runs against the usual direction of advocacy and of wage-board politics. Where a group lies below the threshold, the first rupee of political capital should be spent on legibility, not on the level. An uprating campaign conducted before the architecture is changed will, by Proposition 5, transfer additional rent to employers and, by Proposition 2, push marginal households out of compliance, while producing a notified figure that can be cited as progress. This is the sense in which the paper's central policy claim is a critical one: the visible instrument is the ineffective one.

7.2 Four instruments

Figure 5 contrasts the two architectures and Table 4 maps four concrete instruments onto the parameters of the model.

Table 4
Instruments mapped onto the model's parameters.

Instrument	Mechanism in the model	Design conditions and principal risk
Employer-side registration of the engagement	Raises τ and hence effective detection; creates a record independent of the dwelling	Must attach to the employer, not the worker; obligation triggered by hiring, with a light online process. Risk: non-registration becomes the new evasion margin unless linked to a payment trace
Wage payment over a traceable rail	Makes the shortfall itself observable, so detection no longer requires entry into the premises	Requires an account in the worker's own control and settlement without employer intermediation. Risk: exclusion of workers without documentation, which must be solved first, not assumed away
Penalty calibrated to the wage bill	Raises F , lowering v^* by (6) and raising the collapse point by (7)	Penalty must scale with L and $\bar{w}$ so that (4) does not deteriorate as the floor rises. Risk: high nominal penalties that are never imposed leave F unchanged
Portable entitlement through a tripartite board	Raises ε and the complaint probability c , attacking the second and third channels of Proposition 4	Entitlements must vest in the worker and survive a change of employer, so that complaint no longer costs the job. Risk: a board that registers workers without touching the payment repeats the existing design error

7.3 What the model does not license

Three cautions follow from the same analysis and are as much part of the policy conclusion as the instruments.

The first concerns inspection of dwellings. The obvious reading of a visibility constraint is that visibility should be forced, and the model appears to recommend it. It does not, for a reason internal to the

analysis: raising v by warrantless entry raises the probability of detection but also raises θ , since an employer exposed to intrusion has every incentive to conceal the relation further and to prefer workers who will not be found. The likely equilibrium response is more enclosure, not more compliance. Uruguay's judicial-authorisation requirement is the defensible version of this instrument, and it works because it raises the ceiling on v modestly while leaving the constitutional protection intact.

The second concerns digitisation. A payment rail that raises τ also creates a detailed record of a poor woman's earnings and movements, held by parties she does not control. The Indian experience with welfare digitisation is not reassuring on this point, and the same authorities that would use the record to enforce the wage floor could use it for other purposes. If transaction legibility is the instrument, the data protection regime around it is not an afterthought but a condition of the instrument's legitimacy.

The third concerns the limits of the enforcement channel itself. The model predicts the enforcement component of the wage and is silent on the rest. Where collective organisation raises the reservation wage, as the Uruguayan wage councils appear to have done, wages can rise without any change in v . The argument here is that legibility is the binding constraint on the statutory instrument, not that it is the only path to higher wages.

8. Empirical implications

The value of a formal treatment is that it fails in identifiable ways. We set out five predictions in the order of the confidence we attach to them, with the identification each would require.

- Compliance gradient by site visibility. Conditional on task, hours and city, compliance with the notified minimum should rise with observable proxies for v : agency placement against kin placement, live-out against live-in, multiple employers against a single employer, and apartment-complex employment with gate registers against independent houses. The gate-register variation is the most promising source of quasi-exogenous variation, since registration practice varies across complexes for reasons unrelated to wage-setting.
- Non-monotonic response to uprating. Following a state-level uprating of the notified domestic-work minimum, wages at high-visibility sites should rise while wages at low-visibility sites should be unchanged or fall. A difference-in-differences design across neighbouring states with staggered notifications, interacted with a visibility proxy, would test both Proposition 2 and Proposition 3. A finding of uniform positive pass-through would falsify the model.
- The enclosure interaction. The wage penalty to live-in status should exceed the sum of the penalties to low visibility and to single-employer dependence estimated separately. This is the empirical content of Proposition 4 and is testable with an interaction term.
- The decomposition result. In domestic work, the unexplained residual in a caste or migrant-status wage decomposition should shrink materially when site-visibility controls are added. If it does not, the enforcement channel is not doing the work the model assigns it.

- The in-kind result. Where in-kind provision is larger, measured compliance with the cash floor should be lower, controlling for total remuneration. This tests Section 5.1 and has direct bearing on wage-board practice.

Indian data sources are adequate for the second and fourth predictions, since the Periodic Labour Force Survey identifies domestic work as an activity and records wages, state and migration status, though it captures site characteristics poorly. The first, third and fifth would require purpose-built survey instruments in which the visibility variables are measured directly, which is the direction the author's ongoing fieldwork takes.

9. Limitations

Four limitations bear on how far the argument should be pressed.

The model treats the household as a unitary profit-maximising agent, which is a strong idealisation of a bargaining unit with its own internal gender politics, and in which the party who negotiates with the domestic worker is often a woman whose own labour the arrangement substitutes for. A collective household model would complicate the compliance decision and might alter its comparative statics, and this is a natural direction for extension.

Visibility is treated as a scalar. In reality the observability of hours, of the wage rate, of arrears and of conditions are distinct and separately manipulable, and an instrument may raise one while leaving the others unchanged. A vector treatment would be more faithful and would complicate the threshold into a region.

The paper is theoretical and the comparative material is illustrative rather than evidentiary. The cases in Section 6 are consistent with the mechanism; they do not identify it, and none of them isolates a change in architecture from contemporaneous changes in level, in organisation and in political conditions.

Finally, the model contains no discriminating agent by construction, which is a device for isolating the enforcement channel rather than a claim about the world. Taste-based and statistical discrimination are present in Indian domestic work and interact with the mechanism modelled here: caste preference in hiring, for instance, shapes the allocation to sites that the model takes as given. The honest claim is that the enforcement channel is sufficient to generate the observed pattern, not that it is the only channel operating.

10. Conclusion

The question this paper set itself was whether a statute drafted in universal terms and administered without prejudice can nevertheless be a mechanism of group inequality. The answer developed here is that it can, and that the pathway is neither exotic nor incidental. Enforcement of a wage floor requires that the state be able to see the transaction. The technology it uses to see is spatial. The allocation of

workers across spaces of differing observability is structured by caste, gender and migration. A universal floor therefore has a stratified incidence, and the stratification is invisible in the statute, invisible in the conduct of the inspectorate and invisible in the aggregate wage statistics, where it appears as an unexplained residual that will be attributed to discrimination that nobody in the system is practising.

The results that follow are uncomfortable in a productive way. Raising the floor raises the visibility threshold and pushes marginal households out of compliance. Each site has a collapse point at which protection is withdrawn discontinuously. The rent retained by employers of the least visible workers rises with every uprating. The two channels through which ascriptive position operates are complements, so that the institutional form which hides the work is the same form which destroys the outside option. And the level of the floor is worth nothing at all, at the margin, to the workers furthest from the grid.

The constructive conclusion is that the instrument must be redesigned rather than merely strengthened. Where the site of production cannot be made legible without dismantling protections that are worth keeping, the obligation should be attached to the transaction instead: to a registered employer and a traceable payment rather than to an inspectable room. Uruguay, Brazil and South Africa have each taken a version of this step, and the Indian state-level welfare boards have so far taken the version that registers the worker while leaving the payment unobserved, which the model identifies as the one design that cannot work.

For stratification economics, the wider implication is that the regulatory architecture of the labour market belongs on the list of mechanisms by which relative group position is maintained, alongside asset ownership, occupational closure and residential segregation. Protective law is not only a remedy for stratification. Depending on how it is made to see, it can be one of its instruments.

Declarations

1. **No Funding Received for the study**
2. **Clinical Trial Number:** NA
3. **Ethics, Consent to Participate, and Consent to Publish declarations:** not applicable
4. **No Competing Interests**
5. **No human or animal involved, hence no ethical undertaking was needed to conduct this study**

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Figures

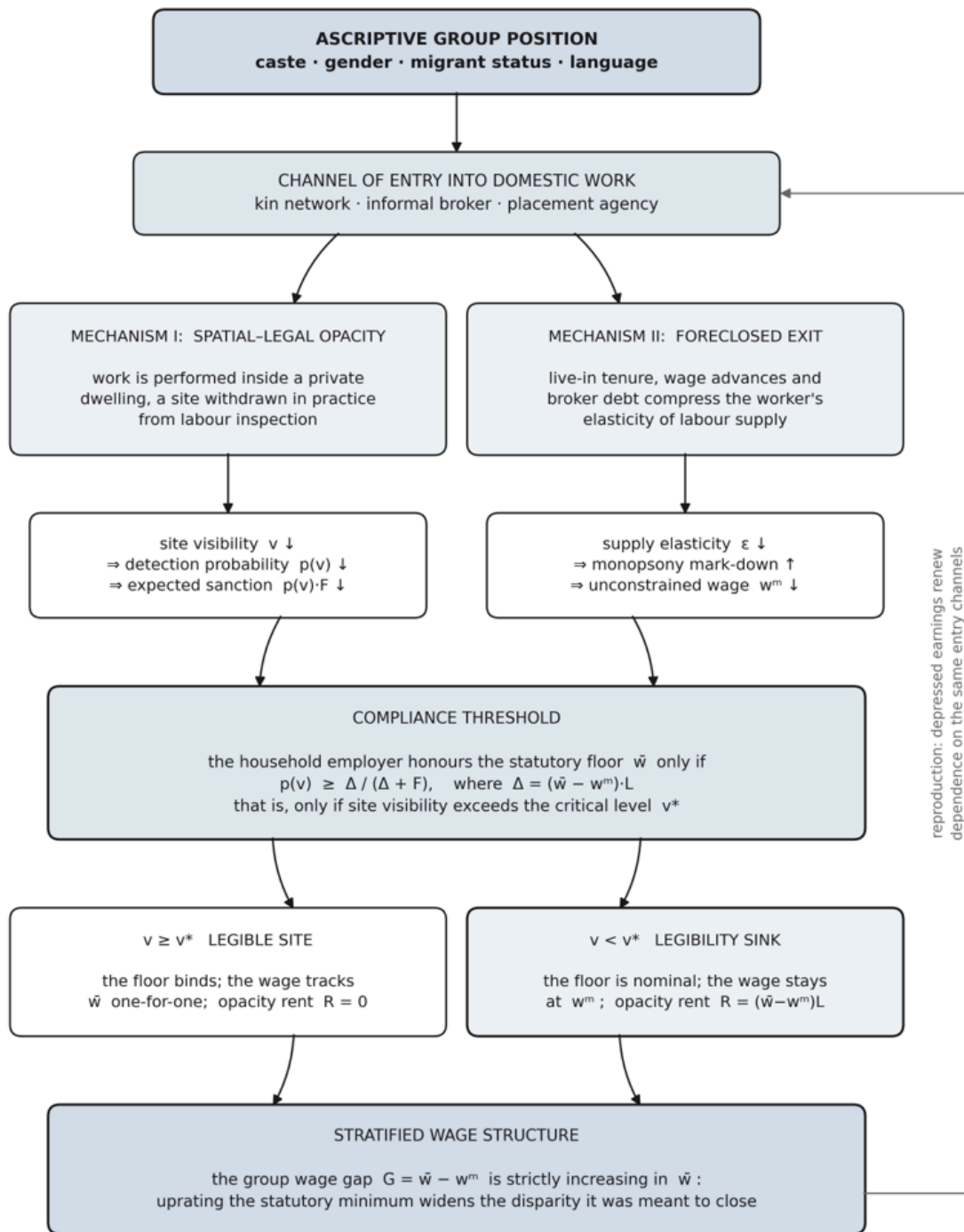


Figure 1

The enforcement-architecture transmission of ascriptive position into the wage. Group position acts on the wage neither through employer taste nor through worker productivity, but through two institutional channels: the observability of the workplace and the elasticity of exit. Both are set by the channel of entry into the occupation, which is itself ascriptively allocated. The feedback arm indicates reproduction: depressed earnings renew dependence on the same entry channels in the next period.

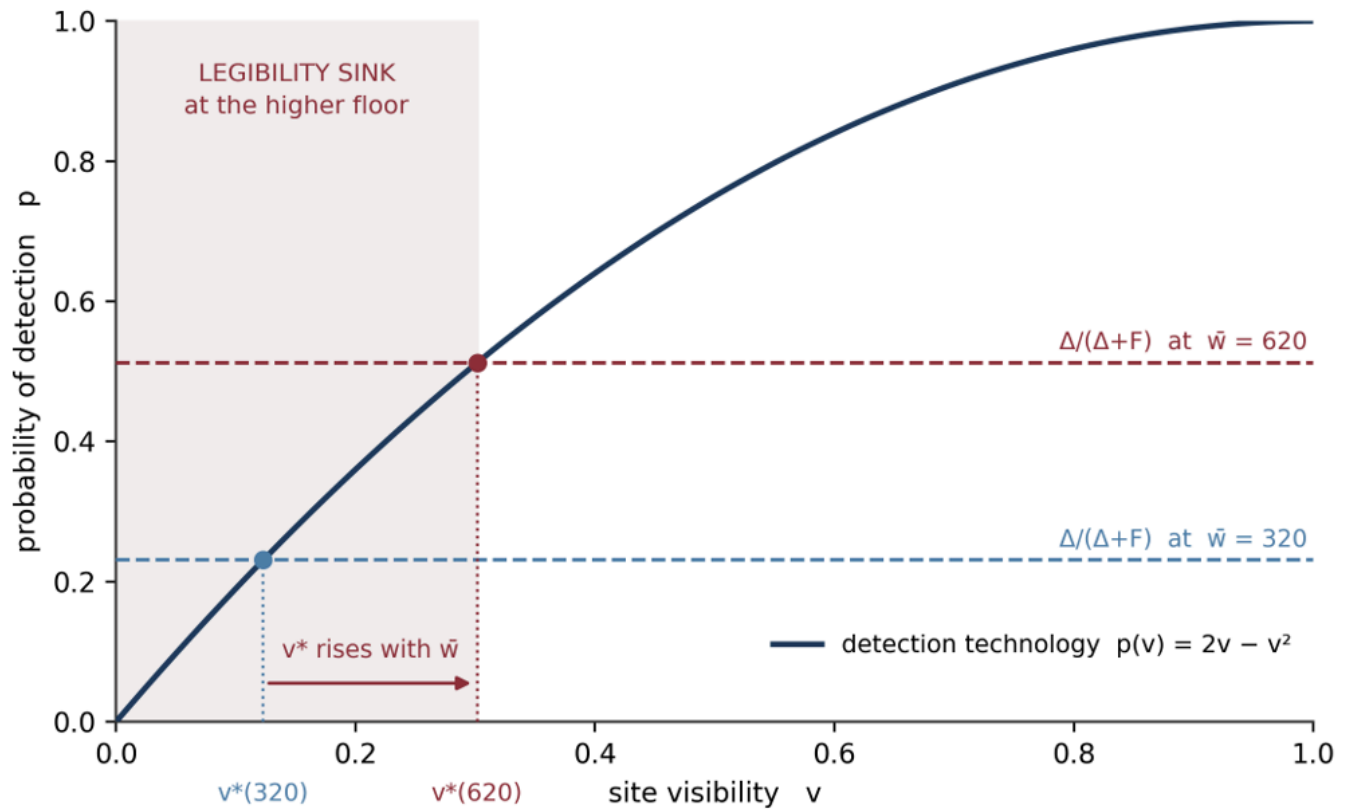


Figure 2

The compliance threshold and its displacement. Compliance requires the detection curve $p(v)$ to lie above the horizontal threshold line. Raising the statutory floor raises Δ and therefore lifts the line, moving the critical visibility v^* to the right and enlarging the legibility sink. Illustrative values: $\bar{w} = 200$, $F = 400$, $L = 1$, $p(v) = 2v - v^2$.

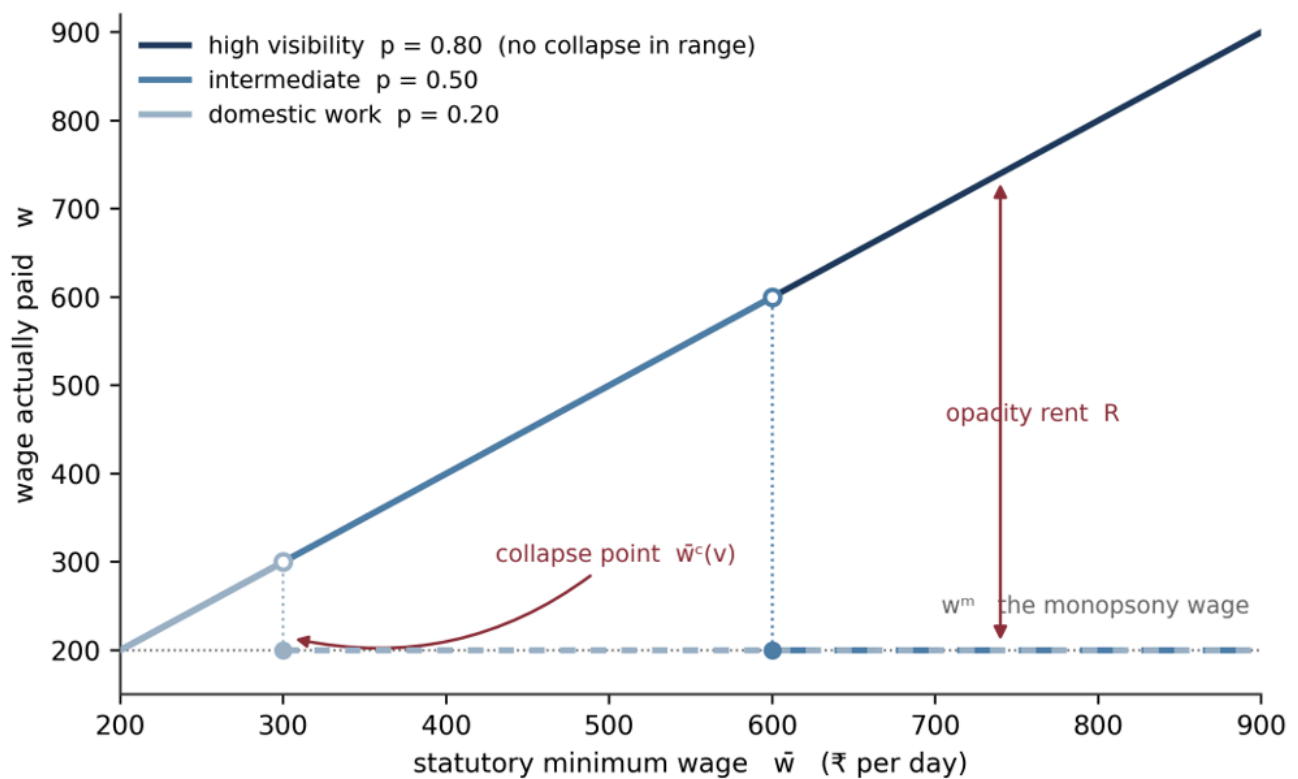


Figure 3

Pass-through of the statutory floor to the paid wage, by site visibility. Each schedule tracks the 45-degree line until the floor reaches that site's collapse point, at which the employer abandons compliance and the paid wage falls back to the monopsony level. The vertical bar measures the opacity rent retained by the employer at a given statutory level. The lower the visibility, the earlier the collapse. Illustrative values: $w^m = 200$, $F = 400$.

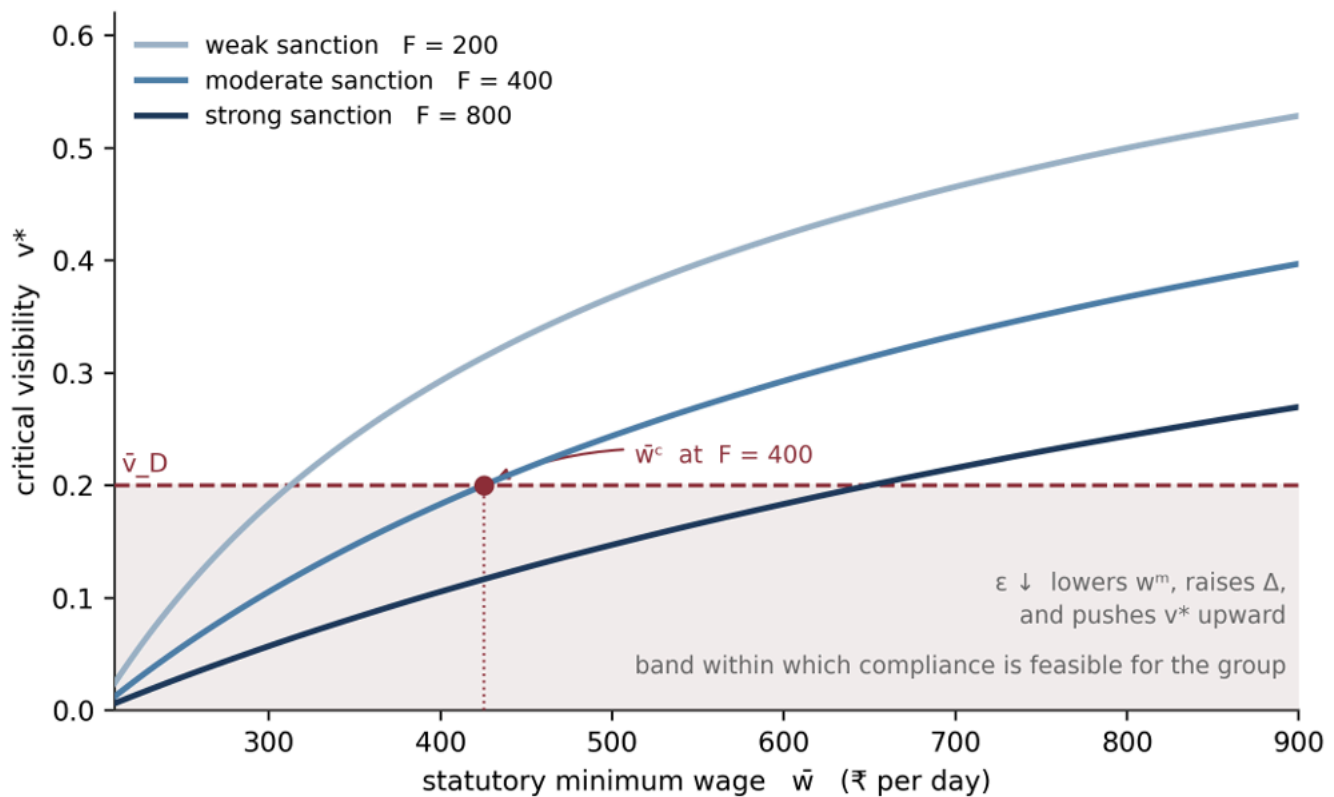


Figure 4

Comparative statics of the critical visibility. v^* is increasing in the statutory floor (Proposition 2) and decreasing in the penalty. Because the visibility attainable in a private dwelling is bounded above at $\bar{v}_D$, a sufficiently ambitious floor is self-defeating for the group unless the penalty rises with it, or unless the detection technology itself is replaced.

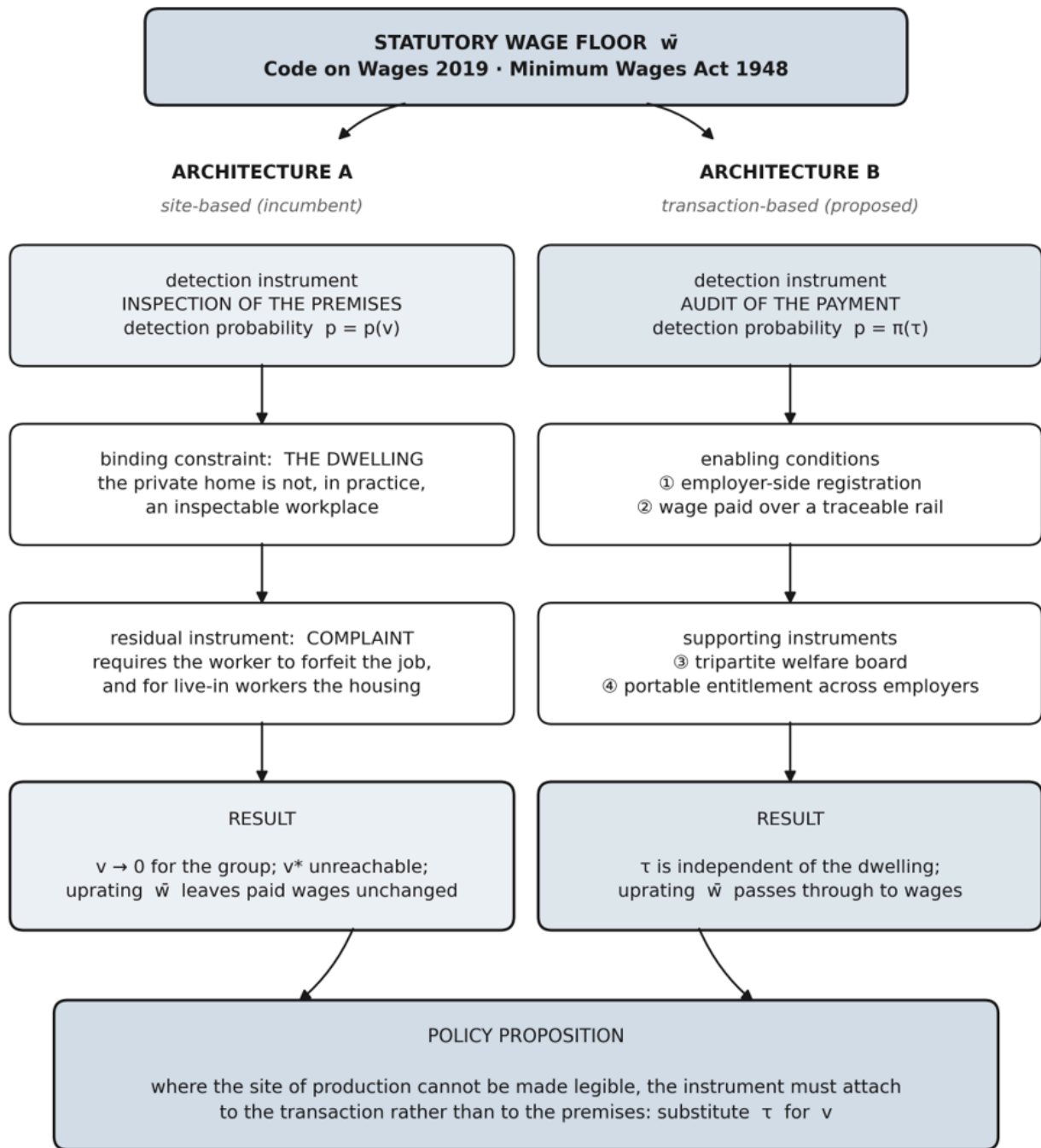


Figure 5

Two enforcement architectures for the same statutory floor. Architecture A conditions detection on a variable that the disadvantaged group cannot possess, since the dwelling is protected precisely because it is a dwelling. Architecture B conditions detection on a variable that is orthogonal to caste, gender and migrant status, and can therefore deliver a universal statute with universal incidence.

Supplementary Files

This is a list of supplementary files associated with this preprint. Click to download.

- [AppendixA.docx](#)