

**ARTIFICIAL INTELLIGENCE (AI) IN INDIAN LABOUR REGIME:  
ETHICAL CONCERNS AND LEGAL IMPLICATIONS**

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**ABSTRACT**

In Indian labour market, Artificial Intelligence (AI) has transformed various conventional procedures including employer-employee relationship. Employers are adopting AI-assisted applications more and more for accelerating the hiring mechanism, enhancing the labour allocation and managing employee performance. They have automated the ML algorithms and decision-making system. Although AI enhances efficiency and productivity, they further pose serious legal and ethical challenges. One of those notable legal difficulties is that AI might lead to discrimination and biases at the working premises. AI software might use the past information for creating judgments and predications, which could reinforce and mirror the societal prejudices. As AI is getting inculcated into the labour market, problems related to potential job losses at workplace have become prominent. This compelled the lawmakers to reframe and amend the existing labour legislations. The present research paper delves into key horizons of labour regime such as collective bargaining, employees' rights, protection and regulation, privacy and discrimination, new job opportunities and job displacement. Employers need to analyse the impact of AI on worker's well-being, job security and the social ramifications of automation. In this research paper, the author will examine about the on how AI affects the Indian labour sector. The paper would further highlight the legal implications related to AI in Labour market. It describes the AI's presence made into Indian economy. The author will stress on the pros and cons of inculcating AI in Indian labour market. It will also stress on the judicial trend concerning AI and labour law. The author will provide relevant suggestions to address the prevailing ethical and legal concerns caused due to AI in labour- related matters in India.

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## **INTRODUCTION**

Artificial Intelligence (AI) and advanced technologies have been instrumental but also posed difficulties for the entire mankind. AI, being a component of computer science empowers the machines to mimic the human intelligence, has drastically adopted across different industries in Indian scenario. From the health and manufacturing industry to the agriculture and retail, AI is being integrated to improve decision-making mechanisms, reduce costs and optimize the operations. But as AI application increasingly displace the workforce, they present potent legal and ethical problems. Nation's labour sector, known for its large informal workforce, socio-economic disparities and high unemployment for the youth, is especially exposed to the disruptions resulted by AI adoption. Industrial revolution has trapped the whole society into a storm-like situation. Being empowered to obtain all one want it with one click on AI-assisted devices is a blessing as well as curse simultaneously. AI and advanced technologies are transforming several industries and is reshaping the manner of executing the tasks. The development and application of AI software have made its way dramatically in past few years, particularly in the areas of voice, text and picture recognition, predictive analytics and computer programming. Machines and automation have altered the manner in which factories and organization used to operate. These developments have enhanced the threat of unemployment and loosing of jobs due to the fact that AI has capability to automate not merely repetitive and mundane works but also non-repetitive works at a rapid pace. AI has potential to impact every sector of the Indian labour economy<sup>3</sup>. Thus, in this paper the legal and ethical aspect concerning AI adoption in Indian labour sector will be addressed in detailed manner.

## **MATERIALS AND METHODS**

This research employs a doctrinal and analytical methodology, focusing on both primary and secondary legal sources. Primary materials include Indian labour legislations such as the Industrial Disputes Act, 1947, Code on Wages, 2019, and Occupational Safety, Health and Working Conditions Code, 2020, alongside constitutional provisions and international labour standards under the ILO. Secondary sources encompass scholarly articles, books, policy papers, and official reports from NITI Aayog and the Ministry of Labour and Employment. The study also incorporates comparative analysis of AI governance frameworks from the EU and USA to evaluate ethical and regulatory gaps in India. A qualitative content analysis approach is adopted to assess the implications of AI on workers' rights, employment security, and privacy. Case

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<sup>3</sup> 'India's Advance on AI Regulation' (Carnegie India, 21 November 2024) <  
<https://carnegieendowment.org/research/2024/11/indias-advance-on-ai-regulation?center=india&lang=en>> accessed on 15 February 2025.

studies and judicial pronouncements are examined to understand the evolving jurisprudence surrounding automation, algorithmic bias, and ethical accountability in the Indian labour regime.

## **DISCUSSION AND RESULTS**

### **MEANING AND CONCEPTS RELATED TO ARTIFICIAL INTELLIGENCE**

The expression “AI” is susceptible to various numerous interpretations. It can be defined in different manner depending on the circumstances. However, the general definition of AI can be understood as “capacity of computers or relevant technologies to exhibit intelligent behavior similar to those possessed by humans”. Machine Learning (ML) is the most famous and effective subset of AI technique in modern world, which depicts the capability of a mechanism to enhance performance of a work over time<sup>4</sup>.

AI can be broadly categorized into three classes-

- (i) **Artificial super intelligence:** This kind of AI entails a technology which has ability to surpass the human social skills, intelligence, and scientific knowledge in different ambits.
- (ii) **Artificial General Intelligence:** This aims to exhibit intelligence through computer device across different fields, which is at par or resembling to the human intelligence. The super and general AI is considered as logically implausible kind of AI<sup>5</sup>.
- (iii) **Artificial Narrow Intelligence:** This involves the capability of technologies to exhibit human intellect and skills in narrow sense<sup>6</sup>.

### **LEGAL IMPLICATIONS CONCERNING AI ADOPTION IN INDIAN LABOUR MARKET**

#### **(i) DATA PRIVACY ISSUES**

Since AI-driven application is heavily dependent on large sets of personal information or database, it has caused concerns related to data privacy and protection among Indian workforce. It has created problems for the data principal to have control over one’s data and thus it could be made publicly available. AI- powered systems in the workplace like worker recruitment, performance tracking and monitoring over their activities often mandate the gathering of confidential personal data. This leads to privacy issues in labour sector.

#### **(a) Lack of Specific data protection laws on AI**

Although the Indian Parliament has enacted the law for data protection i.e., “Digital Personal Data Protection (DPDP) Act 2023”. However, the said law doesn’t specifically address the data

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<sup>4</sup> S. Surden, Machine Learning and the Law, *Washington Law Review*, Vol. 89(1), pp. 1–, 2014..

<sup>5</sup> *Ibid*

<sup>6</sup> *Ibid*

protection in relation to AI application<sup>7</sup>. Further, Section 3(c)(ii)<sup>8</sup> of the enactment specifies that the statute doesn't apply to the personal data or information which is accessible and available over public domain. This provision signifies prejudicial scenario wherein AI corporations can avail and process the personal data of employees without their consent and thereby escape from legal consequences. Presently, there is an absence of legal provision regarding prevention of privacy infringement by AI. The AI-driven services like ChatGPT have emerged to be a revolutionizing platform but still it can utilize any publicly available information from the online website without facing any legal repercussions. The lack of legislations and its demerits concerning data privacy by AI can be inferred from the judicial precedents in India. For instance, in "*Anivar Aravind v. Ministry of Home Affairs*"<sup>9</sup>, the petitioner sought via a petition that the act of possessing personal data amounts to privacy of the citizens. But since the DPDP Act of 2023 fails to cover the activities by AI, the Court upheld that "the alleged activity was not contravening the personal data protection and was in consonance with the said law"<sup>10</sup>.

**(b) AI-assisted Surveillance**

The integration of AI-assisted surveillance mechanism during the course of employment, including real-time surveillance or monitoring, location tracking and facial recognition of employee, might abridge the privacy rights of the employees. The current privacy legislation in Indian context, including those concerning the privacy rights envisaged under Article 21 of the Constitution<sup>11</sup>, is yet to adapt as per the requirement of Impact of AI at workforce.

**(c) Transparency and Informed Consent**

Another legal implication with data collection and AI-driven application is the lack of informed consent from employees. The employers might obtain information from workers without intimating the main objective for which information will be utilized. Further, the problems concerning transparency about manner of processing and usage of data by AI systems may also emerge.

**(ii) IMPLICATIONS CONCERNING WORKERS RIGHTS AND COLLECTIVE BARGAINING**

**(a) Right to Work and Automating capability of AI**

AI has not merely affected the worker's privacy in India but also the worker's rights. Due to automated ability of AI, there would be demand for employees in the labour sector. Transportation, IT, manufacturing, retail and other industries will adopt AI algorithms and automation to accomplish their tasks, thereby considering AI as the substitute of workers. It would be problematic for the employees to claim and establish their entitlements such as safe

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<sup>7</sup> Priyanshu Sahu, 'AI in Labour Relations: Legal Implications and Ethical Concerns' (Academike, 26 August 2024) <<https://www.lawctopus.com/academike/ai-in-labour-relations-legal-implications-and-ethical-concerns/>> accessed on 6 August 2025).

<sup>8</sup> DPDP2023, s 3(c)(ii).

<sup>9</sup> WPN No. 7483 of 2020

<sup>10</sup> *Id*

<sup>11</sup> Constitution of India 1949, art 21

working conditions, appropriate working hours and fair and reasonable remuneration. The worker's rights with respect to technological aspects like AI were established by the Supreme Court in "Indian Hume Pipe Co. Ltd v. Their Workmen"<sup>12</sup>.

**(b) AI and its effect on collective bargaining**

The continuous growth of AI software will also raise problems with the liberty to form a worker's union or association and capability to involve in collective bargaining at workplace. Due to this issue, employees will be prevented from negotiating with employers concerning the terms and conditions of the employment. AI applications can be also misused to keep an eye on employees and their performance, resulting into pressure and stress. AI can assign works to the people which are over challenging and beyond their skills. This can adversely affect the working autonomy and decision-making by not letting the workers to present their opinion<sup>13</sup>.

**(iii) LEGAL LIABILITY AND ACCOUNTABILITY**

As AI applications are adopted in labour sector in different manner, the issues regarding accountability and answerability in the matters of damage or harm arise and it requires appropriate solutions.

**(a) Who will be made accountable?**

In the matters wherein AI causes an unreasonable discrimination, contravention of employee's rights, illegal termination and unjust job loses at the workplace, deciding the accountability is a potent question. Various issues like "whether liability could be imposed on employers who was indulged in deployment of AI system? Or whether the accountabilities lie on others like developer of AI or the AI system itself?" The contemporary legislative structure fails to provide clear guidance as to how the liability with respect to biased decision or illegal act of AI could be imposed, leading to a loophole in the cases of injury or harm upon the employees.

**(b) AI as legal personality**

Another legal implication which might arise is whether AI could be deemed as AI person having capacity to be made liable for their actions. In Indian scenario, the idea of corporate personhood has been developed, yet AI devices or applications doesn't fit into the current class of personhood. This again causes ambiguity as to the legal position of AI under Indian legal system.

**ETHICAL CONCERNS REGARDING AI IN INDIAN WORKFORCE**

The adoption of AI into the Indian workforce poses several ethical concerns, particularly keeping into account the nation's cultural and socio-economic condition. Although AI has the potential to

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<sup>12</sup> AIR 1986 SC 1002

<sup>13</sup> K. Sriya Manasa, Impact of AI and Technology on Indian Labour Laws, *International Journal for Novel Research in Development (IJNRD)*, Vol. 8(11), p. 807, 2023..

enhance the productivity and bring transformation in industries. Its rampant integration at workplace raises ethical issues like inequality, employment security, and job displacement<sup>14</sup>.

The below-mentioned concerns are discussed which relates to AI usage at labour sector.

**(i) JOB DISPLACEMENT**

The most significant ethical issues related to AI integration in Indian employment sector is the job displacement and other related issues. Because of AI, the jobs of workers are substituted by robots and machines, who are becoming capable of accomplishing works which were earlier done by humans. Numerous studies reveal that few occupations, majorly those encompassing physical labour and repetitive works are more prone to automation. As it is getting more embedded into the labour sector, it seems to impact employees of upcoming generations. World Economic Forum has observed in its report entitled as “The Future of Jobs Report 2020” that AI is equipped enough to potentially generate 97 million new job opportunities by 2030. It also established that the AI is all set to replace approximately 85 million of jobs in near future. Corporations from all around the globe have adopted AI into their operations<sup>15</sup>.

With a view to eliminate the jobs which AI could execute, the services, information technology, entertainment and media sector have started to reframe their labour strategies and international workforce. Job displacement/loss and unemployment are related to each other and it has become a global problem. While addressing the repetitive and monotonous activities, robotics and AI-based techniques like ML are extraordinarily effective, precise and quick. According to a statistical analysis, it has been found that IT sector will have the most job losses because automation technique is empowering the AI application to carry out routine and repetitive jobs & IT support which was usually accomplished by the humans. These are the works which MNCs majorly outsource to Indian employees and thus there exist a grave threat of rampant job losses in Indian IT Sector.

**(a) Unorganized sector and automation**

The Indian workforce is found to be mainly informal or unorganized, with around 90% of the employees deployed in unstructured or non-organized sectors<sup>16</sup>. The incorporation of AI-powered automation in sectors like manufacturing, retail, agriculture and textiles can displace billions of workers, most of whom lack the required skills for adapting to AI-enabled job opportunities. The ethical concern relates to the aspect as to whether the given society has a moral obligation to eliminate the issues created due to automation for employees in these industries<sup>17</sup>.

**(b) Unequal effect on employees with low skills**

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<sup>14</sup> Pradeep T., Labour Law in the Era of Artificial Intelligence and Automation, *International Journal for Forensic and Medical Research (IJFMR)*, Vol. 6(2), p. 6, 2024..

<sup>15</sup> ‘Artificial Intelligence and Its Impact on Jobs in India’, *RIS Policy Brief*, Vol. 104, pp. 3, 2021.

<sup>16</sup> Report by NITI Aayog 2022.

<sup>17</sup> Dipak B. Kadve, ‘A Research Paper on Impact of AI on Employability in India’(2023) 10(2) Shodha samhita 18.

AI-assisted applications are more prone to impact the manual, low-skilled workers, most of whom are already underpaid and vulnerable. In sectors wherein AI can substitute repetitive, routine works (like agriculture, manufacture), the ethical question may arise as to whether it is just to automate jobs on which several employees are dependent for their livelihood, especially when they don't have opportunity for upskilling or retraining.

**(c) Exacerbating the Social Inequality**

Deploying AI can deepen the prevailing socio-economic inequalities in Indian context. High-skilled employees in cities and town areas may advantage from the AI-assisted technologies, while low-skilled employees in semi-urban and rural regions may face difficulty to avail the same, worsening the divide between the poor and rich. It leads to another ethical concern of whether the potential advantages of AI are expanded in fair manner across different sections of the nation.

**(ii) DISCRIMINATION AND BIAS**

Another ethical problem regarding AI adoption at workforce is that it will be more likely to bias and discrimination<sup>18</sup>. AI-assisted system, especially those utilized in hiring, evaluation of performance and recruitment can perpetuate discrimination and bias, often without any intention. This raises substantial ethical issues, especially in a nation like India. In "*State of Maharashtra v. Madhukar*"<sup>19</sup>, the Apex Court while interpreting Article 15<sup>20</sup> & 16<sup>21</sup> of the Constitution held that "all the public employment shall be free from discriminatory or biased practices on the basis of gender, religion, or caste".

(a) **Algorithm Bias:** AI algorithms are usually trained on the basis of past or historical database, which could mirror the biases embedded in the society. When the database integrated to train these systems reflects regional, caste or gender disparities, AI-driven application might perpetuate and reinforce these biases unintentionally. For instance, AI software used for the purpose of recruitment may unreasonably favour candidate belonging to upper-caste over those belonging to lower-caste or may prioritize male persons over the female. This discriminatory practice can be more witnessed in India where gender-based or caste-based biasness still exists. As per the critics, face recognition technology is another AI tool which can perpetuate more monitoring of transgender persons, Dalits belonging to lower castes, Muslims and other vulnerable communities.

(b) **Discrimination in the matters of employment:** AI-assisted software in hiring process can also disadvantage some specific demographic communities or groups such as Scheduled Tribes (STs), Schedule Castes (SCs), women and other oppressed groups. The ethical issue in

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<sup>18</sup> Priyanshu Sahu, 'AI in Labour Relations: Legal Implications and Ethical Concerns' (Academike, 26 August 2024) < <https://www.lawctopus.com/academike/ai-in-labour-relations-legal-implications-and-ethical-concerns/> > accessed on 9 August 2025.

<sup>19</sup> AIR 1991 SC 207

<sup>20</sup> Constitution of India 1949, art 15

<sup>21</sup> Id, art 16

this can be whether the AI applications which are objective can be trusted to consider all the candidates equally or whether the AI system can amplify and replicate the societal biasness in the employment decision-making process<sup>22</sup>.

**(iii) LACK OF EXPLAINABILITY**

Due to inherent complexities of few AI models, it can be quite questionable to explain how decisions are arrived. This kind of transparency is known as “black box” and affects workforce across different sectors. The lack of explainability could result into distrust in AI-driven application, particularly in critical fields such as finance, and healthcare wherein accountability and transparency are significant. This also poses technical challenges, especially for complicated model may lack transparency<sup>23</sup>.

**SECTORAL CHALLENGES**

As AI continues to permeate several industries of the Indian economy, its integration brings both opportunities and notable challenges.

**(i) Agriculture Sector**

AI-assisted automation in agricultural industry, such as AI-enabled crop management system, drone-driven planting and autonomous tractors, may cause displacement of conventional farmers or labourers. Several agricultural labourers are uneducated and doesn't possess modern AI tools. This kind of inequality or digital divide makes it problematic for them to transform to new kind of work which AI may create. AI-assisted agricultural solutions like pest management or soil monitoring, require advanced knowledge, capital and infrastructure which small farmers might not have access to. The AI integration in farming risks causes employees to be more marginalized.

**(ii) Manufacturing Sector**

The Indian manufacturing industry is a major source of employing low-skilled employees. But due to increased adoption of AI-powered automation and robots, it is facing potential displacement at a mass level. Small manufacturing units using automated assembly lines, ML algorithms and AI-assisted robotics can substitute a large number of employees, specifically in tasks like material handling, quality control and assembly. Although automation can enhance factory productivity, the transformation to AI-enabled machines further leads to safety concerns of the employees at the workplace. AI-led job displacement raises grave ethical problems pertaining to employee's right to livelihood<sup>24</sup>.

**(iii) Service Sector**

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<sup>22</sup> Rodney D. Ryder and Nikhil Naren, *Artificial Intelligence and Law-Challenges Demystified* (2<sup>nd</sup> edn, Law& Justice Publications 2024) 178.

<sup>23</sup> Doshi-Velez, Finale ,and Been Kim."Towards A Rigorous Science of Interpretable Machine Learning." arXiv preprint arXiv:1702.08608, 2017.

<sup>24</sup> Vidushi Marda, *AI Policy in India: A Framework for Engaging the Limits of Data-Driven Decision Making*, *PTAMPES*, Vol. 2018, pp. 1–28, 2018.

The call center and BPO sectors, which recruit huge number of low-wage workers in India are also shifting towards AI-driven solutions like automated customer service mechanisms, virtual assistants, and chatbots. While this diminishes the operational charge for the corporations, it also causes job losses for large number of employees who were earlier hired for handling customer inquiries. As the businesses shift towards AI-enabled customer service systems, it has led to the demand of employees having requisite skills in technical support, data analytics and AI management<sup>25</sup>. But the darker side of this impact is that employees in service industry doesn't possess these modern skills and thus have been made vulnerable to the transformation<sup>26</sup>.

**(iv) Transportation Sector**

The inculcation of AI-enabled autonomous vehicles in fields like delivery, transportation and logistics is likely to bring millions of displacements for driver across the nation. This can impact both informal as well as formal employees, especially in the rural region wherein driving works are considered as an important source of people's livelihood<sup>27</sup>. There might be an issue with respect to the moral responsibility when the accident is caused due to autonomous vehicle. Another ethical issue may arise as to whether the employers and State have an obligation to safeguard displaced employees and thereby ensure fair compensation and social security.

**(v) Healthcare Sector**

In healthcare sector, AI tools like AI-driven diagnostic application are being used to transform the way ailments are diagnosed and thereby threatened. But this raises issues regarding job losses, especially for medical assistants, lab technicians and radiologists, whose requirement may be substituted by these AI-driven applications. This again results into dehumanization of medical services. The ethical concern may be raised regarding whether AI is permitted to take important health decision even without the assistance of humans<sup>28</sup>.

**NITI AAYOG'S STRATEGY ON AI ADOTPION IN INDIA**

Indian government has prioritized the development, promotion and deployment of AI with a view to make the lives easier and to ensure inclusiveness in the society. The government brought a national strategy for AI which is known as "#AIFORALL". It is a unique approach by NITI Aayog to leverage AI tools for social inclusion and economic development in Indian labour sector. The major objectives of this strategy are-

- (i) Empowering and enhancing the Indians with requisite skills adequate for finding quality jobs.

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<sup>25</sup> *Ibid*

<sup>26</sup> Dr. Nidhi Sharma, Artificial Intelligence: Legal Implications and Challenges, *K.R.M. Journal (KRMJ)*, Vol. 2(11), pp. 13–32, 2024.

<sup>27</sup> *Ibid*

<sup>28</sup> Aryaman Tayal, 'Artificial Intelligence vs The Indian Job Market' <<https://www.thepeninsula.org.in/2024/06/18/artificial-intelligence-vs-the-indian-job-market/>> accessed on 19 August 2025.

- (ii) Investment in the field of research and industries which cause maximization in economic development and ensure social impact.
- (iii) Scaling up the Indian-made AI suggestions for the developing nations across the globe<sup>29</sup>.

The AI Strategy was published by NITI Aayog on 4th June 2018. This strategy seeks to bring AI projects in different sectors with a view to develop a vibrant and resilient AI ecosystem in Indian context. The nation's think tank has recognized AI as revolutionizing technology which mainly focus on sectors- "Healthcare, Education, Smart Mobility, Transportation, Smart Cities & infrastructure, and Agriculture". 30 policy suggestions were proposed by NITI Aayog which relates to fostering training and reskilling of employees, leveraging investment in scientific research, accelerating AI integration across value chain and promoting security, privacy and ethics in AI. The strategy provides for creation of AI Marketplace at National level to assist the entire workforce acquires requisite skills, reduce cost and time in gathering data and enhancing the market discovery.

## STATISTICAL FINDING AND ANALYSIS

Statistical analysis and researches from different relevant studies depicts the legal and ethical concerns which is evident from the following finding and its analysis-

- **Job displacement**

- (a) **Mass Job Loss:** As per the report submitted by NITI Aayog, AI has potential to displace approximately 40 to 50million job opportunities in India by the year 2030. This involves jobs in the areas like customer services, retail and manufacturing sector<sup>30</sup>.
- (b) **Vulnerable areas:** According to World Economic Forum, the sectors like retail, agriculture and manufacturing are the most exposed toAI-led disruptions<sup>31</sup>.
- (c) **Job Creation for Higher skill levels:** Although NITI Aayog suggests that AI is estimated to result into job displacement. However, it also reveals that AI might generate 1.3 million new jobs in the field of innovation and technology, including posts in data science, robotics and AI programming<sup>32</sup>. The problem here is that jobs generated will demand higher skill qualifications which might disadvantage the unskilled rural employees.
- (d) **Effect on Unorganized Labour:** The recent statistics by World Bank shows that Indian informal workforce account for around 90% of overall employment<sup>33</sup>. The unorganized labour

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<sup>29</sup> 'Artificial Intelligence (AI) Policies in India'(Niti Aayog, August 2020)

<<https://www.tec.gov.in/pdf/Studypaper/AI%20Policies%20in%20India%20A%20status%20Paper%20final.pdf>>

<sup>30</sup> NITI Aayog Report (2018).

<sup>31</sup> Future of Jobs Report, World Economic Forum (2020) < <https://www.marketingaiinstitute.com/blog/world-economic-forum-future-of-jobs#:~:text=The%20Future%20of%20Jobs%20Report,four%20in%20ten%20anticipate%20layoffs.>> accessed 16 February 2025.

<sup>32</sup> Supra note at 31

<sup>33</sup> World Bank Report (2024).

sector is the most susceptible to job displacement by virtue of AI, particularly in low-wage employments like small-scale agricultural labourers, street vendors and domestic employees.

- **Discrimination and Bias by AI in employment matters**

(a) **Discriminatory recruitment:** Researches has showed that AI hiring applications, when trained on the basis of historical database, can lead to biased decisions. In this aspect, research carried out by IIT Delhi revealed a bias against low-caste and women application in recruitment process<sup>34</sup>.

(b) **Gender bias by AI:** As per the reports of UN Women, AI algorithms have perpetuated gender bias in India. It showed that AI recruitment applications have tendency towards prioritizing male applicants over females<sup>36</sup>.

- **Employees Privacy at AI-enabled Workplaces**

(a) **Privacy Infringement:** The DSCI study highlighted the increasing concern relating to contravention of employee's privacy because AI tools mostly gather personal information without prior informed consent<sup>35</sup>.

(b) **Increased Surveillance:** Study conducted by Centre for Internet and Society revealed that increased use of AI at employment sector has led to increased monitoring and surveillance of Indian employees<sup>36</sup>.

## **LOOPHOLES**

- Apart from issues and concerns discussed before, there are certain legal gaps which can be understood in following manner-

- **Insufficient Legal Regime:** As per Indian Ministry of Labour and Employment, the contemporary employment laws in India are inadequate to deal the issues caused by AI technologies at Indian workforce<sup>37</sup>.

- **Scarcity of Employees Redressal Mechanisms:** ILO suggests that merely 10% of the Indian employees in AI-assisted sectors had access to redressal system in the matters of grievances concerning unfair treatment or discrimination by AI<sup>38</sup>.

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<sup>34</sup> A Study by Indian Institute of Technology (IIT) Delhi (2019) <[https://rti.iitd.ac.in/sites/default/files/inst\\_manuals/AR-2019-20E.pdf](https://rti.iitd.ac.in/sites/default/files/inst_manuals/AR-2019-20E.pdf)>

<sup>36</sup> UN Women Report (2020) <<https://www.unwomen.org/en/articles/explainer/artificial-intelligence-and-gender-equality>>

<sup>35</sup> Data Security Council of India (DSCI) report (2020) <<https://www.dsci.in/resource/content/annual-report-2020-21>>

<sup>36</sup> Centre for Internet and Society Report (2019) <<https://cis-india.org/>>

<sup>37</sup> Indian Ministry of Labour and Employment Study (2019).

<sup>38</sup> International Labour Organization (ILO) Survey (2020) <<https://www.ilo.org/resource/news/generative-ai-likely-augment-rather-destroy-jobs>> accessed 18 September 2025.

- Absence of Specific legislations for AI at workplace: In 2021, the Law Commission of India noted that India is failing to regulate AI because there is no specific law governing AI in labour sector.

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## **RECOMMENDATIONS**

For addressing the ethical concerns and legal implications on Indian labour sector as discussed in aforesaid paragraphs, certain reforms are required. Although AI poses issues concerning income inequality, biased decision and job displacement, it also provides opportunities for innovation, economic development and job transformation. However, this can become reality only when humans work in harmonized manner. It is essential to acknowledge the fact that AI adoption into the labour sector will only be successful where there is a complete collaboration between AI system and humans.

Some of the ways in which existing issues in AI integration at workplace can be addressed are provided below-

### **(i) STRENGTHENING LEGAL REGIME ON LABOUR SECTOR FOR ADDRESSING AI-ASSISTED CHANGES**

There is need to modernize the current labour framework to address the issue of unjust job displacement by ensuring the workers with adequate safeguards, job security and enforcing rights.

(a) Revising Labour legislations: The existing Indian labour framework namely “Minimum Wages Act 1948, Employees Provident Funds Act, Industrial Disputes Act 1947, etc” is required to be amended to accommodate with the realities of automation and AI. The provisions should be reshaped in manner which will focus on fair compensation, automation-led unemployment and job displacement for the displaced employees<sup>39</sup>.

(b) Inclusion of Employment Transition programmes: The legislations should cast duty upon the corporations to conduct employment transition programmes for displaced workers and the said program should focus on job placement services, upskilling and reskilling.

### **(ii) ESTABLISHING AN ETHICAL AI LEGAL FRAMEWORK**

An AI ethics framework at national level should be formulated which seeks to regulate the AI adoption in labour sector, focusing on inclusivity, accountability, fairness and accountability.

(a) **Non-Discrimination and Fairness:** The Indian Parliament must adopt a clear legislation which mandates the AI systems to go through periodical audits for discrimination and bias. It

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<sup>39</sup> Purvi Pokhriyal, Amit K. Kashyap and Arun B. Prasad, Artificial Intelligence: Law and Policy Implication (1st edn, Eastern Book Company 2020) 413.

will assure that AI doesn't exacerbate the regional, gender or caste biases. The usage of AI applications in promotions, performance assessment and recruitment should be subjected to monitoring and ethical scrutiny.

**(b) Transparent decision-making:** The corporations integrating AI mechanism for performance tracking, recruitment and management of employees shall be legally mandated to ensure transparency concerning the manner of taking decisions by AI algorithms. Employees should be intimated regarding the purpose for which data is gathered by the AI system.

**(iii) IMPROVING THE DATA PRIVACY SAFEGUARDS**

Data privacy legislations should be strengthened, which aims to address the challenges caused by the AI at workforce like employee profiling, data collection and surveillance.

**(a) Stringent provision addressing worker's privacy:** The DPDP Act 2023 should be amended to insert specific section dealing with the protection of employee's privacy rights.

**(b) AI-powered Surveillance Regulation:** The AI usage for employees monitoring shall be subjected to stringent provisions. The employer shall inform employees with the surveillance, seek express consent and permit them to opt-out where they feel that it is against their privacy.

**(c) Full Control over personal information:** The statutes should assure that employee retain the control over their own data.

**(iv) ADDRESSING THE EFFECT OF AI ON VULNERABLE EMPLOYEES**

The government should introduce and implement inclusive schemes aiming to overcome the negative effect of AI on vulnerable employees like lower-caste persons, migrant workers and women.

**(a) Inclusivity in AI Policies:** The policy framework by the State should foster inclusive AI integration by assuring that AI tool doesn't unevenly injure marginalized community.

**(b) Reskilling Programs:** The government should introduce targeted reskilling training programmes for marginalized employees, with special focus on sectors to be disrupted by AI adoption.

**(c) Promoting Collaboration among Government, Employees and Industry**

**(d) There is a need to foster collaboration between governmental institutions, worker's union and industry players to ensure a responsible AI ecosystem in Indian workforce.**

**CONCLUSION**

The Incorporation of AI in India's labour sector creates opportunities as well as poses legal and ethical challenges. The rise of AI in Indian work force has been transformative and challenging simultaneously. For harnessing the advantages of AI while curbing its adverse effects, a proactive model is required. It is evident that AI adoption has caused ethical issues like discrimination, and biased decision. The legal implications attached to AI adoption are

compromising the privacy and other legal rights of workers during the course of Employment. Ethically, it is important to assure that AI integration doesn't perpetuate discrimination, contravene privacy and exacerbate social inequality. Legally, the State shall formulate detailed regulations and laws addressing issues like displacement, accountability of AI and privacy safeguards. A collaborative effort between the stakeholders is essential for creating an equitable legal structure which assures worker's right, fosters skill acquisition and assure that AI tools are utilized responsibly and ethically. Within this, Indian labour sector can assure that advantages of AI are widely shared and employees are also provided with proper safeguard to address the transformative nature of AI in the present automated economy.

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