
LEGAL AND ETHICAL IMPLICATIONS OF AI IN LABOUR LAWS

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ABSTRACT

The high rate of integrating artificial intelligence (AI) in the labour market is transforming the nature of work, employment relations, and workplace cultures faster than ever before. Despite the set of benefits in terms of efficiency, automation of routine functions, and the ability to make decisions based on data, AI also raises multiple complex legal and ethical challenges. The current labour codes - The Code on Wages code, 2019, The Industrial Relation Code, 2020, The Code on Social Security, 2020, The Occupational Safety, Health and Working Conditions Code, 2020, although they incorporate new provisions to address societal changes, they are not sufficiently designed to address the issues of AI-related job displacement, algorithmic labour management, and the proliferation of the gig economy in India. The lack of explicit statutory protection for workers facing retrenchment due to AI, the absence of regulatory oversight over AI decisions, and the concerns of data privacy regimes, which increase the risks of discrimination, economic insecurity, and loss of stability in work. In addition, the ethical issues, such as the bias of the algorithms, the loss of privacy, and the lack of transparency, demand vigorous governance systems that should be based on such principles as fairness and accountability and human dignity. This paper will critically explore the legal and ethical implications of AI in the Indian labour law, identify the current regulatory loopholes, and recommend wholesome legal reforms and policy interventions that place the protection of the worker, reskilling, and accountable AI management in the forefront and, as such, facilitate the creation of a fair future of work in the digital age.

Keywords: Artificial Intelligence (AI), Labour Law, Algorithmic Bias, Workers' Rights, Data Privacy and Ethics

Introduction

Artificial intelligence is rapidly transforming the workplace. As we look into the approach of businesses towards AI- based mechanisms, we can identify that they look only into increasing the productivity and growth while neglecting the rights of workers that are being infringed. AI intervention has altered the ways employers hire, assess, and manage their staff. The companies developed, while few are developing into relying on the use of AI-based mechanisms, including automated recruitment processes, employee surveillance tools, and performance appraisal and dismissal systems, contributes to increased productivity, fair and consistent results, and scalability in employment practices. Nevertheless, this technological advancement poses significant challenges to workers' rights. The the same time in India we lack sufficient laws to protect the rights of workers.

As AI systems increasingly automate human tasks, concerns about procedural fairness, employment discrimination, transparency, and accountability are growing. The implementation of automated decision-making systems can exacerbate existing biases and solidify systemic inequalities. At the same time, the application of predictive analytics to recruit employers and data - driven surveillance may compromise with the transparency, privacy and fairness in the employment. The current problem with AI as a new threat to labor law is that the initial legislation was originally created to protect the human aspect of working relations, which is now facing new threats, risks, and ethical issues due to the novelty of artificial intelligence technologies.

Statement of Problem

The rapid integration of artificial intelligence (AI) technologies in the modern workplace environment has spawned dramatic changes in the nature of labor (Morgan R. Frank & David Autor & James E. Bessen and Manuel Cebrian and David J. Deming and Maryann Feldman and Matthew Groh and Jose Lobo and Esteban Moro and Dashun Wang and Hyejin Youn and Iyad R.a. etc., 2019). These advances have brought complex legal and moral dilemmas. AI also brings up pertinent issues about the rights of the workers, employment equity, responsibility, and control of the governing structures. Simultaneously, it provides enhanced productivity, automatising work, and suggests new approaches to the management of employees. The current paper investigates the inadequacy of the existing labor laws and professional ethics to suit the many-sided impact of AI on labor relations.

The study attempts to question legal and ethical implications of the implementation of AI in the workplace, such as the concerns related to job replacement, monitoring and privacy of employees, discrimination of algorithms in job recruitment and placement testing, and the liability of the AI-distorted process of workforce conflict resolution.

In addition to the statutory gaps, there are the ethical aspects of AI, which have a closer look in labor relations. The queries that should be raised in relation to fairness, transparency, accountability, and the protection of autonomy of the employees are crucial to the idea that the introduction of AI cannot produce discrimination or disregard basic rights.

The paper also assesses how modern labour laws address these issues, identifies issues in the regulatory framework or contradiction, and assesses the ethical issues presented by the concept of worker dignity, fairness, and fair treatment through AI-mediated labour relations.

The research paper also provides a comprehensive legal and ethical framework to suggest - policymakers, employers, and stakeholders in responsibly integrating AI within labor environments. The paper is based on a multi-disciplinary approach, which combines the doctrinal legal analysis, ethical theorization and empirical investigation in order to build up balanced policy proposals that would safeguard the rights of the workers as well as enhance technological development.

The reason behind this methodological synthesis lies in its ability to consider not only normative demands but also practical consequences, thus making sure that the introduction of the artificial intelligence in the workforce does not contradict any principles of social justice and the necessity to preserve the sense of human dignity.

Research Question

- (i) How is artificial intelligence (AI) changing the traditional employee-employer relationship, especially in recruitment, workplace surveillance, performance evaluation, and termination practices?
- (ii) Whether the current labor laws in India effectively handle the regulatory challenges that come from using AI in the workplace?
- (iii) What ethical concerns arise from the use of AI-driven decision-making in hiring situations,

especially regarding fairness, accountability, bias, and transparency?

(iv) How can legal reforms and policy changes better protect worker rights and ensure the responsible use of AI technologies in labor relations?

Research Objectives

(i) To assess the reconfiguring of the employee-employer relationship in the fields of recruitment, surveillance, performance assessment and termination through artificial intelligence.

(ii) To assess if adequate laws are present to address the challenges raised by AI in the field of labor laws.

(iii) To explore the ethical concerns arising from AI-driven decision-making, such as fairness and accountability.

(iv) To recommend possible legal reforms and policy changes in the deployment.

Research Methodology

The study uses a doctrinal and legal methodology, which focuses on a critical study of both primary and secondary sources that are relevant to the intersection of artificial intelligence and labour law. The main sources of data include the provisions of the constitution, statutory laws, and judicial pronouncements that have originated in India. The secondary sources will include peer-reviewed scholarly journals, legal commentaries, and governmental reports that inquire about the socio-legal and ethical issues that AI creates in the labour market. These are secondary sources that can be used to contextualise the primary legal sources in larger socio-economic and ethical conversations. The process of data collection was performed using the sources of authoritative online legal databases, government portals, institutional repositories. The doctrinal study maps out the important legal provisions and judicial interpretation to outline the gaps and also where the Indian labour law system requires a reform. Through this thorough analysis, there will thus be recommendations that will offer proposals of a responsive and progressive legal framework that is able to absorb the ethical and practical governance of AI in labour regulation.

Significance of Research

The introduction of artificial intelligence (AI) into the workplace is significantly altering the dynamics of labor relations, offering new efficiencies while also presenting intricate legal and ethical dilemmas. This research is important as it fills a crucial and timely gap: existing labor laws and regulatory frameworks have struggled to keep up with the swift integration of AI technologies in employment practices such as hiring, monitoring, performance assessment, and dismissal. Based on systematic analysis of the way in which the concept of artificial intelligence is redefining the traditional model of employee-employer relationship and an evaluation of the sufficiency of current legal protection mechanisms. The paper is a very thought-provoking source of knowledge about the areas in which technological advancement has surpassed legal advancement. Furthermore, it is a critical study because it raises awareness of such critical ethical issues as algorithmic bias, privacy of data, and responsibility of automated decision-making that have crucial implications on the rights, equality, and dignity of workers in the modern digital era. The results of this research can assist lawmakers, regulators, employers, and civil society in comprehending the complex effects of AI and in creating frameworks that both promote technological advancement and safeguard essential labor rights.

Scope and Limitation of Research

The paper discusses the legal and ethical issues involving artificial intelligence (AI) in labor law and specifically how AI innovations are changing the employer-employee relationship in critical areas, including the hiring process, employee monitoring, performance appraisal and termination processes. It does a doctrinal study of modern labor laws, international agreements and such related case law and supplements it with a qualitative account of secondary literature such as textbooks, legal encyclopedias and other case commentaries to give an in-depth comprehension of the matter at hand. Although the research is primarily based on the Indian legal framework, it incorporates comparative insights from various jurisdictions to demonstrate common challenges and effective practices concerning AI and employment. The aim of this study is to guide policy changes and legal structures to respond to the emerging issues posed by AI in the workplace.

The research is mainly based on doctrinal and literature review methods, lacking empirical data collection like surveys or interviews with employees, employers, or AI developers, which could

offer further practical insights.

The study emphasizes overarching trends and challenges, rather than the long-term or sector-specific effects of AI in labor markets, and does not engage in large-scale statistical or quantitative analysis.

Ethical and legal evaluations are fundamentally influenced by the literature and sources available; certain aspects of AI's effects, such as long-term impacts on workforce innovation or new forms of algorithmic bias, necessitate additional empirical and interdisciplinary research.

Literature Review

1. Statutes

The industrial Disputes Act 1947 comprises the basic legal framework of the Indian labour jurisprudence which assists in settling industrial disputes, maintenance of the stability of the industry, upholding the rights of the employees including, dismissal, layoff, retrenchment, and unfair labor practices. The Act embraces a humanistic decision paradigm to adjudicate conflicts, to issue disciplinary action and control of employment terms, and provides well-developed conciliation, arbitration, and protecting workers mechanisms. The Industrial Disputes Act, 1947, defines the term 'Workmen', 'Employer', 'retrenchment', 'lay-off,' and 'unfair labour practice' based on the assumption that human exercise control and take decisions. While with the increasing use of AI tools to handle human-managed tasks such as automated hiring, algorithmic performance assessment, AI-based monitoring, and even automated dismissals, the traditional definitions pose a significant challenge in determining accountability and fairness in the procedures, the traditional definitions do not.

The Code on Social Security, 2020 provide social security and welfare for employees including gig and platform workers. The rise of “algorithmic employers” AI managed platforms in ride-hailing, delivery and freelance work has exposed gaps in coverage and definition, making protection and welfare for tech-enabled workers an urgent priority. Though the law acknowledge algorithm- driven management of workers there is no explicit provisions regulating algorithmic management (job allocation, termination), transparency of AI system.

Information Technology Act plays a foundational role in governing electronic data, privacy and cyber related offences in India including employee data management in workplaces using AI

systems. Under the Act, certain provisions like section 43A and section 72A offer protections related to sensitive personal data, requiring body corporate to implement reasonable security practices to protect employer data. However, the Act's scope is relatively limited focusing more on data security and less on comprehensive privacy rights for individuals. Advances AI systems governing HR and workplace monitoring today.

A more recent legislation like the Digital Personal Data Protection (DPDP), 2023 has tries to fill these gaps by introducing comprehensive data protection frameworks. The DPDP act also allows some legitimate use exemptions for employment purpose but offers a more nuanced and robust mechanism for addressing privacy concerns from AI- driven data collection and processing at workplace.

2. Case Laws

National Engineering Industries Ltd v. Kishan Bhageria, is the case where the Supreme Court clarified the definition of 'workman' under section 2(5) of the Industrial Dispute Act, 1947. The court ruled that for an individual to be excluded as a 'workman', they must be in a supervisory or managerial role with independent decision-making authority. The internal auditor in the case didn't have such authority and was primarily engaged in clerical duties, so court classified him as 'workman'.

The distinction in the case between supervisory role and worker roles set as precedent for interpreting who qualifies for labour protection. The question arise, whether AI algorithm act in a **supervisory** capacity. The courts may extend the definitions of 'supervisory' to include AI systems that assign tasks, monitor productivity or make employment decisions. If AI recognised as supervisors, workers managed by AI algorithms would still fall under protection as 'workmen.'

Justice K.S Puttaswamy v. Union of India 2017

In the it reaffirmed right to Privacy as a fundamental right under Article 21, but subject to legality, legitimate aim and proportionality test. This also includes informational privacy, which is crucial in modern workplaces increasingly using AI technologies for monitoring, data collection and decision -making about employees.

AI system collect vast amount of employee data like biometric data performance metrics and

behaviour patterns. The Puttaswamy principles mandate that such data collection must respect privacy rights of workers. Disproportionate AI monitoring could violate fundamental rights.

Dharangadhara chemical works v. State of Saurashtra, 1957

The judgement of this case established the key test for workmen status is the degree of control and supervision the employer exercise over how the work is performed. This case provide foundational legal framework to analyse employment relationship in AI driven workplace. When AI systems manage or supervise workers such as gig workers, freelancers, or platform worker. The question arise whether these workers qualify as workers.

Air India v. Nergesh Meerza, 1981

The case challenged discriminatory employment policies by Air India that affected female flight attendance, such as mandatory retirement upon marriage which did not apply to male employees. The SC ruled it as unconstitutional as they violate Article 14,15,and 16 of Indian Constitution in addressing workplace discrimination. As AI technologies increasingly mediate employment decisions (eg, hiring, firing, promotions), there are risks of embedding discrimination into AI algorithms. The principles of this case highlight need for fairness, transparency and equality safeguards in AI systems used for labour management.

3. Articles

“Towards Understanding the impact of Artificial intelligence on labour”- Morgan R Franks

This article is highly relevant to my research on legal and ethical implications of AI in labpur law. It gives a comprehensive analysis of how AI and automation are transforming work, including displacement and creation of jobs, the polarization of labour markets and the evolving skill requirements across occupation. These strengthen the understanding of challenges labour law face today regarding worker protection, employment rights, and regulatory gaps. Franl identify barriers such as insufficient data on changing workplace skills and limited frameworks for modelling labour market resilience - issues that are central to legal debates over how to govern AI powered workplace prectices and enforce transparency, fairness and accountability in automated decision making.

“Economics of Artificial intelligence : Implications for the future of work”- Ekkehardt Ernst Rossana Merda and Daniel

The Article traces how AI differs from earlier technological changes. It automates not just physical but also mental and decision- making tasks, leading to new vulnerabilities for both skilled and unskilled workers. This shifts the debate in labour law from traditional employment protections to questions of worker transition, upskilling and job security in a world where AI can reshape or eliminates jobs at every tier of employment. This article emphasize that AI introduction can widen inequality and concentrate market power, creating “superstar firms” with disproportionate control over labour conditions and data. The article outlines how AI-driven HR analytics may reinforce existing discrimination, for example by replicating past wage and hiring inequalities along gender or minority lines.

Introduction

The workforce, the workplace, and the very type of work are all changing due to artificial intelligence (AI) and modern technology in ways that have never been witnessed before. Although the benefits of using these developments are immense including better efficiency, automation of manual processes, and improved data driven decision making, the developments also have serious socio economic and ethical implications.

AI is automating the usual business processes, and human employees are now able to dedicate their efforts to higher-level and inventive actions, which essentially changes the role of work and organizational structure. In the distant future, AI will eliminate millions of jobs all around the world and also generate millions of new ones, and this will result in requirement of people with specific structure of skill in the employment. Critical thinking, problem-solving, and operating systems run by AI have become the demanded skills in the workplace, replacing jobs based on repetitive and manual work. The more information AI is involved with and the more content it will generate, the more time workers will have to oversee, fine-tune, and guide AI outputs.

Changes brought in workplace by AI

Automation and management by artificial intelligence are initiating widespread changes in the Indian labour market, and hence, raise serious apprehension about future job losses, mostly in

the field of transport, manufacturing and logistics. These dangers have already been publicly recognized by the Supreme Court, and the heads of the court emphasized the fact that the adoption of AI technologies can lead to the loss of the jobs of millions of people, in particular, those who occupy low-skill and routine jobs.¹ Although this transformation may be of this scale, the existing legal framework in India, especially looking the labour laws, the Industrial Disputes Act, 1947, The Code on Wages code, 2019, the Occupational Safety, Health and Working Conditions Code, 2020, and the Social Security Code, 2020, does not seem to be sufficiently prepared to address the unique issues presented by the technological-driven retrenchment.

The use of AI in the workplace has brought about quantifiable productivity. Firms claim to have quicker decision-making, smarter operations, and creative workflows, and AI manages the tasks of recruitment, performance management, and even strategic planning. The percentage of organizations utilizing AI has hit approximately 91 percent (Chike Agbai, 2025), which implies that AI will be widespread in organizations by 2025². The use of AI by employees is associated with increased performance and decreased stress levels, but the accuracy of AI outputs and the lack of human supervision are still a concern. Although AI-based automation can create wealth and opportunities, it has its severe issues, such as loss of jobs and increased social and economic inequalities. Some industries like manufacturing, transportation, and administration are particularly prone to technological unemployment, as jobs based on knowledge and creativity are on the rise. The transition itself requires significant reskilling and upskilling to overcome it, and few businesses are making sufficient investment in AI literacy and workforce training.

Automation through artificial intelligence is currently a normal procedure for solving repetitive, routine, and data-heavy tasks that used to be performed by humans, which include data entry, document processing, and front office customer service. The ubiquitous use of these technologies allows the outsourcing of non-cognitive tasks and services to automated systems and integrates human activities to more complex and creative and value-add activities. This change essentially changes the essence of work in many professions redefining the allocation

¹ *SC concerned over job losses with advent of AI in automotive industry*, The Economic Times, April 25, 2025, <https://hr.economictimes.indiatimes.com/news/industry/sc-concerned-over-job-losses-with-advent-of-ai-in-automotive-industry/120595504>

² Chike Agbai, *AI in the Workplace Statistics 2025: Adoption, Impact, and Outlook for the Future*, azumo, August 15, 2025, <https://azumo.com/artificial-intelligence/ai-insights/ai-in-workplace-statistics>

of cognitive and non-cognitive tasks.

The shift to AI-based operational foundations is the factor that allows employees to focus at a higher level since the cognitive resources of the latter can be redirected to the activities that should rely on higher-order thinking, strategic plans, and innovative approaches to the issues. The academic discussion therefore opines that the contemporary workplace is experiencing a radical change, whereby people are becoming more involved in activities that can optimize their productive abilities and also help in the creation of value to the organisation.

Whereas in certain fields, like human resources and health, intelligent systems are used to process high volumes of data - through resume and patient-related data - and at the same time give autonomous support mechanisms requiring little direct human supervision. These systems represent the larger pattern of algorithmic decision-making and data-based interventions that run through the modern professional practice.

Gaps in Indian Labour Law

Industrial Disputes Act describes retrenchment as the termination of service that was not related to discipline. Its application, traditionally, however, is limited mostly to financial or operational restructuring but not to technological change. As a result, the artificial intelligence-based layoffs are not easily fit into the strict framework of statutory liability, thus allowing the companies to escape the responsibility of taking care of the workers and re-skilling in case the jobs are replaced with artificial intelligence or artificial management. On the same note, the Social Security Code of 2020 lacks provisions on the workforce displacement caused by AI-based decisions, which leaves the employee facing termination without any opportunity to seek legal protection. Although the scale of the transformation is quite large, the legal framework of India, especially the Industrial Disputes Act 1947 and the Social Security Code 2020, is not sufficiently equipped to tackle the unique issues of the technology-based retrenchments. The use of artificial intelligence in the Indian labour market has revealed major weaknesses in the existing legal framework that remains largely rooted in the industrial age of assumptions and ill prepared to deal with the digital age reality.

The lack of clear legal protection of workers who are laid-off due to the AI-based lay-offs and automation can result in a continuum of pernicious outcomes in the labour market due to the ambiguous definition of the term retrenchment in the Indian labour laws and its lack of

incorporation of technologically induced lay-offs. Workers who are removed because of AI or automation will not get compensated or be given statutory notice, which increases the number of sudden job losses and the financial distress.

These deficiencies in statutory requirements of retraining and reskilling further limit the chances of displaced workers to be absorbed into other forms of employment and this causes long term job insecurity. The informal workers and low-skilled workers are quite susceptible especially because they are often not on a formal employment contract, or even social security and this situation contributes to the socio-economic disparity and the gap between skilled and unskilled labour. The opportunities offered by AI in the workplace are disproportionately benefited by the people who hold higher technical skills and the rest of the workforce is more often relegated to few chances of inclusion and promotion. With loopholes in the statutory coverage, there are high barriers to overcome in facing AI-driven termination, challenging algorithmic bias or seeking fair treatment, undermining the legal rights of the affected employees and their agency in the workplace. The lack of transparency in AI-based decision-making often does not allow the workforce to challenge or understand the reasons behind the decision to terminate their employment, which undermines trust in the private sector and the government. Unexpected and unjustified layoffs may trigger psychological torment and lack of morale among the staff, especially when the layoffs are done without much notice or any explanation. Job displacement as a result of automation can provide a stimulus in urban migration, creating a strain on infrastructure and further instability to the wider society as the displaced people seek re-employment elsewhere.

The labour codes in India were written to regulate traditional employer-employee relations, physical working places and stable employment relations. Conversely, AI-driven workplaces are managed algorithmically, are remote, and are facilitated by a gig/platform. Such new employment forms place gig and platform employees and other employees controlled by AI machines beyond the scope of basic protection laws, like minimum wages, social insurance, and access to labor unions.

The lack of legal protection of AI-controlled employees in the Indian labour legislation has massive consequences on laborers, often undermining the essential right to occupation and financial security. Devoid of legal provisions of minimum wage, standardized hours, and compensations covering severance, gig and algorithm-controlled employees are facing

significant financial instability. As an example, the app-based delivery workers or drivers of the platform can lose their salaries, their hours can change, or be dismissed suddenly due to some mysterious platform algorithm, and be left without the opportunity to resort to the legislation and wage protection. Most of the gig employees are not subject to statutory social security, such as health insurance, pension, or disability insurance, which puts them and their dependents at increased risk in case of illness, injury, or age. Though the new Code on Social Security of 2020 offers preliminary coverage, the schemes related to it are not well-developed, and the implementation of this type of coverage varies greatly on a nationwide scale. The use of AI-based workforce management and atypical contractual relations harshly limit the ability of workers to organise or pursue collective bargaining to an extent that it makes it difficult to oppose arbitrary contractual conditions, unfair compensation, or large-scale layoffs. Since gig workers are not recognized as an employed category, the possibility of registration and protection offered by a trade-union is mostly unavailable to the majority of participants of the platform. When there are no legal obligations to ensure workplace safety or conflict resolution, many gig and algorithm-controlled workers have to face exploitative contracts, disincentives, and overtime. The open-ended employer responsibility also undermines the grievance redressal mechanisms, fair treatment or bargaining of better working conditions.

The warming trend towards the use of artificial intelligence in jobs, including hiring, surveillance, assessment and termination, has not been followed by a distinct statutory regulation of the Indian labour law on the issues or objections to AI-driven hiring, surveillance, assessment and dismissal, or specifies the legal responsibility of errors or algorithmic discrimination that impact the lives of workers. On top, the legal framework does not require algorithmic audits, explainability, and regular reviews of AI systems used in employment settings.

The lack of responsibility and regulation about the use of AI in employment-related issues has a severe effect on employees, leading them to being vulnerable to abuses, discrimination, and unemployment without a clear legal remedy. Without statutory provisions where transparency or explainability is established, employees are often not given the legal or practical tools necessary to understand, challenge or appeal against negative decisions based on AI, such as refusals at hiring, performance ratings, or termination. This kind of obfuscation can be used to promote wrongful dismissals, favoritism in hiring, and unfair assessment that are never checked and will thus undermine the trust of workers and destroy procedural fairness in the

workplace. The current Indian labour laws do not specify the responsibilities in the case of the AI systems failure and leave the responsibility on whether the blame should be put on the employer or the software company or anyone. Lack of clear liability also hinders the possibilities of workers to seek damages or compensation due to the faulty AI and makes them susceptible and have few protective measures. The tools of AI have the potential to promote or even reinforce gender, caste, age, or disability inequities in cases where these programs and the data they feed off are faulty. Without mandatory auditing or bias-reducing policies, discrimination is bound to become institutionalized in recruitment and workplace surveillance protocols and will be disproportionate to the disadvantaged demographic categories. These deficiencies are worsened by the absence of a legally binding human control over the processes of AI decision-making. The implementation of algorithmic decisions removes the sense of accountability and increases the chances of errors that can have a negative impact on the lives and morale of employees. The AI systems manipulate a very wide range of personal employee information, including sensitive data. The weakness of control mechanisms that control the privacy and consent of the workers subjects the personal rights of the workers to jeopardy and may lead to infringement of privacy and confidentiality.

The widespread use of artificial intelligence to track employees, their productivity, and personal information attracts some acute fears concerning privacy and human dignity. The very fact that these technologies allow collecting and processing large amounts of personal data questions the current concept of workplace autonomy and raises the severity of the need to establish strong protective measures. Even though the Digital Personal Data Protection Act provides a underlying structure within which the protection of personal data is identified, it does not specify industry-specific criteria according to which AI systems can operate, store, or share sensitive data about employees in a corporate environment. The lack of detailed guidance creates confusion regarding there being a lack of uniformity in the creation of regulatory protective measures across industries.

Employees are currently missing the statutory procedures that would provide them an insight into the decisions based on the obscure algorithmic procedures or the possibility to challenge them. As a result, the possibility of arbitrary, discriminatory results is, therefore, enhanced since decision support systems can be used without justifiable and recourse. The use of AI-driven surveillance systems, which are installed to record wide scope of information on the behavior of employees, subjects the workers to huge privacy violations on their own lives. Normalization

of such monitoring creates an all-time feeling of being observed, thus compromising psychological health, and destroying morale in the place of employment. Although the Digital Personal Data Protection Act of 2023 provides a generic system of data protection, it fails to consider the specifics of power on the one hand and surveillance threats within the employer-employee relationships on the other. The result of this insufficiency is a gray area in terms of what is right and fair data processing in the workplace, as it therefore allows excessive managerial latitude when it comes to employee surveillance with few consequences.

The employees do not normally have a legal right to know which information is aggregated, how it is processed, which modalities it is stored in and how long it is kept. Along with that, they also have few legal means to appeal or rectify the findings of opaque AI analyses, which contributes to the fact that these workers are more exposed to unfair or unbiased determinations. In most cases, employees do not have legal rights to determine exactly what data is being gathered, processed, stored, or exchanged and how long it is kept. The workers are also unable to appeal or correct decisions made concerning them as a result of non-transparent AI analysis, which puts them in the danger of discriminatory or arbitrary results. Without the strict regulations on AI data utilization, it will be possible to form discriminatory portraits, generate biased performance evaluation, and establish systematic inequities in hiring, promotions, and terminations. Unless there is a mandatory audit or clearly established ethical principles, those risks would remain undispersed, and inequality in the labor market would be perpetuated.

Ethical challenges posed by AI in labour law

Some of the ethical issues related to the adoption of artificial intelligence in the workplace involve the chances of algorithmic bias, discrimination, loss of privacy, and loss of autonomy by the worker. About half of the professionals consider generative AI as a technology that is at significant risk, but only one-quarter of organizations has formal ethical policies related to the use of AI. Employees also complain of the fear of losing their jobs, skills becoming obsolete, and the risk of their own personal data not being securely stored. The ethical application of AI requires detailed forms of governance and adherence to ethical values and principles of fairness, transparency and the protection of workers rights.

The information obtained in India exemplifies the extent of obstruction caused by artificial intelligence (AI) in the labour market. The 2025 Future of Jobs Report issued by the World

Economic forum predicts that AI is expected to eliminate about 8% of the current jobs in the world and in the same process, this new technology will create 14% more jobs (a net of 92 million jobs lost, and 170 million new jobs created)³. The Indian scene is no exception as industries like information technology, manufacturing, finance and customer service are undergoing automation of the routine, repetitive processes that traditionally involved mid-level and entry level staff. A good example is that of Tata Consultancy Services (TCS) the largest IT employer in India and has announced that it is planning to cut over 12,000 jobs that mostly involve the mid-level managers.⁴ Such reorganization is explained by limited deployment possibilities and incompatibilities between current competences and AI operational needs.

These disruptors create economic precarity to displaced workers who might become obsolete due to disruption of their skill sets or become irrelevant. The consequences do not just impact at the personal level of unemployment but also has a greater effect on the society as a whole by increasing the levels of unemployment concentration, income inequality and underemployment by youth especially in the urban centers. As an example, the unemployment rate of young people in urban areas in India increased to almost 19 per cent in mid-2025, which indicates a group of people who are more vulnerable to displacement due to job loss⁵.

To prevent the fear of the worker and guarantee the distributive benefits of AI, the organizations and policy makers should anticipate ethical rules of governance. Unambiguous discussion of the plans of implementing AI, timeline and its effects on their jobs can ease the uncertainty and fears of the employees. The clear definition of AI as an addition, but not replacement of human functions, strengthens the institutional sense of confidence. Also paramount are total retraining and upskilling programmes that are developed to prepare the affected workers to adhere to emergent or transformed occupational job positions.

Reskilling policies contribute to economic resilience and social cohesion in that they mitigate unemployment and restrain skillmarket-mismatch. Fair transition systems must also include

³. *Future of Jobs Report 2025: The jobs of the future – and the skills you need to get them*, World Economic Forum, Jan 8, 2025, <https://www.weforum.org/stories/2025/01/future-of-jobs-report-2025-jobs-of-the-future-and-the-skills-you-need-to-get-them/#:~:text=To%20find%20out%2C%20the%20report,roles%20core%20to%20many%20economies>.

⁴. *TCS to cut workforce by 2%, affecting more than 12,000 jobs*, The Hindu, July 27, 2025, <https://www.thehindu.com/business/tcs-to-cut-workforce-by-2-affecting-more-than-12000-jobs/article69861610.ece>

⁵. Sanya Agarwal, *India's Unemployment Rate in 2025*, India Macro Indicators, January 5, 2026, <https://indiamacroindicators.co.in/resources/blogs/indias-unemployment-rate-in-2025>

social safety nets, including unemployment benefits, career guidance and incentives given to firms investing in the development of their workforce. Taken together, these actions promote fair chances and reduce socio-economic inequalities that are increased by AI-based changes.

The adoption of AI has generated massive productivity in various fields. According to the empirical research and surveys, workers who use AI note that the average rates of productivity have risen by 66 percent, which is explained by the automation of challenging programming tasks, support of customer engagement, and faster content development⁶. The technology enables the formation of the more agile and cross-functional teams that can work flexibly and across the geographies to expand organizational reach and coverage. The digital assistants and agents that are driven by AI are now offering services in the area of project management, real-time workflow optimization and optimization of workflow, thereby improving decision-making and driving strategic innovation.

Artificial intelligence does not simply enhance task performance but transforms the workplace culture overall by encouraging teamwork, lifelong learning, and worker prosperity. Successful organizations facilitate the environment where human-AI collaboration can take place without any obstacles, thus promoting curiosity and openness to explore the new technologies. The AI-enhanced workplaces also feature more flexible and hybrid forms that place greater emphasis on the employee experience and empowerment, which is a clear shift in the traditional hierarchical design and office environments that are physically restricted.

One of the most remarkable peculiarities of the AI-led transformation is its fast impact on the skills requirements. The need to be AI literate, not just competent in the technical sense but also in such aspects as supervision, contextualization, and guidance of AI output, has been acute and forces modern workers to diversify their portfolios by including more comprehensive and flexible sets of skills. With the changing occupational roles, job designs are restructured to take advantage of the human abilities of critical thinking, creativity, empathy, and innovation, but the AI systems take over the duties relating to pattern recognition, data processing, and execution. These transformational dynamics occur nearly three times faster in AI -exposed jobs than in other sectors, and they thus initiate a global reskilling push.

⁶. Jakob Nielsen, *AI Improves Employee Productivity by 66%*, NN Group, July 16, 2023, <https://www.nngroup.com/articles/ai-tools-productivity-gains/#:~:text=It's%20clear%20from%20the%20chart,compare%20it%20to%20other%20numbers.>

The changing partnership between the human workforce and artificial intelligence (AI) technology is transforming the paradigms of normativity in the industry. Leading organizations are using AI strategically to enhance human judgment, which allows them to divide the roles in a complementary manner where humans can offer guidance and contextualization, and AI is ++emotional intelligence, which would place employees in a better position to succeed in AI-enhanced working settings. Artificial intelligence and modern technologies are not only changing the ways of how work is being performed but are also altering the conceptualization of work, the labor market, the workplace culture, and the understanding of progress and equity of society.

Findings

1. Change in the Work and Organization Structure.

The artificial intelligence (AI), together with modern technological advancement, is significantly reshaping the labor force, the workplace, and the essence of the work in India. This is because the automation capability of AI especially in routine and manual business process allows human workers to focus more on higher-order, creative, and strategic tasks. As a result, organizational frameworks are becoming more agile and innovation-focused, which facilitates the symbiotic relationships between human actors and AI machines.

2. Dynamics of Creation and Displacement.

It is estimated that artificial intelligence will eliminate millions of jobs in the global economy; at the same time, it is believed that artificial intelligence will create more new jobs, which will counterbalance it, and the impact will be a net positive on aggregate employment. Such a shift introduces significant changes in skills demanded in the labor market, where critical thinking, problem-solving and AI systems management are favored over monotonous and repetitive jobs.

3. Laws and Social Provision Loopholes.

The labour rules of India rest on traditional labour structures and are insufficient to include the specificities of algorithmic labour management, remote labour practices and gig/platform labour. In turn, large groups of the labor force, AI-managed individuals, lack fundamental protection, including minimum wage, benefits on social security, collective bargaining, and workplace safety protections.

4. Algorithmic Transparency and Ethical Concerns.

The use of artificial intelligence in recruitment, surveillance, evaluation, and dismissal has resulted in a profound system of ethical concerns, including algorithmic bias and discrimination, loss of privacy and employee autonomy, and lack of transparency and responsibility in making decisions based on AI. Present legal regulations offer no unambiguous requirements of algorithmic auditing or workers to challenge AI-based working results.

5. Reskilling Requirement and Equitable Dislocations.

The AI-driven shift to a new work environment requires a swift and widespread investment in upskilling and reskilling efforts to address the systemic issue of job insecurity. Strong transition policies including social safety nets and effective communication about the role of AI as an augmentative and not a substitutive force are a necessity to achieving worker trust and social cohesion.

In order to explore the potential of AI in driving the inclusivity of economic growth and reducing the negative effects on the labour market, the following recommendations can be taken into consideration,

Reform of the law and modernization of the Labour Code:

Modify labour legislation to include explicitly the technologically based layoffs and the benefits of compensation, prior notice, and reskilling requirements to other workers who are laid off due to AI-driven automation. Identify and control new forms of non-traditional employment that are practiced in the gig and platform economies and guarantee minimum wages, social security and collective bargaining.

Require AI systems to be audited regularly during hiring, monitoring and termination to identify prejudice and discrimination. Create effective regimes to establish clear liability of employers and AI vendors against mistakes or discriminatory consequences of AI decision-making. Make artificial intelligence decisions used to drive employment, clarifiable and challengeable to enable worker redress.

Information Privacy and Employee Authorization:

Establish stringent policies that would be specific to data processing in the workplace to

enhance employee privacy and curb abuse of surveillance. Grant employees the right to find, dispute, and fix personal data records and artificial intelligence-generated reports.

Reskilling/ Workforce Development:

Introduce massive, national-level retraining and upskilling initiatives including those in the digital literacy, AI-related skills, and lifelong learning. Enhance and systematize public-corporate associations and leverage plans like Skill India to expand the capability of the workforce.

Ethical AI Governance:

Encourage multi-stakeholder systems that include government, industry, personalities in higher levels of learning and worker representatives to shape the ethical design, implementation and control of AI in work places. Incorporate the values of equality, non-discrimination, human dignity, and transparency in the practice of regulation and corporate social responsibilities.

Social Safety

Enhance social protection programs such as unemployment benefits, healthcare and career development among the displaced workers. Encourage businesses to use benevolent transitional pathways and having transparency on AI adoption strategies and effects.

The future of India lies on a balance between technology and invention and good labour laws and morality. In so doing, the workforce will be empowered to move on to the AI-driven future of work with confidence, resilience and equity which will turn the disruption into an opportunity and sustainable development.

Conclusion

The concept of artificial intelligence (AI) is radically reshaping the nature of work, the workplace environment, and labour markets in India, both in terms of unprecedented opportunities and major challenges. With the introduction of AI-based automation, higher efficiency, innovation, and productivity can be achieved by relegating humans to less meaningful work and subjecting them to more significant, more innovative, and strategic decision-making. This transformation is securely accompanied by the net creation of jobs in all

parts of the globe yet it is accompanied by severe adjustments in the abilities required by the labor force in which there must be extensive focus on AI literacy, critical thinking, and ability to adapt.

Nevertheless, the current labour legislation, which is mainly the Industrial Disputes Act, 1947 and the Social Security Code, 2020, is still obscure and inadequate to overcome the problem of the changes in the workplace, driven by AI. These laws are based on the old-fashioned models of employment and do not prevent workers properly against AI-driven retrenchment, skills becoming obsolete, algorithm bias, data breaches, and an expanding gig/platform economy. The economic uncertainty that arises due to the insufficiency of legal clarity of AI-driven layoffs and lack of either obligatory reskilling or retraining opportunities leads to the increased socio-economic inequality with low-skilled, informal, and marginalized employees bearing the brunt of such changes.

The ethical issues related to the implementation of AI, namely, the lack of transparency in decision-making, the danger of discrimination, loss of worker agency, and invasion of privacy, indicate that AI imposes a strong need to enforce governance frameworks based on fairness, transparency, and respect of the rights of workers. In the absence of legally binding guidelines of accountability in algorithms and human control, the chances of randomness and structural discrimination in the hiring process are high.

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