

**Labour Law and Artificial Intelligence: Legal Implications of  
Automation in India**

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**Abstract**

As India transitions into a leading global digital economy, the incorporation of Artificial Intelligence (AI) and automation within the workplace has moved from an encompassing genre that freely explores possibility and impossibility alike to operational reality. This article examines the intersection of traditional Indian labour jurisprudence, primarily the Industrial Disputes Act of 1947 and the newly implemented Labor Codes with the disruptive forces of algorithmic management. It explores the legal challenges surrounding gig work, discriminatory biases in AI-driven recruitment, and the procedural hurdles in automation-induced retrenchment.<sup>1</sup> Finally, it evaluates the role of DPDP (Digital Personal Data Protection) Act, 2023, in safeguarding worker privacy in an era of constant observation.

**Introduction – The AI Revolution in the Indian Workplace**

The landscape of Indian industry is currently undergoing a "technological transformation." By the year 2026, the implementation of Artificial Intelligence (AI), India has reached a critical mass, contributing significantly to GDP but simultaneously straining the entire spectrum of conventional employer-employee relationships. Automation is no longer limited to the assembly lines of Pune or Chennai, it now encompasses cognitive tasks in the IT sector, logistics in the booming e-commerce market, and decision-making in human resources.

The fundamental challenge lies in the "Human-Algorithm" gap. While Indian labour laws were historically designed to protect workers from physical exploitation and unfair removal by human supervisors, they are ill-equipped to handle the "invisible boss", the algorithm. The legal implications of this shift are multi-faceted, ranging from the misclassification of workers to the lack of transparency in automated terminations.<sup>2</sup>

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<sup>1</sup>Industrial Disputes Act, 1947, No. 14, Acts of Parliament, 1947 (India).

<sup>2</sup>Future Challenges And Opportunities In Labour Law In India: The Era Of Artificial Intelligence And Automation, IJLLR (Dec. 6, 2025), <https://www.ijllr.com/post/future-challenges-and-opportunities-in-labour-law-in-india-the-era-of-artificial-intelligence-and-a>.

### **Review of Literature**

The following literature have been reviewed. The current legal structure in India is based on numerous essential pillars that are now interacting with various digital forces.

- **Traditional Jurisprudence:** The Industrial Disputes Act (IDA) of 1947 continues to provide protection for "workmen". Change in service conditions, including the introduction of new technology.
- **New Labour Codes:** In late 2025 and early 2026, four Labour Codes superseded 29 central statutes. This includes the Industrial Relations Code of 2020, which established the "Worker Re-skilling Fund" under Section 83.
- **Gig Economy Regulation:** The code on Social Security (2020) recognises "gig" and "platform" workers for social security reasons. Recent state-level interventions include the Telangana Gig and Platform Workers Bill (2025) and the Karnataka Gig Worker Law (2025), which require "Algorithmic Transparency".
- **Emerging AI:** The Artificial Intelligence (Ethics and Responsibility) Bill, 2025, introduced in December, 2025, proposes to establish a legislative framework for advanced AI applications.
- **Data Protection:** The DPDP (Digital Personal Data Protection) Act, 2023, identifies employers as "Data Fiduciaries" and employees as "Data Principals," governing the processing of personal data for employment reasons.

### **Research Gaps**

Despite evolving landscape, there exists gap

- **The Human-Algorithm Gap:** Traditional laws were created to protect workers from physical exploitation by human bosses, but are inadequate to address the "invisible boss" or the algorithm.
- **The Black Box Problem:** Termination decisions are often based on proprietary algorithms that neither the employee nor the employer fully understand. This makes it impossible for a worker to "show cause" for their removal.

- **Legal Vacuum in the Gig Economy:** Although gig workers are eligible for social security, they do not have the same protections as regular employees, including collective bargaining and protection against arbitrary dismissal.
- **Opacity and Proof:** When an algorithm generates a rejection, workers may struggle to question its "mathematical necessity" or prove prejudice.

### **Significance of the Study**

This study is an important, as AI-driven recruitment tools have become standard for major Indian firms, directing everything from resume screening to sentiment analysis on video interviews. The increasing dependence on these systems raises concerns regarding transparency, accountability, and checked power over susceptible communities. Furthermore, as the threshold for seeking government permission for retrenchment has increased from 100 to 300 workers under the new Codes, workers in tech-heavy sectors are more vulnerable than ever to sudden, AI-driven mass layoffs.

### **Scope and limitation**

**Scope:** This research examines the connection of traditional labour jurisprudence (specifically the IDA 1947) and the newly employed Labour Codes with algorithmic management. It covers legal challenges in gig work, AI-driven recruitment bias, procedural hurdles in retrenchment, and worker privacy under the DPDP Act.

**Limitation:** A primary limitation is the difficulty of litigating private sector discrimination without specific AI-governance statutes, as Constitutional protections under Articles 14 and 16 primarily target State action.

### **Objectives**

- To evaluate the competence of the Industrial Disputes Act, 1947, in addressing automation-induced retrenchment.
- To analyse the how the 2020 Labour Codes work on job security in the age of AI.
- To discover legal challenges on "Algorithmic Management" and the misclassification of gig workers.
- To evaluate the role of the DPDP Act, 2023, in limiting invasive AI-driven workplace surveillance.

### **Hypotheses:**

Hypothesis 1: The current labour laws are not equipped fully to handle invisible boss or algorithmic management.

Hypothesis 2: The increase in retrenchment thresholds in 2020 codes leaves tech-sector workers vulnerable to mass AI-driven layoffs

Hypothesis 3: Fifteen days wages for the re-skilling fund is insufficient to re-skill workers whose entire trade has been automated.

**Key Issues in 2026 Context:**

Redefining "Workman": Whether a person managed entirely by an app is a "workman" the Industrial Disputes Act (IDA).

Technological Change: How "automation" fits into the notice requirements of Section 9A of the IDA.

The Industrial Disputes Act (IDA), 1947<sup>3</sup>, remains the bedrock of protection for "workmen." The requirement for employers to alert workers prior to altering the terms of employment is governed by Section 9A.

Automation frequently leads to "retrenchment" as defined under Section 2(oo). However, the IDA assumes a human-centric reason for retrenchment (e.g., economic downturn). When an AI determines that a human worker is "redundant" based on efficiency metrics, the legal burden shifts to the employer to prove the "last come, first go" principle (Section 25G). Workers have challenges due to opacity of AI, to challenge the "mathematical necessity" of their termination. As of late 2025 and early 2026, the four Labour Codes have replaced 29 central laws. The Industrial Relations Code, 2020,<sup>4</sup> introduces a "Worker Re-skilling Fund" (Section 83). This is a direct acknowledgement of automation-led displacement.

However, the Codes also increase the threshold for seeking government permission for retrenchment (from 100 to 300 workers), giving larger firms more freedom to automate without bureaucratic hurdles. While this promotes "Ease of Doing Business," it leaves workers in tech-heavy sectors vulnerable to sudden, AI-driven mass layoffs.

**Algorithmic Management in the Gig Economy**

The development of platform-based work (Uber, Zomato, Swiggy) has created a "legal vacuum" in which workers are frequently referred to as "partners" rather than

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<sup>3</sup>The Industrial Disputes Act, No. 14 of 1947, § 9A, India Code (1947).

<sup>4</sup>The Industrial Relations Code, No. 35 of 2020, § 83, Acts of Parliament, 2020 (India).

employees. In 2026, the focus has changed to "Algorithmic Management," which involves using software to manage, evaluate, and examine the discipline of workers.

India officially recognised "gig workers" and "platform workers", under the code of Social Security 2020.<sup>5</sup> However, this recognition is primarily for social security benefits and does not grant them the full set of rights available to regular employees, such as protection against unfair removal or the right to collective bargaining.

State-level interventions, such as the Telangana Gig and Platform Workers Bill (2025) and the Karnataka Gig Worker Law (2025), have attempted to bridge this gap by mandating "Algorithmic Transparency."<sup>6</sup> These state laws bridge the regulatory vacuum at the national level (where the Code on Social Security, 2020, recognises gig workers but leaves details to states). They move beyond outright prohibitions to balanced rules that promote transparency and explainability in algorithmic decisions, reduce opacity and bias risks, provide recourse (e.g., notices, reasons, grievances) and align with global trends (e.g., EU's 2024 Platform Work Directive requiring transparency and human oversight).

By 2026, as AI deepens its role in workplaces, these interventions exemplify the needed shift to "Protection by Regulation," fostering fair algorithmic management while supporting India's digital economy growth. However, success depends on enforcement, rules/notifications, and potential national harmonisation to avoid fragmentation.

India has taken an important step towards regulating artificial intelligence by adopting the Artificial Intelligence (Ethics and Responsibility) Bill, 2025, which was introduced in Parliament on December 17, 2025. According to a legal analysis carried out by intellectual property law firm LexOrbis, the bill aims to provide a structured legal framework for regulating artificial intelligence technology in

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<sup>5</sup>A. SHAHARBANU & N. KAUSHIK, Gig workers' personal data protection | India, LAW.ASIA (Dec. 30, 2024), <https://law.asia/gig-economy-data-protection-india/>.

<sup>6</sup>Karnataka's gig worker law introduces algorithmic transparency, BUSINESS & HUMAN RIGHTS RESOURCE CENTRE (Aug. 7 21, 2025), <https://www.business-humanrights.org/en/latest-news/india-karnatakas-gig-worker-law-introduces-algorithmic-transparency-but-enforcement-and-appeal-rights-remain-weak/>.

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sensitive and high-impact areas.<sup>7</sup> However, the growing dependence on algorithmic systems increases concerns about accountability, transparency, bias, and unchecked power, particularly among underprivileged groups.

### **Discrimination and Algorithmic bias**

AI-driven recruitment tools are now standard for major Indian firms. These systems screen thousands of resumes and even conduct "sentiment analysis" on video interviews. However, these algorithms often mirror the biases present in their training data.

In the Indian context, this can be manifested as bias against certain castes, religions, or regions (e.g., favouring candidates from specific Tier-1 colleges). This triggers Constitutional concerns under Art.14 (Equality before law) and Art.16 (Equality of opportunity in public employment).<sup>8</sup> While the Constitution protects against State action, private sector discrimination is harder to litigate without specific AI-governance statutes.

The "Black Box" Problem:

The principles of Natural Justice (*Audi Alteram Partem*) require that a worker be given a fair hearing before an adverse action is taken. However, when an AI terminates a contract, the "reasoning" is often protected in a proprietary algorithm that the employer itself may not fully understand.

This "Black Box" problem makes it impossible for a worker to "show cause" against their termination. In 2026, legal experts are advocating for a "Right to Explanation" like the EU's GDPR, ensuring that every automated decision affecting a worker's livelihood is explainable and contestable.

The primary legal hurdle is "explainability." When a candidate is rejected by an AI, the employer often cannot explain why, making it impossible for the worker to prove discrimination.<sup>9</sup>The AI (Ethics and Accountability) Bill, 2025, which is

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<sup>7</sup> Jonalyn Cueto, India proposes comprehensive AI ethics legislation, HRD ASIA (Jan.8 8, 2026), <https://www.hcamag.com/asia/specialisation/employment-law/india-proposes-comprehensive-ai-ethics-legislation/561314>.

<sup>8</sup> INDIA CONST. art. 14, 16.

<sup>9</sup> Ethical AI In Recruitment 2026, MAHAD MANPOWER (Jan. 12, 2026), <https://mahadmanpower.in/tag/ethical-ai-in-recruitment-2026/>.

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currently before the Indian Parliament, proposes to impose "Human-in-the-Loop" audits for high-risk AI applications in employment.<sup>10</sup>

### **Constitutional Aspect**

The integration of artificial intelligence in the workplace, notably in recruitment and management, raises several constitutional concerns:

- AI-driven recruitment systems may reflect biases in training data, leading to discrimination against certain castes, faiths, or regions. This raises challenges under the Indian Constitution's Art. 14 (Equality before the law) and Art.16 (Equal chance in public employment).
- State Action vs. Private Sector: While the Constitution protects individuals against discriminatory "State action," it is challenging to pursue private sector discrimination without explicit AI-governance statutes.
- Continuous tracking of non-productive intervals and facial expressions violates the judicial standard of "reasonable expectation of privacy".<sup>11</sup>

### **Automation and Retrenchment – Procedural Safeguards**

Automation-led layoffs are distinct from traditional business downturns.<sup>12</sup> Under Section 25F of the Industrial Disputes Act, 1947, an employer must provide one month's notice and compensation for "retrenchment."<sup>13</sup> However, if the displacement is due to "technological change," Section 9A and the Fourth Schedule of the IDA require a specific "Notice of Change."

In 2026, legal debates centre on whether a shift to Generative AI constitutes a "change in the nature of work" that requires prior consultation with trade unions.<sup>14</sup>

Furthermore, the Industrial Relations Code, 2020, introduces the "Worker Re-skilling Fund," which requires employers to contribute fifteen days wages for every

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<sup>10</sup> The Artificial Intelligence (Ethics and Accountability) Bill, 2025, Bill No. 59 of 2025 (India).

<sup>11</sup> *Justice K.S. Puttaswamy (Retd.) v. Union of India*, (2017) 10 S.C.C. 1 (India) (affirming privacy as a fundamental right under Art. 21).

<sup>12</sup> AZB & PARTNERS, *Artificial intelligence in Indian workplaces: diversity law issues from hiring to exits*, AZB BANK (2025), <https://www.azbpartners.com/bank/artificial-intelligence-in-indian-workplaces-diversity-law-issues-from-hiring-to-exits/>.

<sup>13</sup> *Industrial Disputes Act*, 1947, § 9A, 25F.

<sup>14</sup> *Automate or Alienate? How India's 2025 Budget Can Champion Equitable AI Adoption*, CRF INDIA (Jan. 3, 2025), <https://www.crfindia.org/publications/opinion-column/automate-or-alienate-how-indias-2025-budget-can-champion-equitable-ai-adoption>.

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retrenched worker.<sup>15</sup> The legal question remains is fifteen days of wages sufficient to re-skill a worker whose entire trade has been automated?

### **Judicial intervention and principles**

Indian courts have long held that administrative and quasi-judicial actions must be fair, just, and non-arbitrary.<sup>16</sup> When an AI system makes a decision to terminate a contract or penalise a worker, the lack of "explainability" makes it impossible for the affected individual to "show cause" against the action.<sup>17</sup> Consequently, legal scholars and upcoming 2026 regulations advocate for a "Right to Explanation" to ensure that automated decisions are contestable.<sup>18</sup> Additionally, under the Industrial Disputes Act, if an AI determines a worker is redundant, the burden remains on the employer to prove that such "retrenchment" follows the "last come, first go" principle, a task complicated by algorithmic opacity.<sup>19</sup>

AI system's black box nature places, judicial standards to the test.

- Natural Justice: The principle of Audi Alteram Partem<sup>20</sup> (the right to a fair hearing) demands workers to be heard before facing any adverse actions. However, when AI cancels a contract, the "reasoning" is frequently shielded by proprietary algorithms, making it impossible for a worker to "show cause" for their termination.
- Legal experts call for a "Right to Explanation" to ensure automated decisions impacting workers' livelihoods are contested and explainable.
- In accordance to the DPDP (Digital Personal Data Protection) Act, 2023, the principle of "Data Minimisation" indicates that invasive of monitoring AI may be illegal if it is not "strictly necessary," despite the Act allowing data processing for "employment-related purposes" without consent.
- When AI identifies a worker as "redundant," employers must prove the "last come, first go" principle under Section 25G of the Industrial Disputes Act.

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<sup>15</sup>Code on Industrial Relations, 2020, No. 35, Acts of Parliament, 2020 (India).

<sup>16</sup>A.K. Kraipak v. Union of India, (1969) 2 S.C.C. 262 (India).

<sup>17</sup>LexOrbis, *Legal Analysis: The Artificial Intelligence (Ethics and Responsibility) Bill, 2025* (2025).

<sup>18</sup>The Digital Personal Data Protection Act, No. 22 of 2023, § 7, India Code (discussing the principle of "Data Minimisation" and limits on processing).

<sup>19</sup>The Industrial Disputes Act, No. 14 of 1947, § 25G, India Code.

<sup>20</sup>Maneka Gandhi v. Union of India, (1978) 1 S.C.C. 248 (India) (holding that any procedure depriving life or liberty must be "fair, just and reasonable").

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However, workers can find it difficult to challenge the "mathematical necessity" of such decisions because of AI's opacity.

### **Privacy, Surveillance, and Future Outlook**

The final frontier of AI in the workplace is surveillance. AI tools can now track "idle time," keystrokes, and even facial expressions to measure "engagement." This pervasive monitoring often violates the "Reasonable Expectation of Privacy."<sup>21</sup>

The DPDP (Digital Personal Data Protection) Act, 2023<sup>22</sup>, has significance consequences here. Employers are "Data Fiduciaries" and employees are "Data Principals." While Section 7 of the Act allows for the processing of personal data for "employment-related purposes" without explicit consent, the principle of "Data Minimisation" suggests that invasive AI monitoring may be illegal if it is not "strictly necessary."

It can be noted that,

- By 2026, India's labour laws must evolve from "Protection by Prohibition" to "Protection by Regulation." The legal framework needs to move toward.<sup>23</sup>
- Algorithmic Accountability: Mandating audits for AI used in hiring and firing.<sup>24</sup>
- Right to Re-skilling: Upgrading the Re-skilling Fund to reflect the depth of AI disruption.<sup>25</sup>
- Digital Decency: Defining limits on AI-driven workplace surveillance under the DPDP Act.<sup>26</sup>

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<sup>21</sup> Luc S. Cousineau et al., *Employee Surveillance Technologies: Prevalence, Classification, and Invasiveness*, 21 *Surveillance & Soc'y* 447 (2023).

<sup>22</sup> *Digital Personal Data Protection Act, 2023*, No. 22, Acts of Parliament, 2023 (India).

<sup>23</sup> *Social security and digitalization for an inclusive future of work*, INTERNATIONAL LABOUR ORGANIZATION (Feb. 21, 2025), [https://www.ilo.org/sites/default/files/2025-02/20150206\\_G20\\_EWG\\_Social%20Security%20Digitalization%20Paper\\_ILO\\_ISSA\\_OE\\_CD.pdf](https://www.ilo.org/sites/default/files/2025-02/20150206_G20_EWG_Social%20Security%20Digitalization%20Paper_ILO_ISSA_OE_CD.pdf).

<sup>24</sup> *Labour Law in the Age of AI and Automation: Issues and Challenges in Algorithm*, OUTLOOK BUSINESS (Oct. 8, 2025), <https://www.outlookbusiness.com/columns/labour-law-in-the-age-of-ai-and-automation-issues-and-challenges-in-algorithm>.

<sup>25</sup> *India's New Worker Re-skilling Fund Changes What Job Loss Really Means*, India Today (Dec. 15, 2025), <https://www.indiatoday.in/education-today/jobs-and-careers/story/indias-new-worker-re-skilling-fund-changes-what-job-loss-really-means-2836254-2025-12-15>.

<sup>26</sup> *Id.* at 5.

- Automation should not be an "unstoppable juggernaut," but a "guided star" that enhances productivity without compromising the dignity of the Indian worker.<sup>27</sup>

### **Hypotheses testing**

Hypothesis 1: The current labour laws are not equipped fully to handle invisible boss or algorithmic management.

Status: Proved

- Historical Mismatch: Indian labour laws were enforced to protect workers from physical exploitation and human supervisors, making them not suitable for "invisible" AI-driven management.
- The "Black Box" Barrier: While Natural Justice requires a fair hearing, AI "reasoning" is often embedded in private algorithms that employers may not understand. This prevents a worker from "showing cause" against an algorithm-triggered termination.
- Platform workers are often misclassified as "partners," resulting in a legal vacuum where they lack rights like as collective bargaining and protection from arbitrary removal.

Hypothesis 2: The increase in retrenchment thresholds in 2020 codes leaves tech-sector workers vulnerable to mass AI-driven layoffs.

Status: Proved

- New Labour Codes need government permission for layoffs for firms with 300 workers, up from 100 previously.
- Larger corporations can automate mass layoffs without bureaucratic barriers, putting people in tech-heavy sectors at risk of job loss due to AI.
- The Industrial Disputes Act requires employers to justify the "last come, first go" principle when AI thinks a worker is "redundant," but the AI's opacity makes this difficult to refute.

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<sup>27</sup> Kevin C. Desouza & Kiran Kabtta Somvanshi, *How India Can Prepare Its Workforce for the Artificial Intelligence Era*, Brookings Inst. (Apr. 22, 2019), <https://www.brookings.edu/articles/how-india-can-prepare-its-workforce-for-the-artificial-intelligence-era/>.

Hypothesis 3: Fifteen days wages for the re-skilling fund is insufficient to re-skill workers whose entire trade has been automated.

Status: Proved.

- The Industrial Relations Code (2020) defines a "Worker Re-skilling Fund" for retrenched workers, but only provides 15 days of wages.
- Legal experts argue that re-skilling a person whose entire trade has been rendered obsolete by Generative AI requires more than just 15 days of wages.
- By 2026, legal reformers agree that the fund must be "upgraded" to reflect the real effect of AI disruption, rather than continuing at its current level.

### **Conclusion:**

The Indian economy's transition into a global digital leader has made the implementation of artificial intelligence (AI) in the workplace a practical reality. By the year 2026, the legal framework needs to change from "Protection by Prohibition" to "Protection by Regulation" to efficiently regulate algorithmic management's "invisible boss".

The future of Indian labour jurisprudence in the age of automation is based on three fundamental pillars:

- Mandatory audits of AI systems used for hiring and firing are necessary to address the "Black Box" problem and ensure explainable and contestable decisions.
- The "Worker Re-skilling Fund" under the Industrial Relations Code, 2020, needs to be increased as the existing provision of 15 days' earnings is insufficient for workers whose trades have been automated.
- The DPDP (Digital Personal Data Protection) Act, 2023 establishes clear restrictions on AI-driven workplace surveillance, ensuring "Data Minimisation" and respecting workers' reasonable privacy expectations.

Ultimately, the goal is to guarantee that automation does not act as a "unstoppable juggernaut" that replaces the workforce, but rather as a "guided star" that improves national productivity while upholding the dignity and fundamental rights of the Indian worker.

## References

### Statutory References

- The Digital Personal Data Protection Act, 2023 (No. 22 of 2023): Identified as a key framework for safeguarding worker privacy and governing data processing.
- The Industrial Disputes Act, 1947 (No. 14 of 1947): Remains the foundational law for protecting "workmen," specifically regarding service conditions (Section 9A) and retrenchment (Section 25F and 25G).
- The Industrial Relations Code, 2020 (No. 35 of 2020): Replaced several central statutes and established the "Worker Re-skilling Fund" under Section 83.
- The Code on Social Security, 2020 (No. 36 of 2020): Officially recognises "gig" and "platform" workers for social security purposes.

### Pending Bills and State Legislation

- The Artificial Intelligence (Ethics and Responsibility) Bill, 2025 (Bill No. 59 of 2025): Tabled in Parliament on December 17, 2025, to provide a legislative framework for advanced AI.
- Telangana Gig and Platform Workers Bill, 2025: A state-level intervention aimed at "Algorithmic Transparency".
- Karnataka Gig Worker Law, 2025: Mandates transparency regarding task allocation and worker deactivation.

### Legal Reports and Articles

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- Maneka Gandhi v. Union of India (1978): Held that procedures depriving life or liberty must be "fair, just and reasonable".