



## **Impact of AI on Employment in India from Judicial Frame**

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### **Abstract:**

*Artificial intelligence an emerging trend in every sphere of human life employment being one of it. In developing countries employment laws are in the stage of infancy and hence, unless and until the Parliament or Legislature take initiatives for making laws on AI, the Judiciary holds right to fill the gaps. Artificial intelligence surely shall have impact on contract of service in employment, but since there is no specific legislation in India, disputes are apt to occur and aggrieved employees as well as employers would approach courts for settlement of disputes. Present research work is an attempt to examine judicial approach towards artificial intelligence in employment and legislative response to artificial intelligence and employment laws.*

**Keywords:** *Artificial intelligence, judiciary, disputes, employment laws.*

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## **Introduction**

Employer and employees are two swords in one sheath, having common but conflicting interests and it is in the interest of every nation that both of them work within their spheres peacefully and amicably. Contract of service between employer and employees confers rights on both and also imposes liabilities too. A contract of service defines the employer-employee relationship, including the terms and conditions of employment. The contract must include key employment terms (KETs) and essential clauses, such as hours of work and job scope.<sup>1</sup> Contract of Service establishes employer-employee relationship and comprises scope of the work, methods and hours of work, etc. Contract of service confers rights and imposes liabilities on employer and employees both. The employer shall have control over working conditions in contract of

service. Similarly, employer shall also have control over employment, right to decide human resource in terms of quality and quantity which is guaranteed by the Constitution of India.<sup>2</sup> In view of this right, employer utilises his control advantageously that may be disadvantageous for employees and one such facet is use of artificial intelligence. Present research tries to search advantages, disadvantages and loopholes of artificial intelligence in employment.

### **Statement of Problem:**

Emergence of artificial intelligence has posed great threat before employment sector and this threat is spoken about again and again. Use of AI is advantageous for employer as it is time saving, economically significant and less hectic. However, for employees, it poses serious problem of unemployment and retrenchment of workers and to escape from these risks, employees may undertake

<sup>1</sup> <https://www.mom.gov.sg/employment-practices/contract-of-service/what-is-a-contract-of-service> accessed on 17/1/2016 at 10.35 PM

<sup>2</sup> Art. 19(1)(g) Freedom of right to practice any profession, or carry on any occupation, trade, or business.

working conditions leading to exploitation. At this stage, there is lack of clarity about-

- Employment rules for inclusion of AI,
- Unemployment issues of workers,
- Judicial approach on issues of AI in employment.

Hence, there is need to examine the critical issues postured by AI in employment sector.

### **Aims and Objectives:**

1. To study legislative provisions for AI in employment sector,
2. To analyse judicial attitude towards AI in employment,
3. To examine impact of AI on employment,
4. To identify challenges put forth by AI in employment,
5. To propose recommendations for use of AI in employment

### **Hypotheses:**

Lack of positive law on use of artificial intelligence in employment has conferred wider powers over the employers for use of AI and placed the employees on backfoot and compelling to accept conditions of service which are disadvantageous to them culminating into exploitation of workers.

### **Research Methodology**

This research adopts doctrinal and critical methodology and involves-

- Critical analysis of employment laws in India regarding AI,
- Review of scholarly literatures, documents, policy documents,
- Examination and analysis of judicial decisions relating to AI in employment.

In India more than ninety percent of workers work in unorganized sector who are uncovered from retiral and other benefits. The circle of unorganized workers is increasing its periphery to include more and more workers within it and shrinking the size of organized workers. Even being large in number,

unorganized workers are unable to come together being scattered in different sectors and regions.

### **AI in Employment:**

“Our concern is that AI should not eliminate the employment of drivers. In India, being a driver is a major source of livelihood,”<sup>3</sup>

Use of AI is prominently found in<sup>4</sup>-

1. Banking and Finance services
2. Healthcare
3. E-commerce
4. Sales and Marketing
5. Different fields working for lending solutions
6. Agriculture
7. Industry
8. Insurance
9. Business Decision Making
10. Travel and Hospitality

Use of AI in employment can be manifested in service sector prominently. However, as of now, there is no legal provision for use of artificial intelligence in employment. Use of artificial intelligence is prominent service sector while India is expanding in service employment. Use of AI is visible in online platforms of marketing as well as services such as hospitality, online shopping portals where already use of human resource is limited.

### **Advantages of AI in employment:**

Artificial intelligence is advantageous in some aspects and these can be summarized as below,<sup>5</sup>

1. **Improved Productivity:** Regular tasks can be easily handled with the help of AI so that employees can focus on vital tasks.
2. **Better Accuracy:** Human errors are reduced by AI induced reports and data.

<sup>3</sup> [https://lawtrend.in/ai-threatens-employment-supreme-court-raises-alarm-over-impact-on-drivers-and-legal-sector/#google\\_vignette](https://lawtrend.in/ai-threatens-employment-supreme-court-raises-alarm-over-impact-on-drivers-and-legal-sector/#google_vignette) accessed on 19/1/2026 at 1.30 PM

<sup>4</sup> <https://ginimachine.com/blog/fields-that-use-artificial-intelligence/> accessed on 19/1/2026 at 2.05 PM

<sup>5</sup> <https://techtofuture.com/advantages-and-disadvantages-of-ai-in-the-workplace/> accessed on 21/1/2016 at 1.20 PM

3. **Time Savings:** Automated tools and applications finish the tasks very fast and save time.
4. **Informed Decisions:** AI gives inputs from already available data so it assists people to take decisions accurately and fast.
5. **24/7 Availability:** AI systems work without barriers of time or rest.

### Disadvantages of AI in Employment:

Disadvantages being other side of coin, AI also has some disadvantages that can be enumerated below,<sup>6</sup>

1. **Job Loss:** Machines take place of human beings and single machine may work for multiple workers.
2. **High Costs:** Use of AI may not be cost effective as it needs smart systems and frequent update of these systems.
3. **Lack of Human Touch:** Some occupations necessarily need human touch that is emotions and mindfulness which is lacked in machines. For example, in healthcare, patients need encouragement and empathy from their doctors, students need attention from teachers.
4. **Data Privacy Risks:** Threats to privacy of data is emerging issues especially in developing and undeveloped countries.
5. **Overdependence on Technology:** Relying too much on machines can weaken human skills as it remains unused for longer time and unexposed to challenges.

### Judicial Approach towards AI in Employment:

Employment laws in India are basically dealt under Art. 19(1)(g) that provide freedom to every citizen of right to carry on trade or profession or occupation of his choice subject to reasonable restrictions. This freedom of right encompasses choice of quality and quantity of workforce. However, employers are bound to follow social security legislations and

cannot escape liability on the ground of economic constraints. Employment laws are also governed by Directives Principles of State Policy which can be summarized as below,

**Article 39** that focuses on adequate means of livelihood for all citizens and equal pay for equal work and protection of workers health and strength.

**Article 41:** The State should work towards securing the right to work, education, and public assistance in times of unemployment, old age, sickness, or disablement.

**Article 42:** The State should strive to ensure humane working conditions and maternity relief for women workers.

The Supreme Court of India published white paper on use of AI in judiciary and stated

set of foundational principles governing the use of AI in courts which includes-

- The judge remains the final arbiter, with AI functioning as advisory support
- Mandatory human verification of all AI outputs
- Strict adherence to privacy, confidentiality, and data protection norms
- AI's role confined to processual and administrative functions
- Clear disclosure whenever AI assists in any part of adjudication

These principles safeguard legitimacy, credibility, and public trust in justice outcomes.<sup>7</sup>

However, meticulous scrutiny of above referred principles shows that human intervention is mandatory and inevitable. Thus, even though the Supreme Court encourages use of AI, at the same time it emphasizes on irreplaceability of human resource.

<sup>7</sup> <https://justai.in/supreme-court-of-india-releases-white-paper-on-ai-and-judiciary-26-11-25/> accessed on 21/1/2026 at 2.00 PM

<sup>6</sup> Ibid

## Uses of AI in Employment:

In the simplest terms, the ‘AI’ tools on the market today, particularly Generative AI, are statistical models, utilising significant computing power, that are a function of large amounts of text, images, and other forms of data fed into them. The processing of any input is broken down across many layers for the most complex models, with each layer containing several thousand nodes (or neurons<sup>42</sup>). This combination of layers and nodes allows the model to ‘think’, ‘reason’, and process data at unimaginable scales, generating an output along the parameters the model has been trained for.<sup>8</sup> According to the Union, at present use of AI in employment is limited to service sector where computing AI tools are used. AI is used in employment for tasks such as randomised scrutiny of applications, recording of attendance, facial recognition, data compilation and analysis.

## Judicial Approach towards AI:

The Apex Court upheld validity of AI-powered attendance system in government offices if it complies with Personal Data Protection Act and held that it is not violative of right to privacy.<sup>9</sup>

However, the Supreme Court deprecated practice of randomized and in *Soma Mondal v. Union of India* held that the use of AI in recruitment processes should be transparent and fair, and should not discriminate against any particular group of candidates.

It would be apt to reiterate that the Courts have been established to do substantial justice and it is cardinal principle of jurisprudence that being justice imparting institutions, Courts should adopt approach oriented to do justice instead of to be too technical for rejecting the case on the basis of faulty, incomplete or imperfect pleading and wherever possible it should go beyond that to understand the grievance of the litigant and should try to redress the same within the framework of law and Constitutional

mandate, because style and manner of elaborating and explaining the cause or grievance of a litigant, as understood by the Advocate, always vary from person to person and also for lapse on the part of litigant to describe his grievance in proper manner, indicating appropriate cause of grievance. The Courts should not behave like an artificial intelligence machine but should adopt justice-oriented approach.<sup>10</sup> Here, use of artificial intelligence in judiciary is cautioned.

Practice of law is said to be noble profession. Whenever the parties in matrimonial dispute have differences, the preparation starts as to how to teach lesson to the other side. Evidence is collected and, in some cases, even created, which is more often in the era of artificial intelligence.<sup>11</sup>

AI is used in investigation process for predictive policing where the Court held that use of predictive policing technology should be transparent and that the police should have clear guidelines for its use.

This Court is of the view that human beings, and not artificial intelligence or computers, are entrusted with the duties of administration of justice as laws are to be interpreted with empathy and pragmatism and as a force of justice, not absurdity. The danger of mechanical application of law, blind to practical reality, was famously encapsulated by Charles Dickens in the classic ‘*Oliver Twist*’, where Mr. Bumble lamented, “If the law supposes that ...the law is an ass,” critiquing legal formalism that disregards common sense and fairness.<sup>12</sup>

## Conclusion:

1. Artificial intelligence is an emerging trend and has intercepted all walks of human lives, employment being one of them. However, use of artificial intelligence is limited to computational work and sectors where there is

<sup>8</sup> <https://www.indiabudget.gov.in/budget2025-26/economicssurvey/doc/eschapter/echap13.pdf> accessed on 22/1/2026 at 1.00 PM

<sup>9</sup> <https://indiankanoon.org/doc/115454594/> accessed on 22/1/2026 at 2.38 PM

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<sup>10</sup> <https://indiankanoon.org/doc/131008579/> accessed on 22/1/2026 at 1.50 PM

<sup>11</sup> <https://indiankanoon.org/doc/30036569/> accessed on 22/1/2026 at 2.00 PM

<sup>12</sup> <https://indiankanoon.org/doc/111410452/> accessed on 22/1/2026 at 2.10 PM

use of algorithm. Automations or artificial intelligence lacks rationality, logic and humane touch which are not replaceable and no degree of artificial intelligence can substitute human beings. However, there is need to regulate use of artificial intelligence in employment especially in service sector. This is because, the workers there are unorganised and hence very prone and vulnerable to exploitation