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Labour Market Compliance and Adaptation for AI Integration in India

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ABSTRACT

The aim of this paper is to highlight the amalgamation of AI and the current Labour market in India. This provides for a diaspora of adaptations with regards to the essential functions of society. A predominant focus is aimed at the legal reforms that are necessary due to the unprecedented introduction of AI, as it is quickly developing as a major threat across industries and unlike other nationalities, India's labour force is extremely vast and diversified, causing a unique predicament with regards to inculcating the benefits that AI introduces to the traditional methodologies, without causing an imbalance to the employment structure or adding to any societal woes caused due to social inequality. The constant theme of the paper is on the conceptualization of AI and its impact towards the economy, the people and the legal problems arising from it. It talks about the legal identity and accountability of AI when positioned against traditional labour-induced services and if the offset of AI against human work is justifiable. The goal of this paper is to ensure that through this process of integrating AI into the economy, it is visualized with a human-centered approach with the primary objective of improving the existing functions of the market and not to oust the existing elements of the market. The paper further suggests for future developments focused towards introducing newer laws aimed purely at the development of AI.

Keywords*: Labour Law, Artificial Intelligence, Markets, Economy, workers, displacement.*

I. INTRODUCTION

Artificial Intelligence has become the forefront of innovation, and it is a global race to configure its uses to integrate its potential into all factions of society. Although AI has seen tremendous publicity in recent years, it has been an ongoing progression since as early as 1935[2]. The rapid pace at which AI is developing describes the urgency to adapt the pre-existing laws as the efficiency of AI is constantly on the rise. Currently none of the existing AI's have cleared the Turing test[3] with conviction, but there have been niche areas where AIs have been found to

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[2] Copeland, B.J, *"history of artificial intelligence (AI)"*, Encyclopedia Britannica, 13 Dec. 2024, https://www.britannica.com/science/history-of-artificial-intelligence Accessed 10 January 2025.

[3] Turing, A.M, "*Computing Machinery and Intelligence"*, Mind 49, 433-460, 1950.

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mimic human actions. Recently, The University of Cornell found that GPT-4 was able to be recognized as human 54% of the time[4]. such advancements lead to addressing certain worrisome questions like whether humans can be replaced by AI.

II. AI AND LABOUR MARKET TRANSFORMATION

Today, we recognize Cyber-Physical Systems to be the foundation for the fourth Industrial Revolution[5]. Artificial Intelligence is changing the landscape in which we view traditional labour. In fact, the OECD recognizes that on average, 28% of the jobs face the risk of automation[6], this is unnerving to think about because the OECD countries pride themselves over having the highest quality of life, and they are inevitably displacing many blue-collar jobs purely due to the ease and accessibility of AI and automation. Now imagine a developing country like India, which already has a very ambiguous concoction of workers, right from unorganized labourers, outsourced competition, corporate entities to farmers and agriculturalists, to freelancing gig workers et cetera., despite excessive competition arising out of sheer pressure of population, now must also compete with AI introduction into their sphere of work. The first world focuses on the positives of AI in the form of increased production, exports and new job role creations, but India does not possess the infrastructure to accommodate AI to such levels. The International Monetary Fund (IMF) provided the Artificial Intelligence Preparedness Index (AIPI) and India ranked a measly 72nd, with a rating of 0.49, owing to numerous factors such data availability, digital capacity, adaptability, Governance and ethics, to name a few. This provides a clear demarcation to show that India is not braced as well it hopes to be when introducing AI to its numerous industries. But there is mutual interest in public and private sectors to implement AI in its regular course, mostly due to its novel uses and economic gains and efforts are made to ensure a smooth transition to enable upskilling and restructuring of the working-class dynamic to allow for acceptable use of AI without harming the existing procedural norms. The problem lies in how the accessibility of AI can be construed to numerous fields that exists in the labour market presently.

(A) The Complex Identity of AI

AI is still in its grassroots level in terms of usage in India. The very definition of 'worker' in existing labour laws, suggests that they are an individual tasked in performing physical labour

[4] Jones, C., R, Bergen., Benjamin, K., "*People cannot distinguish GPT-4 from a human in a Turing test",* Human-Computer Interaction, 9 May 2024, https://arxiv.org/abs/2405.08007 Accessed 10 January 2025.
[5] Schwab, K., "*The Fourth Industrial Revolution"*, World Economic Forum, 2016
[6] Organisation for Economic Co-operation and Development, "*Future of Work*" https://www.oecd.org/en/topics/policy-issues/future-of-work.html Accessed 10 January 2025.

or providing services, which highlights a necessity of human presence. AI is anything but that and focuses more towards minimizing human involvement in carrying out work with little to no room for error. to enable AI to flourish, we must configure the recognition of AI as an entity that can execute tasks with or without human intervention. It is a global crisis regarding the identification of AI., some countries like Finland and Japan already recognize AI as its own entity that is made to be accountable for all its actions, whereas some countries are debating that AI could perhaps have a pseudo recognition, like a corporate entity. There is also enforcement of laws towards the creator of said AI than on the AI itself, purely because they believe application of laws on a non-sentient being serves no purpose and accountability falls flat in such scenarios.

(B) Skill Gap Dilemma- is AI worth the effort?

The foundational belief of AI is to improve the quality of life for humans but allowing for improper use AI could potentially lead to exploitation and bias. The current sporadic development of AI if not corrected can result in a modern variation of Jevons' Paradox[7], as seen currently with the development of electric cars as an alternative for traditional fuel powered vehicles. The addition of AI into the current markets also highlight a key component in the existing means of functioning and that is skill gap. Despite all its challenges, AI has the capability to ensure that any task given to it will do carried out in the most optimal fashion. This is not the case of regular human course of work. When humans are carrying out their work, there tends to be variations in the work produced or it may be deviated from the supposed outcome, and it can lead to further issues, say for example, a physician, at the end of his shift might not read the medical images like an x-ray or an MRI report completely, might miss a certain inconsistency in the result, but with an AI that problem can be nullified., so such skill gaps can be addressed by AI by providing the use of such technology and ensuring the knowledge to use them are given to the workers of that department so that it makes their jobs easier and also ensure lesser inconsistencies in their productivity. Jensen Huang, on his recent visit to India, pointed out that India has all the resources to equip themselves with domestically sourced AI machinery, backed by NVIDIA technology, and says that it would allow for three forms of AI to enter the market, namely, sovereign AI, which focuses on using their own data sourced locally to allow for novel findings, Agentic AI, which automates knowledge-based works and Physical AI, which allows for autonomous systems and robotics to perform industrial tasks. Huang addressed this with Mukesh Ambani, a leading Industrialist who primarily pursues

[7] Jevons, W.S., *The Coal Question; An Inquiry Concerning the Progress of the Nation, and the Probable Exhaustion of Our Coal Mines.* London: Macmillan and Co., 1865

on newer markets to capitalize on. This can be a double-edged sword because, previously it was AI in its early stages and was a mere afterthought, but now through its advancements, it is an undeniable threat, not only to blue collar jobs, but also to white collar jobs which required acquired skillsets and application of knowledge to execute their tasks. This will have a direct impact towards job displacement and unregulated usage of AI can upset the job markets and offset the purchasing power of the masses, resulting in a lopsided economy as displayed by Martin Ford[8].

(C) Accountability: The Bane of AI

The major flaw associated with AI is it is entirely digital in nature. From the foundation to the final output, everything associated with AI is virtual. Therefore, it is entirely intangible in nature, but the result of application of AI can have tangible attributes, so it is a very complex system to comprehend. The propositions provided by Nicholas Diakopoulos and Virginia Dignum can be contradictory, this is because Nicholas focuses on ensuring transparency of the AI systems to ensure that there is proper information provided about the system and its uses, while disclosing the methodology involved in using them and the deep learning source of data that is attributed to the system. But Virginia points out that Accountability and Responsibility plays the key role in determining the usefulness of AI., and stresses on the fact that data collected for such AI systems, if made accessible to the general public, can be a blatant disregard to data privacy, which is of superior importance, therefore restricting the transparency aspect of AI. When AI is being used for observation and monitoring the performance of workers, do the workers not have a right to refuse collection of data merely because they are employed? Can AI be held accountable for malpractice if such data is misinterpreted? Furthermore, this initiates another debate regarding the accountability of AI, whether AI can be given personhood status legally? Gunkel relies on the "who v. what" conundrum and ascertains that as of right now, AI cannot be deemed a person[9]. Similar observations are made from Robert van den Hoven van Genderen, who has a more philosophical and moralistic approach to determining AI's legal status. So does that negate AI from receiving any form of legal overtones? If AI cannot be held responsible, then all the legal actions arising out of AI usage would be voided, which defeats the very purpose of a legal system. For this reason, the EU has very strict application of the Artificial Intelligence Act and General Data Protection Regulation to ensure data security is of utmost importance and ensures that irrespective of the usages arising out of AI, it should pose no challenges to the existing norms of data security and privacy. Such strict norms have to be

[8] Ford, M., *Rule of the Robots: How Artificial Intelligence Will Transform Everything*, Basic Books, 2021.
[9] Gunkel, D.J. and Wales, J.J., *what is personhood in the age of AI?*. AI & society, 36, 2021, pp.473-486.

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implemented in India to allow AI to be used fairly. But it carries its own challenges. The GDPR was a vision of generations of policymakers in the EU and has carried their inputs over decades and has integrated privacy laws as part of their very foundation, but India on the other hand has only recently realized the importance of privacy and data protection arising out of the Aadhar Case[10] and has been a case of reactive measures to implement privacy laws so as to adhere to the global stance. This has to be considered before recognizing the introduction of AI into India. But it is India's inherent nature to be constantly developing, and this allows for a hopeful thought that soon the state would be able to encompass AI into its functionalities. This portrays the state's bureaucracy of AI, but it does not mean that AI has not already invaded the Private sector.

(D) Private Sector Integration

The International Labour Organisation has already recognized the threat of AI and assured that the prominent use of AI will be to ensure job efficiency and human safety and not human replacement[11]. "AI will not replace jobs, but it will change the nature of work." Says Kai-Fu Lee. It is imperative that we understand that AI is not a one stop solution for everything, but it is rather a tool of finesse to exemplify what can be achieved. Of course, the traditional view of labour will be diminished, but it is vital to adapt to the changes presented to stay ahead of the curve. This has been the trend throughout the ages, during the industrial revolutions, the functionalities of society had to undergo changes to reach its development. But it is crucial that the authoritative bodies do not allow for AI to become a variation of Timo Daum's machine of Digital Capitalism[12].

(E) The Legislative Gap

The implications of AI are many, but the counter measures to address them are very limited. In the Indian context, there is no specific statutory provision that includes AI. This can result in a plethora of legal challenges if not catered to as soon as possible. However, numerous think tanks have prioritized shaping the legislature to ensure AI inclusivity into the existing laws[13]. There are varied approaches to implement AI in India, some sectors have included specific regulations to address AI inclusion such as the healthcare industry focusing on amending The drugs and Cosmetics Act, 1940 and the Medical Device Rules, 2017 to actively seek approval for usage of AI based diagnostic equipment and in the automative industry to adhere to global market

[10] K.S. Puttaswamy (Retd.) v Union of India (2017) 10 SCC 1
[11] Caterino, M., Mosaferchi, S., Mortezapour, A., *AI in the workplace: A sustainability-focused contemplation of the ILO slogan for 2024*. *WORK*, *78*(3), 547-549, 2024
[12] Butollo, F., Nuss, S., *Marx and the Robots: Network Production, AI and Human Labour.,* Pluto Press, 2022
[13] K, Arnab, S, Punit., et.al, NITI aayog, "*National Strategy for Artificial Intelligence*", 2018 pp 115.

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terms of attaining autonomous vehicle usage , which require updating the Motor Vehicles act, 1988, addition of newer insurance policies not including a human participant, and enhancement of road safety regulations. All these procedural changes are entirely aimed at integrating AI into their relevant industries. These are noble efforts made towards addition of AI into the India realm, but the primary focus of amending laws should be catered towards the individuals whose livelihood are more likely to be lost due to Automation of their specific roles. The strenuous burden lies on changing statutes such as the Employees' Compensation Act, 1923 and the Trade Union Act, 1926 wherein, compensatory mechanisms should be introduced to address the persons whose jobs have been disposed of by AI, and provisions should be made to form unions to counteract or strengthen the opposition for AI inclusion for certain job roles. The monetary growth associated with addition of AI should be reasonably adjusted as well, code on wages, 2019, should be updated to ensure that any benefits arising out of AI inclusion should be reasonably shared amongst the persons involved. Workplace security in the digital age is also in need of being revamped, this is because there is often a high-pressure environment associated with employment and this often yields high productivity, but at the cost of intense screen times and other associated ailments such as stress and anxiety. This in turn becomes counter-productive, so there is a need to provide for a framework stipulating the guidelines for usage of equipment and its limitations.

III. ETHICAL USE OF AI AND CORPORATE SOCIAL RESPONSIBILITY

In the current age of AI, there is excessive misuse of information, in the form of gaming and manipulation of data and creation of obscene deep-fake imagery. There has to be strict policies governing the same, with adequate training programs to facilitate proper regulated usage of AI. Most companies like PwC, Accenture, EY and KPMG opt to have in-house training modules that is made mandatory for every employee. By doing this, the companies can showcase their CSR activities in promoting fair and ethical use of AI. Not only this, but companies can also aim towards re-employment over layoffs and ensuring skill-based recruitment to ensure that AI does not play a role in replacing jobs. This has to be made mandatory for every company utilizing AI and accordingly, changes must be made in the statutory provision of the Companies Act, 2013.

(A) Safeguarding the Traditional and Gig Workers culture

After Agriculture, the vocational skilled based labourers and migrant labourers are the largest undocumented segment of labourers. Their work consists of cultural and hereditary expressions and generational practices. Due to lack of recognition of AI's role in Intellectual Property

infringement, the intrinsic work of such artists cannot be safeguarded, and can be duplicated with minimal inputs, rendering their efforts futile. Their craft or trade would be the only source of work they would be aware of, and when AI plays such a direct role in replacing them, they would remain unemployed. This is a call for action to the government to establish more schemes like the MGNREGA Act, 2005 to at least provide for basic sustenance of such persons.

(B) Human Value > AI value

Given the current situation in India's labour market, uncoordinated application of AI will send Karl Marx's Labour theory of value[14] into full throttle and will result in unprecedented levels of unemployment and haphazard job searches and might even result in exodus from the country in search of job opportunities, thus tarnishing the economic stability. It is high time that the policymakers and jurists indulge in understanding the depth of AI and apply their conjoint efforts to ensure that there is seamless integration of AI into the Indian economy and provide for the necessary amendments to address such an issue. But addressing such an issue should not come at the expense of degradation of the existing quality of life and infringement of data control. There should be a balance of data collection, privacy, and individual security as shown by Schneier[15]. Human rights should prevail supreme and eradicating unnatural phenomena such as poverty should be the goal to move towards, and application of AI should only act as a torch to guide towards that goal. The likeliness of possible outcomes of the future is similar to the six models of producing and distributing expertise for society as proposed by Susskind[16] and it is mostly to do with the simplicity of approach. Its either going to enhance the quality of work or service provided or will lead to further analysis of the possible streams of work one can engage in., either way, there is scope for development, and one must be willing to capitalize on the opportunity and adapt to the changes put forth. The code on social security, 2020 played a vital role in determining the outline of the workforce in India and provided the data for large-scale AI implementation and allowed for investments made by the Indian Government towards AI development[17].

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[14] Kjosen, A. M., *Perfect Machines: Artificial Intelligence and the Labour Theory of Value. Marx's Critique of Political Economy and the Global Crisis Today: On the 150th Anniversary of the Publication of Capital*, Hofstra University. 2017

[15] Schneier, B., *Data and goliath: The hidden battles to collect your data and control your world*., WW Norton & Company, 2015.

[16] Susskind, R., & Susskind, D., *The Future of the Professions: How Technology will Transform the Work of Human Experts*, Oxford University Press, UK. 2015

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IV. CONCLUSION AND SUGGESTIONS

The key takeaway from the paper is to address the need of the hour by ensuring that there is adequate importance dedicated towards the development of AI and its immense implications arising out of it. There has to be dedicated teams to observe the performance of introduction of AI mechanisms into different labour categories and markets and make necessary changes as and when necessary to ensure that there is practical and beneficial usage of AI, and not allowing it to develop into a negative front, which causes systemic displacement issues. AI has to be utilized and trained as per the needs of society to enhance the quality of life and must not act as a deterrent from applying any such future technological advancements due to the large-scale fearmongering caused due to lack of awareness and irresponsible use of AI. As and when there is any introduction of such AI models, or when there is sufficient Research and Development conducted towards a large-scale application. There should be simultaneous legislative constructions and legal advancements made to the policies which oversees such AI models, if there is excessive delay in terms of preparation and execution of such necessary laws, then the legal framework fails to sustain itself. Due to such rigidity to conform to the present needs of society, it is bound to lag behind, creating a domino effect from a global perspective. So to ensure that India continues its efforts in being recognized as a leader of the developing countries, there has to be timely efforts put forward to assess the conditions which would be favourable to its citizens in terms of utilizing AI models to its fullest extent, which in turn promotes public welfare and economic prosperity.

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