The Future of Work in Commerce: Legal Perspectives on AI Regulation and Its Implications for Job Displacement

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Abstract

The emergence of AI in the world of commerce brings with it a tangled mix of legal and ethical issues, especially when it comes to the potential for job loss. Sure, AI can enhance productivity and open up new avenues, but we can't ignore the worries about automation and how it might affect the workforce. Artificial Intelligence isn't just a thing of the future anymore—it's actively reshaping how businesses function, making operations quicker and more efficient. However, as AI keeps advancing, it's starting to take over many tasks that humans have traditionally handled, which raises valid concerns about job security and the future of work. This research paper takes a deep dive into the impact of AI on the commercial landscape, particularly from a legal standpoint. It emphasizes the importance of robust laws and ethical guidelines that can safeguard workers while still fostering technological progress. The goal is to find a way to balance human jobs with AI's capabilities, ensuring that innovation doesn't come at the expense of people's livelihoods. In this exploration, the paper offers insights and recommendations to help maintain job security as we navigate the unfolding digital future.

Keywords*: Artificial Intelligence, Job Displacement, Employment Law, AI Regulation, Future of Work, Commerce, Labour Rights, Automation, Workforce Protections.*

Introduction

Artificial Intelligence (AI) is increasingly an important force for change in business sectors, enhancing efficiencies in processes, improving customer engagement, and boosting data-informed decision making by businesses. Yet, as organizations make the transition to embrace AI, concerns around job security loom large. In India, a country where a large demographic is employed in the traditional job and service sectors, the increase in the adoption of AI systems will only continue to widen the employment problem. While AI systems can be credited for increased productivity because of newly created jobs, there will be many jobs lost due to AI supplanting the old, raising important questions around social and economic disruption. However, legal and policy changes must identify and mitigate employment threats, while legitimating the benefits of inclusion and employment of AI in the new economy for workers. This research paper will examine how the health of the workforce in India is impacted by both AI, and the need for legal frameworks that protect employment against disruptions, while enabling ethical use of AI.

Evolution of Artificial Intelligence in Indian Commerce

AI development in India really took its first steps in the late 20th century. During that time, research and development were just starting out, with educational institutions like the Indian Institutes of Technology (IIT) playing a key role in nurturing talent and conducting initial AI research. As we moved into the 21st century, things began to change, and AI started gaining momentum in the country. Today, we see various sectors embracing AI, from e-commerce giants like Flipkart and Reliance Retail to finance with HDFC Bank's chatbot 'Eva', as well as in healthcare, agriculture, and logistics. Government initiatives like 'AI for All' and the Smart India Hackathon aim to boost innovation in this field, although it’s worth noting that this innovation can be quite uneven and sporadic. A lot of attention has been given to the impact of automation driven by AI on jobs. Right now, we’re witnessing automation replace many repetitive roles, such as those in call centers, basic accounting, logistics, and warehousing, leading to a situation where fewer humans are needed or valued in these areas.

Impact of AI on Employment in India and its Legal Challenges

he rise of automation in India has hit semi-skilled and low-skilled workers the hardest, who make up a significant portion of the workforce. Startups and large companies are increasingly turning to algorithm-driven systems for hiring, managing data, and providing customer support. Unfortunately, this shift isn't matched by a corresponding increase in high-skill tech jobs, largely due to a gap in digital skills. Groups like women, informal workers, and the elderly are especially at risk from the changes brought on by AI. On the legal front, there are major challenges surrounding AI data privacy and security, the need for a skilled workforce, ethical considerations in AI, and the establishment of a regulatory framework. However, there are also positive aspects to consider. AI is creating new job opportunities in fields like machine learning, data science, AI ethics, and automation. Sectors such as healthcare, fintech, agritech, and edtech are experiencing growth thanks to AI. Automation powered by AI can boost efficiency in industries like manufacturing, logistics, and customer service, allowing businesses to scale up with fewer resources, which cuts costs and increases productivity. Additionally, the government's use of AI for e-governance—like predictive policing, welfare distribution, and agriculture monitoring—can enhance job opportunities in tech services and public data management.

Many IT companies are focusing on enhancing their workforce's skills in AI, cloud computing, and robotics. However, there are some downsides to this trend, particularly job displacement. Routine and repetitive jobs—like those in BPOs, manufacturing, and retail—are increasingly being taken over by automation. Entry-level roles in IT, data entry, and basic customer service are at a high risk of disappearing. A large segment of India’s workforce lacks the necessary technical and digital skills for AI-driven jobs, creating a divide between the skilled (often urban and educated) and the unskilled (typically rural and informal) workers. The vast informal workforce in India often doesn’t have access to reskilling resources, making them more vulnerable to being replaced by machines. While urban areas are benefiting from AI advancements, rural regions are left behind, which only worsens existing inequalities.

When it comes to legal and regulatory hurdles, there are a few major challenges that stand out. The most pressing issue is the lack of AI-specific legislation. In India, we don’t have a solid regulatory framework for AI. The existing laws, like the IT Act of 2000, just don’t cut it when it comes to

addressing AI-related issues such as algorithmic accountability, bias, and liability. Since AI systems depend heavily on data, this raises important questions about consent, data ownership, and surveillance. While the Digital Personal Data Protection Act of 2023 tackles some of these issues, it falls short in providing detailed governance for AI. Moreover, current labor laws don't cover the rights of workers who lose their jobs to automation, the responsibilities of employers using AI for hiring or performance evaluations, or protections against bias in recruitment tools. There's no requirement for explainable AI or human oversight in automated decision-making, which poses a risk of opaque algorithms infringing on rights without any means for recourse or appeal. If AI systems are trained on biased datasets, they can reinforce or worsen existing biases related to gender or caste. We also lack legal standards to ensure fairness and non-discrimination in AI applications, leading to ethical dilemmas surrounding surveillance, job displacement, and the use of AI in sensitive areas like policing or welfare decisions.

Legal and Regulatory Framework in India

As of now, India does not yet have a comprehensive legal or regulatory framework specifically dedicated to Artificial Intelligence (AI) in commerce or other sectors. However, the Indian government has taken steps toward regulating and guiding the use of AI through various policy initiatives, sectoral regulations, and ethical guidelines. Here's a summary of the current landscape.

1. Digital India & National Strategy for AI

- NITI Aayog's "National Strategy for Artificial Intelligence" (2018) laid the foundation for promoting responsible AI.
- Focus areas include healthcare, agriculture, education, smart cities, and smart mobility—but also have implications for e-commerce and financial services.
- Emphasizes ethical AI, data privacy, and accountability.

2. DPDP Act, 2023 (Digital Personal Data Protection Act)

- Enacted in August 2023, this is India's first comprehensive data protection law.
- Though not AI-specific, it directly impacts how AI systems in commerce handle personal data.

- Requires businesses using AI for personalization, profiling, or automation to comply with consent-based data processing, data minimization, and user rights.

3. IT Act, 2000 & Proposed Digital India Act (DIA)

- The Information Technology Act governs electronic commerce and cybersecurity.
- The upcoming Digital India Act (expected to replace the IT Act) is anticipated to include AI governance provisions, particularly for:
    - Algorithmic transparency
    - Risk-based AI classifications
    - Liability for harms caused by automated systems

4. Sectoral Guidelines

- RBI (Reserve Bank of India) has issued circulars related to AI/ML in financial services, especially regarding digital lending, KYC, and fraud detection.
- SEBI is exploring AI use in stock trading and investor protection.
- E-commerce rules under the Consumer Protection Act, 2019, enforced by the CCPA (Central Consumer Protection Authority), have indirect implications on AI systems used in online retail.

5. AI Ethics & Self-Regulation

- NITI Aayog and the Ministry of Electronics and IT (MeitY) have proposed voluntary ethical frameworks.
- Industry bodies like NASSCOM have encouraged companies to adopt self-regulatory ethical codes for AI systems in commercial use.

As it stands, India doesn't have a single AI Act similar to the EU's AI Act. There are no legally binding requirements for algorithmic transparency, and we don't have a central authority overseeing AI, although talks are happening. Looking ahead, the Indian government is set to

introduce laws concerning AI, including the anticipated Digital India Act, which is likely to address AI risk regulation and rules for automated decision-making. The Ministry of Electronics and Information Technology (MeitY) is busy crafting AI-specific frameworks for high-risk sectors such as healthcare, fintech, and legal tech. While India does have data protection and ethical frameworks that somewhat regulate AI in commerce, a dedicated AI law is still in the works. With the increasing adoption of AI in e-commerce, advertising, pricing algorithms, fraud detection, and customer engagement, the government is making strides toward formalizing AI regulations, probably by late 2025 or 2026.

Ethical and Constitutional Concerns

Artificial Intelligence (AI) is revolutionizing commerce, but it also brings up some serious ethical and constitutional issues in India. One of the biggest concerns is privacy violations, particularly since AI systems collect and analyze vast amounts of consumer data for profiling, targeted advertising, and personalization. This situation raises important questions under Article 21 of the Indian Constitution, which safeguards the right to privacy as part of the right to life and personal liberty, as highlighted in the significant Puttaswamy judgment of 2017. Many AI systems tend to function without obtaining meaningful consent from users, which can undermine their personal autonomy and dignity.

A significant concern we face today is algorithmic bias and discrimination. AI systems can unintentionally reflect and even exacerbate existing social inequalities, including those based on caste, gender, or socio-economic status. This can lead to unjust outcomes in areas like credit scoring, hiring practices, or dynamic pricing on e-commerce platforms, potentially breaching Article 14, which ensures equality before the law and protection from arbitrary treatment. Such biases usually arise from biased training data or unclear algorithmic reasoning.

Moreover, the lack of transparency and explainability in AI systems is an ethical issue in itself. These systems often act as "black boxes," leaving users and regulators with little understanding of how decisions are made. In commercial environments, this lack of clarity can undermine procedural fairness, a vital element of Article 21. When transparency is absent, consumers may find themselves without recourse when negatively impacted by AI-driven decisions, raising important questions about accountability and legal responsibility—especially when it’s uncertain whether the platform, the AI developer, or another party should be held accountable.

AI-driven commerce systems often resort to some pretty sneaky tactics, like behavioral nudging and neuromarketing, which can take advantage of our psychological quirks. These strategies can really mess with our ability to make informed choices and can infringe on our autonomy, raising some serious concerns about the values protected by Article 21. Plus, when big e-commerce platforms use AI for self-preferencing and dynamic pricing, they can gain unfair advantages that push smaller vendors to the sidelines, ultimately hurting competition. This goes against the idea of economic justice laid out in Article 39 of the Directive Principles of State Policy, which emphasizes fair wealth distribution and stopping the concentration of economic power. Then there's the whole issue of consent and fairness in contracts. Often, users are considered to have "consented" to AI-driven decisions just by clicking through those long, complicated terms and conditions that most people don't bother to read or fully grasp. This really undermines the principle of free and informed consent, which is a fundamental part of personal freedom under Article 21. When things go wrong because of these decisions, the absence of clear accountability makes it tough for people to seek justice under Article 32, leaving them without a solid way to get help. In short, while AI in commerce has a lot of promise, it needs to be regulated and put into practice in a way that respects India's constitutional values, like privacy, equality, fairness, and accountability. Tackling these issues is essential to ensure that AI serves everyone in society fairly and ethically.

Human-AI Coexistence and Workforce Resilience

As Artificial Intelligence (AI) continues to reshape various industries—from retail and logistics to finance and customer service—it brings a mix of exciting opportunities and significant challenges for the human workforce. The idea of human-AI coexistence in business focuses on fostering a partnership where AI enhances human abilities instead of taking over. To make sure this coexistence is both sustainable and fair, it's essential to build resilience within the workforce. AI systems are increasingly being used in commerce for tasks like inventory management, personalized marketing, automated customer support, demand forecasting, and dynamic pricing. While these advancements boost efficiency and profits for companies, they can also lead to job losses, particularly in positions that are routine, repetitive, or easily automated. For instance, chatbots using natural language processing are taking over entry-level customer support roles, and algorithms are managing supply chains with little human oversight. This push for automation could heighten unemployment or underemployment among low- and mid-skilled workers. To mitigate

these risks, we need to focus on building workforce resilience through re-skilling and up-skilling programs, helping workers transition into roles that require human judgment, emotional intelligence, and creativity—areas where AI still struggles. For example, while AI can sift through consumer data to spot trends, it's the human marketing professionals who are needed to create culturally aware narratives, make strategic choices, and foster genuine customer relationships. Likewise, AI can assist financial analysts by crunching numbers more quickly, but human insight is vital for making ethical, context-sensitive investment decisions.

The way we think about human-AI collaboration should really shape how we design workplaces in the commercial sector. Instead of seeing AI as a replacement for human jobs, we should embrace it as a supportive tool that boosts our productivity. Take retail, for instance—AI can help sales staff by giving them instant access to product details, which means they can provide even better service to customers. In warehouses, AI-driven robots can take care of the heavy lifting, while humans oversee the operations and handle any unexpected issues. It's crucial for both governments and private companies to make sure that the shift to AI-driven commerce is inclusive. We need to pay special attention to vulnerable groups—like women, rural workers, and those in informal jobs—who might face the brunt of automation. A solid policy response should include social safety nets, job guarantees, and programs to boost digital skills. Collaborations between the public and private sectors can play a key role in establishing training centers, creating certification programs, and ensuring that the skills being taught match the changing needs of the industry. From an ethical standpoint, businesses should adopt a human-centered approach to AI, ensuring that technology is used in a way that respects workers' rights, maintains transparency in decision-making, and upholds the dignity of labor. Company policies should also encourage employee involvement in decisions about AI integration, giving workers a say in how technology shapes their work environments. In summary, nurturing a harmonious relationship between humans and AI in commerce calls for a well-rounded strategy—one that balances automation with inclusivity, innovation with ethical considerations, and efficiency with compassion. By investing in workforce resilience, countries like India and other emerging economies can make sure that the growth of AI contributes to economic progress while safeguarding human agency and social fairness.

For a balanced approach, we should see AI as a facilitator rather than a substitute. India should invest in solid skilling initiatives like PMKVY (Pradhan Mantri Kaushal Vikas Yojana), improve

how AI fits into higher education, and support interdisciplinary studies. It's also important to have legal frameworks that require worker input before implementing AI and to guarantee fairness in algorithms.

Policy Recommendations and Legal Roadmap for India

- Introduce a specific Artificial Intelligence and Employment Protection Act.
- Amend existing labor laws to include provisions on automation-led termination.
- Enforce algorithmic transparency and ethical audits in workplaces.
- Strengthen institutions like the Labour Welfare Boards to monitor AI effects.
- Develop inclusive upskilling missions through platforms like NASSCOM and NSDC.
- Encourage judicial sensitization on AI-induced employment disputes.

Conclusion

he rise of AI in Indian commerce is something we can't ignore, but it needs to be managed with careful planning. We have to update our employment laws and ethical guidelines to keep up with the challenges that automation brings. Creating a human-centered AI environment—one that emphasizes legal responsibility and socio-economic inclusivity—is essential for safeguarding jobs in India's digital landscape. As AI becomes more integrated into the commercial sector, it's changing how we work, reshaping job roles, and transforming traditional business models. While AI brings impressive advantages like increased efficiency, personalized services, and economic growth, it also introduces serious risks, especially concerning job loss, algorithmic control over labor, and the potential erosion of workers' rights. In India, we need to assess these changes through the lens of constitutional protections, labor rights, and new data protection laws.

Right now, India doesn't have a standalone legal framework that specifically addresses how AI affects employment and working conditions. Our current labor laws, which are based on an industrial-era mindset, aren't equipped to deal with the complexities of algorithmic decision-making, worker monitoring, and the fast-evolving gig economy driven by AI. This gap in the law not only puts workers in precarious situations but also threatens fundamental constitutional rights like the right to livelihood (Article 21), equality (Article 14), and fair working conditions (as outlined in the Directive Principles of State Policy). Therefore, as we look to the future of work in an AI-driven economy, we need a legal approach that strikes a balance—one that encourages innovation while also protecting the dignity and economic stability of human workers.

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Justice K.S. Puttaswamy (Retd.) v. Union of India, (2017) 10 SCC 1 — the Supreme Court held that the right to privacy is a fundamental right under Article 21 of the Constitution of India. ↩

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