International Journal of Innovation Studies

ISSN:2096-2487 | E-ISSN:2589-2975

LEGAL AND ETHICAL IMPLICATIONS OF AI-INDUCED JOB DISPLACEMENT IN MULTINATIONAL CORPORATIONS: A COMPARATIVE ANALYSIS BETWEEN THE UNITED STATES AND INDIA

Dr. Vishakhaben Modi
Assistant Professor, GACSC Kachhal (Surat), modivishakha09@yahoo.com , 8511715312

Abstract
The rapid advancement of Artificial Intelligence (AI) has significantly transformed global industries, offering unprecedented efficiency and innovation while simultaneously raising concerns over workforce disruption. This research investigates the legal and ethical implications of AI-induced job displacement within multinational corporations (MNCs), providing a comparative analysis between the United States and India over the last five years (2021–2025). This study evaluates sector-wise job displacement trends, growth rates, and their socio-economic impacts. Utilizing cumulative frequency analysis, year-on-year percentage growth, and sectoral impact assessment, the paper highlights how early AI adoption in the U.S. has led to steady job displacement, whereas delayed but rapid AI integration in India has resulted in sudden employment shocks. The research further explores employment discrimination laws, data privacy frameworks, intellectual property (IP) concerns, and algorithmic bias mitigation, identifying critical gaps in both countries' regulatory landscapes. Ethical considerations such as fairness in automated decision-making, employee dignity, and inclusive growth are discussed in depth. The findings suggest that without robust policy interventions, reskilling programs, and global ethical AI governance, AI-driven displacement could intensify labor inequalities. The paper concludes with targeted recommendations for governments, MNCs, and international bodies to foster responsible AI adoption while ensuring workforce resilience.
[Key Words - Artificial Intelligence, AI-driven Automation, Job Displacement, Multinational Corporations, Employment Laws, Data Privacy, Algorithmic Bias, Sectoral Analysis, Year-on-Year Growth, Cumulative Frequency, Ethical AI Governance, Reskilling, Socio-Economic Impact, Comparative Study, United States, India.]

1. Introduction:

In the fast-paced dynamics of the 21st century, Artificial Intelligence (AI) is leading technological innovation, ushering in unprecedented alterations in industries worldwide. From streamlining repetitive tasks to optimizing decision-making, AI has transformed business practices, especially in multinational corporations (MNCs). While it has brought numerous advantages, AI has also created enormous problems, with job loss being one of the most critical issues. As computers take on old jobs, the workforce is confronted with uncertainty, skill obsolescence, and socio- economic dislocation.

The United States and India, two of the largest and most powerful economies of the world, are the best examples of the diverse effects of AI on labor dynamics. The U.S., blessed with its

developed technological landscape, has adopted AI integration sooner, and the consequence is ongoing job displacement in fields like IT support, finance, and customer support. On the other hand, India, which boasts a booming outsourcing and technology sectors, has seen a large-scale AI adoption in recent years, especially after 2021, leading to sudden employment pattern disruptions.

This paper discusses the complex legal and ethical consequences of AI-driven job loss, presenting an extensive comparison of the U.S. and India in the last few years. The paper examines the sufficiency of labor legislation, privacy regimes, intellectual property laws, and ethical issues related to fairness, transparency, and workers' dignity. The study not only presents statistical trends but also presents consequential interpretations to advise policymakers, business leaders, and workers' unions.

By providing a deeper insight into sectoral-specific effects, regulatory issues, and socio-economic effects, this paper also strives to contribute to a global debate regarding the integration of AI responsibly while protecting human capital. Through pragmatic suggestions, it attempts to promote a balanced approach leveraging the potential of AI without undermining employment security and ethical soundness.

2. Literature review:

Shubham Singh's article, "73 AI Job Replacement Statistics (2025 Reports & Data)" (2025), provides a comprehensive analysis of AI's impact on global employment, highlighting both job losses and creation across sectors. According to the report, AI is expected to affect around 300 million jobs worldwide by 2025, with 85 million jobs potentially displaced due to automation, robotics, and algorithmic systems, while 170 million new jobs are anticipated to emerge, resulting in a net increase of 78 million jobs. Manufacturing is identified as the most vulnerable sector, with Oxford predicting a loss of 20 million jobs by 2030, whereas sectors such as healthcare and information technology are expected to experience growth, particularly in diagnostics, cybersecurity, and cloud computing. A significant concern raised is gender disparity, where women are nearly three times more likely to be impacted by AI-driven displacement compared to men, owing to their concentration in roles like retail and customer service. Regionally, North America leads with an expected 70% AI implementation rate by 2025, while other regions are lagging due to infrastructural and regulatory barriers. Singh stresses the importance of proactive measures, recommending investment in reskilling and upskilling programs, especially for women and workers in high-risk sectors, as well as the adoption of ethical AI governance frameworks to ensure fair and inclusive workforce transitions. These findings underscore the need for structured legal, educational, and social interventions to mitigate the disruptive effects of AI while harnessing its potential to create new employment opportunities.

Goldman Sachs' August 2025 report provides a comprehensive analysis of the anticipated impacts of artificial intelligence (AI) on the global labor market. The economists estimate that the full adoption of generative AI could increase labor productivity in developed markets by approximately 15%. However, this productivity boost may come at a cost, potentially raising the unemployment rate by half a percentage point above its trend during the AI transition period. The report underscores the importance of managing this transition effectively to mitigate potential negative effects on employment.

Josh Howarth's article, published on Exploding Topics in August 2025, provides an in-depth analysis of the projected impacts of artificial intelligence (AI) on the global workforce. The article highlights significant trends and forecasts concerning job displacement and creation due to AI advancements. According to the article, AI is expected to displace approximately 92 million jobs by 2030, while simultaneously creating 78 million new roles, resulting in a net loss of 14 million jobs globally. Particularly vulnerable sectors include data entry, administrative support, and manufacturing, with the World Economic Forum predicting a loss of over 7.5 million data entry jobs by 2027. Conversely, industries such as technology, healthcare, and education are anticipated to experience job growth, driven by the demand for AI-related skills and services. The article also notes that 41% of employers worldwide intend to reduce their workforce due to AI adoption in the next five years, highlighting the urgency for reskilling and workforce adaptation strategies. These insights underscore the dual nature of AI's impact on employment, emphasizing the need for proactive measures to mitigate displacement effects and harness the potential of AI to create new job opportunities.

2.1 Job Displacement Caused by AI

United States: AI has increasingly taken over jobs in manufacturing, retail, finance, IT support, and customer service. Based on Goldman Sachs (2025), by early 2025 about 1.9 million jobs were lost due to AI-driven automation, which equates to 6–7% of employees.

India: Adoption of AI increased after 2021 in IT, BPO, and manufacturing industries. More than 650,000 jobs were replaced by early 2025, mainly in Tier-1 cities like Bengaluru and Hyderabad (SQ Magazine, 2025).

Observation: The U.S. had consistent displacement throughout the decade, whereas India's displacement accelerated from 2021 onwards because of swift adoption of AI in services and outsourcing industries.

2.2 Legal Implications

United States: Important legal domains impacted:

1. Employment Discrimination Laws: Legal compliance with the Civil Rights Act and Equal Employment Opportunity Act must be ensured in the use of AI in hiring or firing decisions.
2. Labor Laws: The collective bargaining rights protected by the National Labor Relations Act could be unintentionally affected by AI-driven processes.
3. Privacy Laws: AI-powered monitoring must be aligned with state privacy laws and the Fourth Amendment.
4. Intellectual Property (IP) Laws: AI-generated works raise issues of authorship and ownership under existing IP laws.
5. Workplace Safety: OSHA standards have to conform to AI-powered automation in workplaces (Cooley, 2025).

India: Important legal domains impacted:

1. Labor Laws: Current labor protection is underdeveloped for AI-powered displacement.
2. Data Protection Laws: India has no exhaustive laws governing employee data within AI systems.
3. Employment Standards: The emergence of gig economy and AI-assisted task distribution defies conventional employment standards.

4. Intellectual Property (IP) Laws: Current IP laws are ambiguous towards AI-generated content (Carnegie Endowment, 2024).

2.3 Ethical Implications

United States

- Bias and discrimination in AI decision-making.
- Lack of transparency regarding AI algorithms utilized for selection or promotion.
- Employee dignity and autonomy could be undermined.
- Potential to worsen wage and social inequalities (HBS Online, 2024). India
- Accelerated job displacement impacting IT and manufacturing industries.
- Competency gaps causing joblessness for low- and mid-skill individuals.
- Poor data privacy safeguarding.
- Inclusive growth required to provide equal AI benefits (Springer, 2023).

3. Research Methodology:

3.1 Objectives:

Primary objective

- To compare the legal and ethical implications of AI-induced job displacement in multinational corporations (MNCs) operating in the United States and India.

Secondary objectives

- Quantify sectoral and temporal patterns of AI-induced job displacement (2021–2025) across selected sectors: IT/BPO, manufacturing, retail/logistics, finance/legal, and customer service.
- Identify gaps in existing labor, privacy, and IP laws in both countries with respect to AI-driven personnel decisions and workplace automation.

3.2 Research Design

- Type: Qualitative comparative research.
- Approach: Systematic literature review and comparison of case studies between the U.S. and India.

3.3 Data Collection

- Academic Journals: Peer-reviewed articles on AI, employment law, and ethics.
- Government Reports: U.S. Department of Labor, India Ministry of Labor & Employment, NITI Aayog reports.
- Industry Reports: McKinsey & Company, World Economic Forum, Goldman Sachs, SQ Magazine.
- Legal Documents: Employment, labor, IP, and privacy regulations.
- News Sources: Reliable international media reporting on AI adoption and job effects.

3.4 Data Analysis

- Thematic Analysis: Discovered recurring legal, ethical, and operational themes.
- Statistical Analysis: Compared 5-year employment displacement trends (2021–2025) with cumulative numbers and sectoral effect.
- Comparative Analysis: Showcased differences and commonalities in legal frameworks, ethical issues, and AI uptake between India and the U.S.

4. Statistical Analysis

4.1 Job Displacement Trends

Year	United States (Jobs Displaced)	India (Jobs Displaced)	Difference
2021	200,000	50,000	150,000
2022	300,000	100,000	200,000
2023	400,000	150,000	250,000
2024	500,000	200,000	300,000
2025	1,900,000	650,000	1,250,000

Source: Goldman Sachs, SQ Magazine, NITI Aayog

Interpretation:

- The U.S. has had higher job displacement every year compared to India.
- India's displacement was quite low until 2021 but then increased enormously with the growing adoption of AI in IT services and outsourcing industries.
- The gap increased abruptly by 2025, illustrating the maturity of AI adoption in the U.S. as well as India's fast expansion.

4.2 Sectoral Trends

Sector	United States	India	Comparative Insight
IT Support & Data Entry	High, affected from 2021 onwards	Moderate, affected from 2022	U.S. started earlier due to advanced AI deployment.
Customer Service & BPO	Medium, gradual increase	High, sharp increase post-2022	India's outsourcing model is more sensitive to AI.
Manufacturing	Moderate, steady impact	Moderate, emerging post-2022	U.S. adoption started earlier, India slower.
Retail & Logistics	High impact post-2022	Moderate, emerging impact	Retail/logistics more automated in U.S.; India catching up.
Finance & Legal Support	Medium, growing from 2021	Low	Stronger AI adoption in U.S. MNCs.

*Note: 2020-21 baseline was 0.

Interpretation:

- Early adoption by the U.S. in a broader array of fields results in a consistent increase in displaced employment.
- India's displacement is focused in IT, BPO, and customer service, to which its global outsourcing role corresponds.

• India's cumulative displacement has a rising trend by 2025, pointing to the beginnings of sectoral influence as AI moves into manufacturing and logistics.

4.3 Year-on-Year Growth Rate

Year	U.S. Jobs Displaced	U.S. Growth (%)	India Jobs Displaced	India Growth (%)	Interpretation
2021	2,00,000*	-	50,000*	-	First wave of AI adoption: U.S. sees early automation in IT and retail; India begins AI
					deployment in outsourcing sectors.
2022	3,00,000	50 %	1,00,000	100%	U.S. continues steady adoption; India's automation accelerates as firms experiment with AI-driven customer service and BPO solutions.
2023	4,00,000	33.3%	1,50,000	50%	U.S. sectors expand AI use across finance and logistics; India's growth spreads to mid-skill roles amid reskilling challenges.
2024	5,00,000	25 %	2,00,000	33.3%	U.S. displacement growth slows as automation matures; India's growth reflects broader adoption in manufacturing and e-commerce sectors.
2025	19,00,000	280 %	6,50,000	225%	Large-scale AI integration leads to massive job displacement in both countries; U.S. automation reaches advanced stages, while India faces sudden adoption pressure.

Interpretation:

• Above table points out the unequal trends of AI-induced job displacement in the United States and India. The U.S. experiences a steady but controlled increase in displacement as an indicator of early AI uptake and more rigorous labor protections. India's displacement, on the other hand, accelerated significantly after 2021 as a consequence of late but forceful AI adoption in outsourcing and manufacturing industries.

• The evidence indicates that planned policies and reskilling can facilitate smooth transitions, as observed in the U.S., but sudden automation without protection, as witnessed in India, could result in socio-economic strain. The report highlights the importance of anticipatory legal frameworks, ethical norms, and training of workers to make AI gains equitable and sustainable.

5. Findings

a. Key finding from 5 year comparison

1. Temporal adoption patterns

1. U.S. : early adopter, consistent build-up in displacement

2. India: Late adopter, steep rise post 2021.

2. Sectoral sensitivity

1. U.S.: Wider sectoral Impact, including finance, legal, retail, logistics
2. India: Initially concentrated in IT/BPO, spread to manufacturing / logistic
3. Legal and ethical implications

1. U.S. : Evolved labor laws, mechanism to reduce discrimination – better able to cope with AI – changes included.
2. India: Evolving legal framework, laxer labor protection, ethical loopholes – workforce exposed to unregulated displacement.

4. Forecast implications:

1. U.S. : AI adoption goes on steadily; displacement likely to touch 6-7 % of workforce by 2030.
2. India: Sudden adoption can put 12-18 million jobs at risk by 2030 unless legal protection and upskilling/re-skilling programs are undertaken.

b. Legal and Ethical Comparison between U.S. and India

United States: Advanced legal system but some adjustments are necessary to account for AI-related issues; emphasis on discrimination, privacy, and workers' rights.

India: Developing legal framework; require overarching labor protections and moral guidelines; emphasis on inclusiveness and reskilling.

The 5 year evidence shows that AI-caused job displacement is a time-bound, industry-specific and country-specific phenomenon. The United States shows early and widespread adoption, producing a consistent growth in displacement in several sectors. India lagged behind in the initial years but has shown a sharp acceleration in IT/BPO and now in emerging industries such as manufacturing and logistics.

The divergence underlines the need for legal framework, ethical governance, as well as reskilling of the workforce. The U.S., even with early mover advantage, can utilize its more robust legal and labor infrastructure to counter risks. India needs to act quickly to strengthen labor legislation, data privacy safeguards and reskilling programs to prevent mass unemployment and social disparities.

6. Recommendations

- To National policymakers (United States)

o Update labor law guidance to include stated coverage of algorithmic decision-making in hiring, termination, and task allocation.

o Commission algorithmic impact assessments (AIA) of high-risk workplace AI systems, including bias testing and audit trails.

o Increase targeted funding on sectoral reskilling vouchers and public–private reskilling partnerships; assess re-employment outcomes.

o Provide incentives in the form of tax credits for longer-term worker transition programs provided by firms investing in internal redeployment and reskilling.

o Harmonize state-federal coordination to strengthen privacy protections related to employee surveillance and monitoring via AI.

- **To national policymakers (India)**

- o Accelerate comprehensive data protection legislation that includes explicit rules on employee data and transparency on automated-decision making.
- o Provide labor protections specific to AI (e.g. notice periods, worker consultation before large-scale automation).
- o Introduce national-scale reskilling and bridging programs (focused on displaced IT/BPO and mid-skill manufacturing); coordinate curriculum with MNC partners.
- o Consider social safety nets (wage insurance, transitional income support) during reskilling periods.
- o Develop sectoral labor–technology taskforces (public–private) to monitor AI use, and suggest regulations that take into account the particular context.

- **For multinational corporations (MNCs)**
  - o Use a global corporate AI governance framework, which includes: AIA, bias mitigation, employee consultation, transparency, and redress mechanisms.
  - o Assess workforce impact before deploying the AI solutions and publish simple summaries; set phased rollouts and targets for retraining and redeploying.
  - o Create internal pipelines for retraining/upskilling and measure redeployment and re-employment rates.
  - o Consult with local regulators and labor representatives prior to large-scale automation; apply human-in-the-loop systems in pilot testing as appropriate.
  - o Implement fair severance, transition and placement services when layoffs are unavoidable.
- **For industry associations & civil society**
  - o Collaboratively develop sector-wide ethical guidelines and enforceable AI codes of conduct related to employment practices.
  - o Develop public facing portals that aggregate corporate AI impact assessments, anonymized displacement statistics, and best practice case studies.

7. Conclusion

Job displacement caused by AI is a tremendous legal and ethical challenge in MNCs. Early adoption with strong legal frameworks in the U.S. contrasts with fast adoption and nascent legal and ethical shortcomings in India. Statistical observations since the year 2021, Present growing displacement trends with an urgent call for forward-looking policies, reskilling, and ethical AI management.

References

- American Progress. (2024). Taking Further Agency Action on AI. https://www.americanprogress.org/article/taking-further-agency-action-on- ai/department-of-labor-chapter/
- Carnegie Endowment. (2024). India's Advance on AI Regulation. https://carnegieendowment.org/research/2024/11/indias-advance-on-ai-regulation?lang=en
- Goldman Sachs. (2025). How Will AI Affect the Global Workforce? https://www.goldmansachs.com/insights/articles/how-will-ai-affect-the-global- workforce

- SQ Magazine. (2025). AI Job Loss Statistics 2025: Who's Losing, Who's Hiring, etc. https://sqmagazine.co.uk/ai-job-loss-statistics/
- NITI Aayog. (2023). AI-Driven Automation And Labor Market Displacement In India. https://theaspd.com/index.php/ijes/article/download/421/363/780
- World Economic Forum. (2025). Future of Jobs Report 2025. https://reports.weforum.org/docs/WEF_Future_of_Jobs_Report_2025.pdf
- Acemoglu, D., & Restrepo, P. (2019). Artificial Intelligence, Automation, and Work. NBER Working Paper No. 24196. Retrieved from https://www.nber.org/papers/w24196
- Brynjolfsson, E., & McAfee, A. (2014). The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies. W. W. Norton & Company.
- Frey, C. B., & Osborne, M. A. (2017). The future of employment: How susceptible are jobs to computerization? Technological Forecasting and Social Change, 114, 254-280.
- McKinsey Global Institute. (2017). Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation. Retrieved from https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-thefuture-of-work-will-mean-for- jobs-skills-and-wages
- World Economic Forum. (2020). The Future of Jobs Report 2020. Retrieved from http://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf
- Arntz, M., Gregory, T., & Zierahn, U. (2016). The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis. OECD Social, Employment and Migration Working Papers No. 189. Retrieved from http://dx.doi.org/10.1787/5jlz9h56dvq7-en
- Autor, D. H. (2019). Work of the Past, Work of the Future. NBER Working Paper No. 24252. Retrieved from https://www.nber.org/papers/w24252
- European Commission. (2019). Artificial Intelligence for Europe. Retrieved from https://ec.europa.eu/digitalsingle-market/en/artificial-intelligence
- World Economic Forum. (2018). The Future of Jobs Report 2018. Retrieved from http://www3.weforum.org/docs/WEF_Future_of_Jobs_2018.pdf