

PSYCHOLOGICAL IMPACT OF GIG ECONOMY ON WORKERS

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Abstract :

The gig economy has emerged as a significant labor market phenomenon, offering flexible work arrangements across various sectors. This research paper explores the mental health implications of gig work in comparison to unemployment. Some studies suggest that gig workers may experience better mental health than those who are unemployed, potentially due to the income and activity provided by gig work. A study on the mental health and life satisfaction of gig workers found that financial precarity and loneliness play a significant role in the mental health of gig workers. Another study on the psychological contract fulfillment of gig workers explored the relationship between psychological contract fulfillment and task performance, finding that both transactional and relational contract fulfillment can directly and indirectly affect gig workers' task performance. A systematic review on psychosocial risk factors in the gig economy identified several psychosocial risk factors, including work transience, algorithmic management, and digital surveillance, that can negatively impact gig workers' well-being.

Keywords: *Gig Economy, Mental Health, Unemployment, Financial Precarity, Psychological Risk.*

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Introduction:

2011 Census of India revealed that the workforce participation rate for women was 25.51%, while for men it was 53.26%, and that rural India had more than 50% of workers in the self-employed category, while urban India had more than 40% in self-employed and regular wage categories.

Here's a more detailed breakdown of the employment data from the 2011 Census:

Workforce Participation Rates:

- **Women:** 25.51%
- **Men:** 53.26%

This gender gap highlights structural barriers and socio-economic factors that influence women's participation in the labor market. Employment status plays a crucial role in determining workers' rights, benefits, and job security. It defines the legal and financial responsibilities of employers towards their employees, including wages, social security, and workplace protections. The rise of the gig economy

has further complicated employment classifications, as gig workers often lack the benefits associated with traditional employment while also avoiding the financial insecurity of unemployment.

This study aims to examine how employment status, particularly in the gig economy, impacts mental health compared to unemployment. Given the increasing prevalence of gig work in India, especially among self-employed individuals, understanding its psychological and economic effects is essential. The paper explores whether gig employment provides a sense of financial stability and purpose or exacerbates stress and job insecurity. By analyzing workforce participation trends and employment structures, this research will contribute to discussions on labor policies and mental health support for modern workers.

Employment Categories:

- 1. Rural India:** More than 50% of workers were in the self-employed category.

2. **Urban India:** More than 40% of workers were in the self-employed and regular wage categories.
3. **Self-Employed:** A significant portion of the workforce, particularly in rural areas, worked in self-employment.
4. **Regular Wage Workers:** A notable portion of the workforce, especially in urban areas, was employed as regular wage workers.

Employment status defines the rights, protections, and responsibilities of employees in the workplace. It also determines the obligations an employer has toward their employees. When hiring new personnel, employers must carefully decide the appropriate employment status based on the nature of the job and the terms of engagement.

Types of Employment Status:

1. Worker

Among the three types of employment status, the 'worker' category is the most flexible and informal. A person can be stated as a worker if he comes under following cases:

- They have an arrangement to perform their services
- They have to show up for work even if they don't want to
- They aren't performing the work as a limited company

2. Employee

An individual classified under the "employee" status works under a contract of employment. Employees receive all the protections granted to workers, along with additional rights and benefits. A person is considered an employee if:

- They have a formal contract of employment.
- They are generally required to work regularly unless on leave.
- They receive paid holidays.
- They are subject to redundancy procedures.

- They must work a minimum number of hours and cannot subcontract their work to others.

3. Self-employed

A self-employed individual operates their own business and is solely responsible for its success. Unlike employees, they do not receive employment rights and protections, as they work independently without employer-provided safeguards. A person is stated to be self-employed if comes under following cases:

- They don't get a holiday or sick pay when they are not working
- They give out 'quotes' for their work
- They submit invoices once their work is done

Determining Employment Status:

An employer's choice of employment status defines the rights and responsibilities of employees. Selecting the wrong status can lead to financial strain, legal issues, or workforce instability. For example, if a small business offers more job security than it can afford, it may struggle to retain employees when needed. Conversely, minimal job security can result in high turnover and dissatisfaction. Striking a balance between job stability and financial sustainability ensures long-term success. A well-structured employment framework benefits both employers and employees.

Employment Types:

- **Contract Employee:** Specific terms for a set period.
- **Full-Time Employee:** 40+ hours/week with benefits.
- **Independent Contractor:** Task or project-based.
- **Intern/Apprentice:** Gaining work experience.
- **Part-Time Employee:** Fewer hours, often without benefits.
- **Self-Employed:** Operates own business.
- **Temporary/Seasonal Employee:** Short-term needs in sectors like agriculture.

- **Unemployed:** Actively seeking employment.
- **Volunteer:** Unpaid work for social causes.

Meaning of Gig Economy:

The gig economy, also referred to as the sharing or access economy, is a labor market that primarily consists of temporary, freelance, or part-time jobs performed by independent contractors rather than full-time permanent employees.

The term "gig economy" originates from the music industry, where artists take on short-term performances or "gigs" at various venues.

- The gig economy operates on flexible, temporary, and freelance work arrangements.
- It offers advantages to workers, businesses, and consumers by promoting a more adaptable workforce.
- Gig workers do not receive benefits like paid holidays or sick leave and often face income fluctuations.

Job Types:

The gig economy is a labor market driven by temporary, freelance, and contract jobs rather than permanent positions. It includes diverse roles such as tutoring, ride-sharing, food delivery, coding, and freelance writing. Colleges also hire adjunct professors to cut costs and meet academic needs. The gig economy saw major growth in 2020 due to COVID-19, with remote work and online services becoming more prevalent. By 2023, 38% of the U.S. workforce, or 64 million people, were gig workers, contributing \$1.27 trillion to the economy.

Benefits for Employers and Employees:

For Employers:

- Wider range of applicants due to remote work options
- Ability to hire and release workers easily based on seasonal demand.
- No obligation to provide expensive benefits like health insurance or paid leave.

For Employees

- Increased flexibility to set their own work schedules.
- Opportunities for side income alongside full-time employment.
- Remote work options enable gig workers to operate from any location with internet access.

Downside of A Gig Economy:

The rise of the gig economy can make it challenging for full-time employees to build long-term careers and establish a strong professional reputation. It is often linked to the erosion of worker rights, the loss of benefits such as health insurance, and the absence of paid sick or vacation leave.

With employers facing minimal pressure to increase wages, they may opt to hire workers from regions with lower living costs, leading to wage suppression. Additionally, the flexibility of gig work can disrupt work-life balance, affect sleep patterns, and create instability in daily routines.

Furthermore, the gig economy may weaken long-term relationships between workers, employers, clients, and vendors. This shift can diminish the advantages of trust, consistent practices, and familiarity that come with sustained professional relationships.

Working in Gig Economy in the Current Financial Climate:

The gig economy is expanding rapidly, offering flexibility and diverse job opportunities. However, it also brings financial instability and job insecurity, as many workers rely on temporary contracts without knowing when their next paycheck will come. Rising living costs further add to the pressure, making it difficult for gig workers to achieve financial stability. Unlike traditional employees, gig workers often lack benefits such as health insurance, paid leave, and professional development opportunities. This can lead to feelings of isolation and limited career growth, causing stress and anxiety. Additionally, the highly

competitive nature of gig work creates pressure to secure jobs and maintain steady income, sometimes resulting in self-doubt and reduced self-esteem.

Despite these challenges, the gig economy provides independence, flexible work hours, and diverse earning opportunities. By adopting strategies such as financial planning, networking, and mental health support, gig workers can navigate uncertainties and enhance their overall well-being.

Positives of Working in Gig Economy:

The gig economy offers flexibility, allowing workers to control their schedules and maintain a work-life balance. This is especially beneficial for individuals with family responsibilities or other commitments. Additionally, freelancers enjoy autonomy in their work, enabling them to develop skills, explore creative paths, and avoid bureaucratic constraints that often come with traditional employment.

While the gig economy provides independence, it also presents challenges such as job insecurity, lack of benefits, and financial instability. Some employers exploit gig workers by offering low wages or refusing payments, further exacerbating stress and mental health issues. Moreover, the absence of paid sick leave forces many to work while unwell, leading to burnout and health complications.

Studies indicate that many gig workers feel unsupported regarding their mental health, with long hours and financial uncertainty contributing to stress and depression. Employers must recognize these challenges and implement policies that prioritize worker well-being. Measures such as fair wages, paid sick leave, access to counseling, and promoting work-life balance can help mitigate the negative effects of gig work while preserving its benefits.

Finding Work-Life Balance in The Gig Economy:

The gig economy has transformed the way people work, providing greater flexibility and independence compared to traditional employment. However, the

constant search for new gigs and managing multiple jobs can create stress, longer working hours, and limited time for self-care. Balancing financial planning with maintaining physical and mental well-being is crucial for gig workers.

Prioritizing self-care is essential in this work style. Taking regular breaks, staying hydrated, and incorporating short walks into the day can improve focus and reduce stress. Establishing a structured routine adds predictability, helping to manage anxiety and workload effectively.

Engaging in activities outside of work can enhance well-being and create balance. Hobbies, social engagements, or volunteering can provide relaxation and a sense of connection. Designating specific rest days free from work-related tasks allows for mental and physical recovery, preventing burnout.

Setting realistic goals helps manage expectations and maintain productivity. Breaking objectives into daily, weekly, or monthly targets makes tasks more manageable, reducing the risk of feeling overwhelmed. By adopting these strategies, gig workers can sustain a healthier and more balanced work-life experience.

Freedom, Creativity and the Benefits of Working in the Gig Economy: The gig economy offers workers flexibility, autonomy, and creative freedom. Individuals can choose their projects, set their schedules, and work remotely without answering to a boss. This flexibility is particularly beneficial for those who struggle to find traditional employment or require adaptable work arrangements due to personal circumstances.

Additionally, gig work allows individuals to explore their creativity, develop new skills, and potentially earn more through multiple income streams. Unlike conventional jobs, freelancers have the opportunity to work on diverse projects, fostering innovation and

personal growth while maintaining financial independence.

To improve well-being, gig workers can build strong professional networks by maintaining relationships with former employers for mentorship and job opportunities. Seeking support from free counseling services or community organizations can also help manage stress and uncertainty, ensuring long-term mental health stability in an evolving job market.

Conclusion:

The gig economy offers a valuable opportunity for flexible work arrangements but also brings distinct mental health challenges for those involved. Employers should explore ways to support gig workers, such as providing access to mental health resources and improving job stability to reduce uncertainty. By increasing awareness and implementing supportive measures, we can help

ensure that individuals who choose gig work can maintain their well-being while enjoying the benefits of this employment model.

Suggestion:

To address the challenges faced by gig workers in India, solutions include legal reforms recognizing them as employees, implementing portable benefits systems, promoting skill development, and encouraging unionization, while also leveraging technology for feedback and fair practices.

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