

## Mental Health And Organizational Behaviour Of Unorganised Contractual Workers: A Comparative Policy Analysis

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### ABSTRACT

*An organization in the world plays a crucial role in the progressive development of any nation in terms of economic, social and political. This study investigates the impact of contractual labour arrangements on the mental health and organizational behaviour of workers in India's unorganized sector. With a rising dependency on flexible employment, it becomes critical to understand the psychological and systemic challenges faced by these workers. Utilizing ordinal regression and a mixed-methods approach including structured surveys and observational tools we assessed key workplace factors such as income sufficiency, job security, and supervisory support. Findings indicate that job uncertainty and lack of managerial backing significantly influence workers' perceptions of well-being and productivity. This research holds practical implications for HR professionals and policymakers seeking to enhance employee welfare and organizational efficiency.*

**Keywords:** *Organizational Behaviour, Contractual workers, Labour Policies.*

### INTRODUCTION

The nature of labour in India has evolved through millennia, from ancient agricultural societies to contemporary industrial economies. By 2500 B.C., the pastoral phase began to decline, giving rise to agriculture as the dominant occupation. Texts such as the *Rigveda* and *Atharva Veda* refer to the use of labourers including slaves and servant girls for agricultural tasks (Sharma, 2006). Ancient legal and political treatises like *Kautilya's Arthashastra* and *Naradsmriti* further document labour divisions, distinguishing between wage earners, slaves, and those conscripted for punishment-based labour. These early distinctions in labour roles laid the groundwork for enduring hierarchies and wage systems.

Globally, labour systems like slavery, serfdom, and artisanal self-employment shaped socioeconomic structures. In medieval Europe, serfdom tied workers to landowners through customary obligations, while artisans emerged as independent producers in urban centers (Maurice, 1956). These systems influenced colonial labour frameworks and persist in modified forms within today's informal labour markets.

In India, the institutionalization of labour policy gained momentum during the 20th century. Prior to the First World War, industrial labour conditions remained marginal in the policy agenda. Key developments such as the Government of India Act (1935), which placed labour on the Concurrent List, and the establishment of the International Labour Organization (ILO) in 1919 marked a shift toward labour welfare. Conferences in 1942 and 1957 focused on social security and minimum wage standards, emphasizing the concept of a "need-based" wage (Sharma, 2006).

A critical turning point in Indian labour policy came with Dr. B. R. Ambedkar, who, as Labour Member of the Viceroy's Executive Council (1942–1946), was instrumental in shaping labour rights. His advocacy led to foundational legislation such as the Minimum Wages Act and Employees' State

Insurance Act. For Ambedkar, labour dignity was not only an economic issue but a matter of constitutional morality and social justice (Omvedt, 2004).

Modern labour theory and public administration frameworks, such as those proposed by F. W. Taylor, emphasized efficiency, task orientation, and wage incentives. However, these classical models often overlooked the emotional and psychological dimensions of labour—especially for temporary or contractual workers who face uncertainty, marginalization, and limited access to organizational resources.

In contemporary India, contractual labour has become a defining feature of both public and private employment sectors. While it addresses temporary workforce needs, it also raises pressing concerns about job security, mental well-being, and worker rights. The disconnect between existing labour policies and lived experiences in the unorganized sector calls for critical examination.

This research investigates how contractual labour arrangements affect organizational behavior and mental health. By integrating historical insights, policy analysis, and empirical data, this study aims to provide a comprehensive understanding of the structural and psychological challenges faced by contractual workers. Grounded in Ambedkar's vision of labour dignity, it calls for inclusive reforms that align labour policies with contemporary socio-economic realities.

## METHODOLOGY

A cross-sectional survey was conducted among contractual workers in both public and private institutions. The study employed a mixed-methods approach:

- **Quantitative:** Ordinal logistic regression models analyzed responses from a Likert-scale survey focused on income adequacy, job stability, workload, discrimination, supervisory support, and emotional well-being.
- **Qualitative:** Observational insights were gathered to contextualize quantitative findings.

## Why Labour?

Labour holds a central position in the theory of essentiality for the welfare of the state. As emphasized by Radhakamal Mukerjee (1964, pp. 44–49), labour is not merely a tool of production but a fundamental agent of social progress and collective well-being. It represents the dynamic interaction between human effort and societal growth, making it indispensable for national development. Mukerjee argues that the dignity of labour and its humane treatment are critical indicators of a civilization's moral and institutional maturity.

## Contractual Labour

The rise of contractual labour is a byproduct of industrialization, which transformed traditional agrarian economies into production-driven sectors. While industrialization brought economic growth, it also led to the segmentation of labour into permanent and temporary categories. Contractual labour, characterized by short-term, precarious employment, often lacks job security, social benefits, and bargaining power raising serious concerns regarding workers' rights and well-being.

India's commitment to labour welfare is enshrined in the Directive Principles of State Policy, particularly Article 41 of the Indian Constitution. It mandates that the State shall, within its economic capacity, secure the right to work, education, and public assistance in cases of unemployment, old age, sickness, and disablement. This provision highlights the moral and constitutional duty of the State to protect the interests of all workers, including those under contractual arrangements.

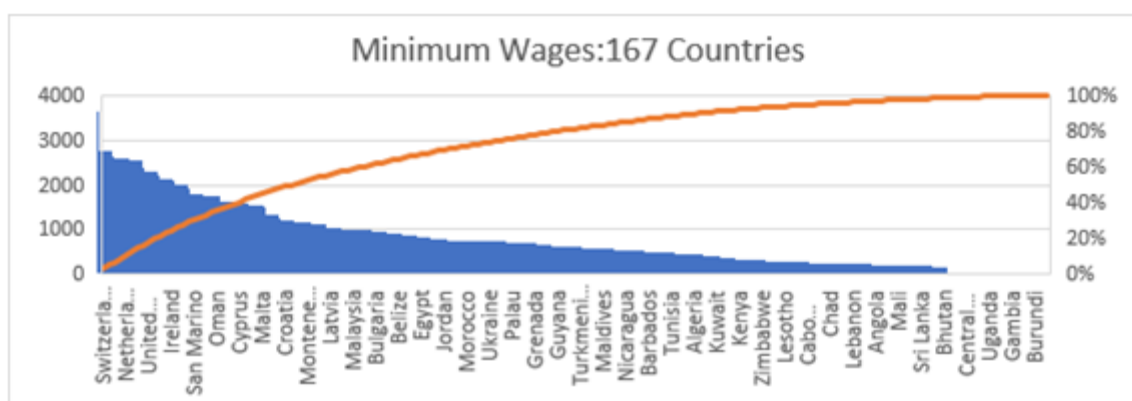
## Why Contractual Labour:

To Fulfil the demand of temporary gap in production, absenteeism in companies or organization. The principal reason for the existing contractual labour practice is because of they given high production, contribute to less cost, streamline administrative and accounting process, eliminate absenteeism, labour trouble .It also save capital investment of an organization. (Bremar, J. ,2013,p2). This easier to rationalize workforce in case of technological change. As of 2024, India's contractual workforce exhibits notable trends across various sectors: ILO. (2020).

**Industrial Sector:** In the fiscal year 2021-22, approximately 13.6 million workers were employed across 249,987 factories. Of these, 5.4 million (40.2%) were contract workers, marking the highest recorded proportion to date. This indicates that two out of every five industrial employees were on contractual terms.

**Formal Contractual Workers (Flexi Employees):** The Indian Staffing Federation (ISF) reports that the number of formal contractual workers, also known as flexi employees, currently stands between 5 to 5.5 million. These workers are hired for specific periods and receive benefits such as social security, standard wages, and compliance with legal standards. The ISF projects that this number will double, reaching 10 million by 2030, driven by increasing demand across sectors like e-commerce, retail, FMCG, logistics, manufacturing, hospitality, tourism, aviation, energy, and IT (*Standing, G.,2011*)

### CONTRACTUAL LABOUR: A REVIEW OF STATUS

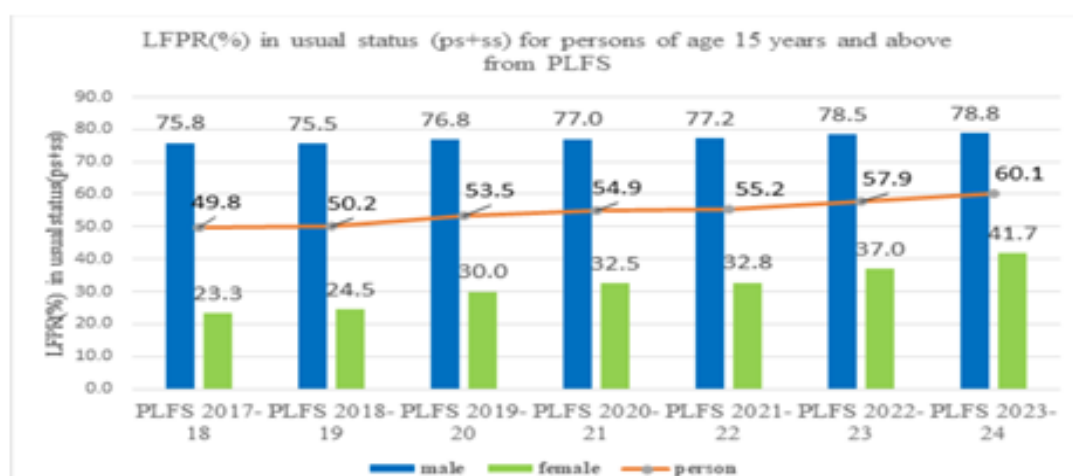


**Source:** International Labour Organization Statistics Report, 2024

As per above graphs we have seen how Pareto line from left to right i.e. from developed countries to under developed countries, this implies developed countries has higher minimum wages with good purchasing power parity and as far as undeveloped countries has low minimum wages and low PPP. We can see this in Percentage as well.

This also implies that due to low income or low minimum wages Stressor larger in undeveloped and developing countries rather than developed countries. As far as India concern, here Population is largest among world countries and gig workers also increasing day by day .

As Per World Bank ,India has one of the larger average younger populations among rest of the world. and asp per PLFS Report employment demand increases day by day we can see Figure. 1 of PLFS 2023-2024 report



**Source:** Periodic Labour Force Survey (PLFS) – Annual Report [July, 2023 – June, 2024]

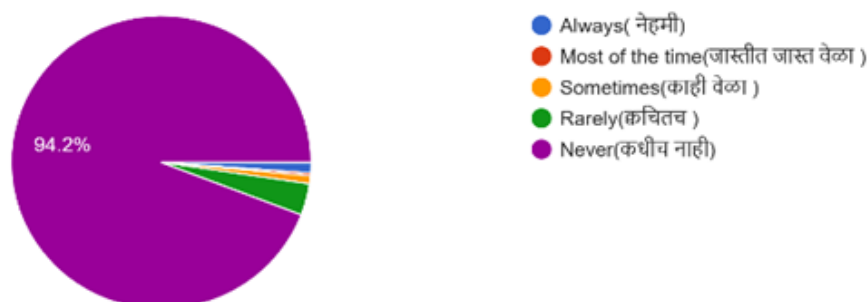
*Contractual labour forms a critical yet vulnerable component of India's workforce. As industrialization*

expanded, so did the reliance on flexible labour to meet production demands and reduce costs. However, this model often sidelines job security, social protection, and worker dignity. The Indian legal framework, including acts like the Contract Labour Act (1970), Minimum Wages Act (1948), and recent labour codes, aims to regulate conditions and secure fundamental rights for contract workers. Despite these policies, enforcement remains inconsistent, especially in the unorganized sector. This document critically reviews the existing legislative landscape, highlighting key provisions and challenges in implementation. The goal is to assess how effectively these laws support contractual workers and suggest reforms for inclusive and dignified labour practices. (Sen, A. ,1999)

## CONTRACTUAL LABOUR: ISSUES AND BEHAVIOUR

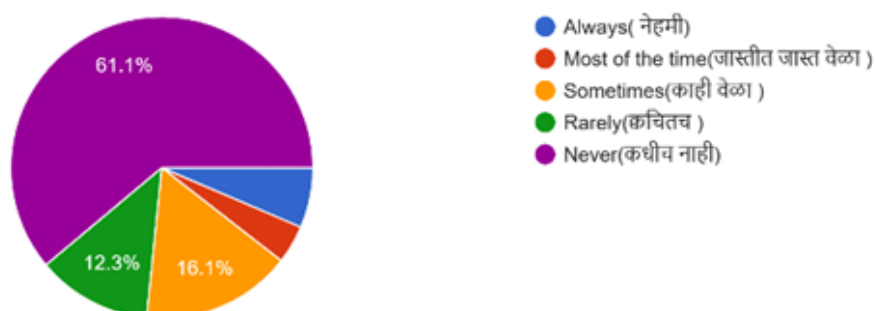
1.Do you think in-hand payment approximate ₹10,000(or Gross salary as per the contract) is sufficient to fulfill your household expenses Including...टुंबिक आरोग्य, इत्यादीसह भागवण्यासाठी पुरेसे आहे का?)

343 responses



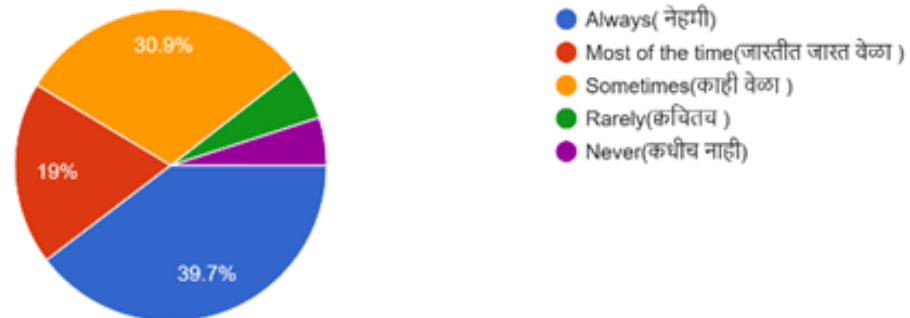
2.How often is your monthly payment credited to your account on time? (आपले मासिक वेतन नियमितपणे वेळेवर आपल्या खात्यात जमा होते का?)

342 responses



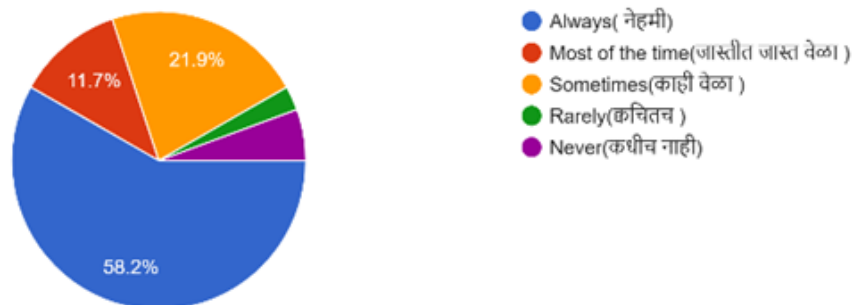
3. Do you think the workload is too large? (आपल्याला कामाचा भार जास्त वाटतो का?)

343 responses



4. Do you feel that the treatment you receive is worse compared to permanent staff? (आपल्याला कायमस्वरूपी कर्मचाऱ्यांपेक्षा कमी दर्जाची वागणूक मिळते असे वाटते का?)

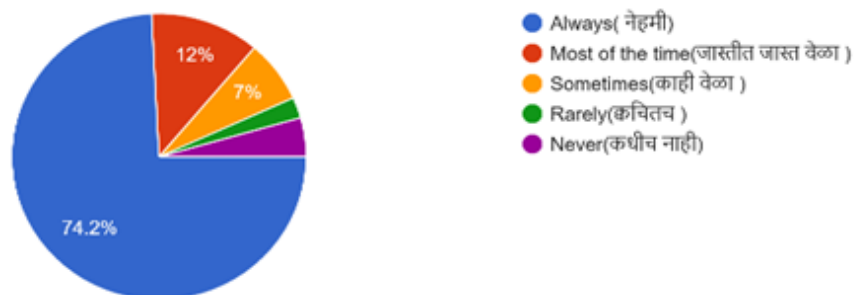
342 responses



## CONTRACT LABOUR POLICIES AND THEIR RIGHTS IN INDIA

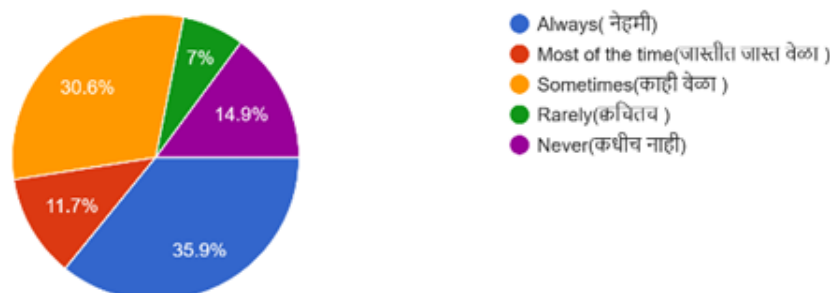
5. How often do you feel uncertain about your future in this job? (आपल्याला आपल्या नोकरीच्या भविष्याबद्दल अनिश्चितता जाणवते का?)

341 responses



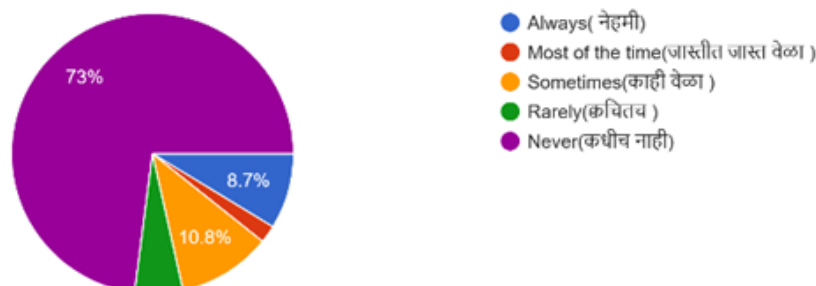
6. How often do you feel nervous or anxious at workplace (आपल्याला कार्यस्थळाी वारंवार घबराट किंवा चिंता जाणवते का?)

343 responses



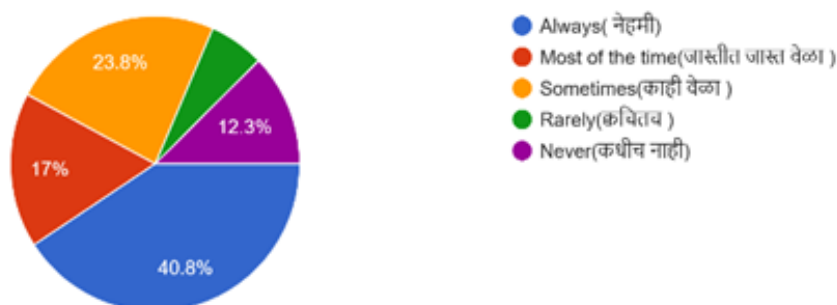
7. Do you feel secure in your job position as a contractual worker? (आपल्याला कंत्राटी कामगार म्हणून आपले काम सुरक्षित आहे असे वाटते का?)

344 responses



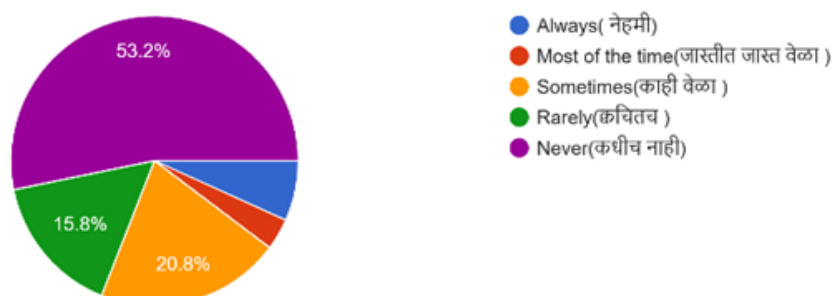
8. How often do you feel overburdened with work responsibilities that would be impact of your personal life? (असं कितीदा तुम्हाला वाटत कि जास्त कामाच्या जबाबदाऱ्यांमुळे वैयक्तिक जीवनावर परिणाम होतो?)

341 responses



9. Do you feel you have enough support from your supervisors or management? (आपल्याला आपल्या वरिष्ठांकडून किंवा व्यवस्थापनाकडून पुरेशी मदत मिळते असे वाटते का?)

342 responses





## KEY FINDINGS

- **Income and Security:** Workers who experienced greater job uncertainty were significantly less likely to perceive their salaries as adequate ( $p = 0.045$ ).
- **Managerial Support:** Positive perceptions of supervisory support correlated strongly with satisfaction in financial and psychological domains ( $p = 0.020$ ).
- **Mental Health:** Anxiety, lack of sleep, and emotional exhaustion were prevalent, underscoring the psychological toll of unstable employment.

These findings highlight the dual importance of financial stability and psychosocial support in shaping organizational behavior and employee morale

| Policy / Act  | Key Provisions   | Short Analysis   |
|---|--|--|
| Contract Labour (Regulation and Abolition) Act, 1970                    | Regulates working conditions; allows abolition of contract labour in core activities.                | Enforcement is often weak; loopholes in subcontracting are commonly exploited.                   |
| Factories Act, 1948   | Ensures safety, health, and welfare provisions at workplaces including for contract workers.         | Mostly applies to organized sectors; informal or field-based workers often left out.             |
| Minimum Wages Act, 1948   | Mandates minimum wages for different categories of employment.                                       | Enforcement gaps persist, especially in unorganized and contract-dominated sectors.              |
| Industrial Disputes Act, 1947   | Covers dispute resolution, layoffs, retrenchments, and closure procedures.                           | Contract workers often excluded from protections due to employment through third-party agencies. |
| Building and Other Construction Workers Act, 1996                       | Provides welfare and safety regulations for workers in construction, including contractual labour.   | Registration and implementation challenges limit real benefit for many contract workers.         |
| Social Security Code, 2020  | Consolidates several welfare legislations; includes contract/gig workers in PF, insurance, gratuity. | Modern, inclusive framework, but rollout is nascent and lacks clarity in coverage mechanisms.    |
| Labour Code on Occupational Safety, Health and Working Conditions, 2020 | Addresses workplace conditions, working hours, leaves, safety, and welfare provisions.               | Integrates 13 central labour laws, but ground-level implementation remains a concern.            |

This study employed a cross-sectional survey design targeting contractual employees across various public and private institutions. Participants responded to 10 ordinal-scale items assessing various employment-related experiences, including Financial Security & Well-being, Workload & Emotional Pressure, Workplace Discrimination & Treatment, Job Insecurity & Anxiety as well as supervisory support, and Psychological & emotional well-being. Responses were captured using a Likert-style scale ranging from "Never" (1) to "Always" (5).

Ordinal logistic regression models (proportional odds models) were used to analyze the relationships between these variables. Each survey item was, in turn, treated as a dependent variable while the remaining items served as predictors. The analysis was conducted using the OrderedModel function from the statsmodels Python library, applying the logit distribution. Statistical significance was set at  $p < 0.05$ .

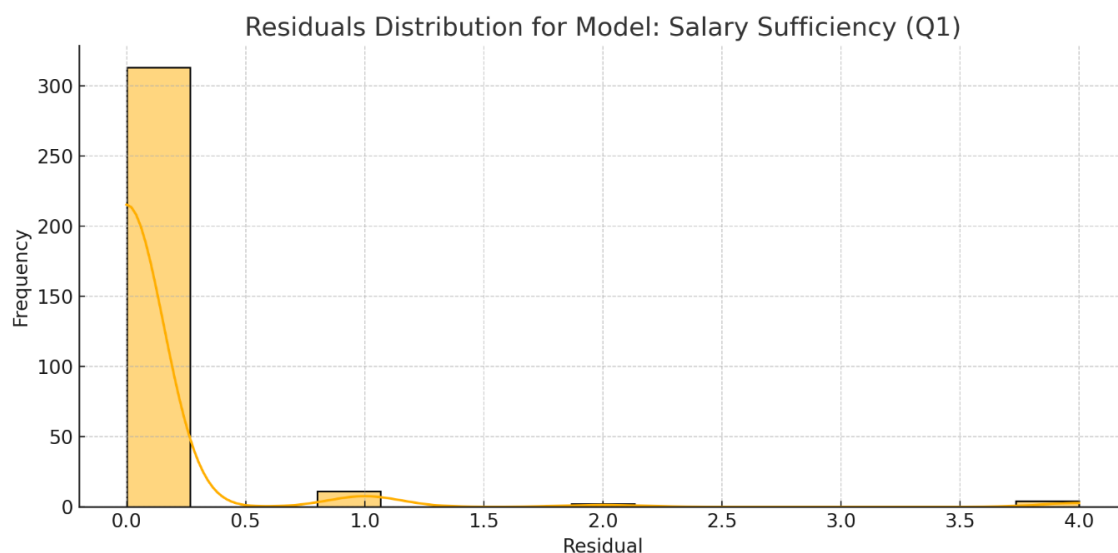
## ORDINAL REGRESSION RESULTS

Ordinal logistic regression models were conducted to explore the influence of workplace factors on employees' perceived employment conditions, using responses collected via structured surveys. Each model treated one survey item as the dependent variable and others as predictors, applying the

proportional odds model.

A statistically significant relationship was found in the model predicting employees' perceptions of salary sufficiency (1\_Do yo). Two predictors emerged as significant:

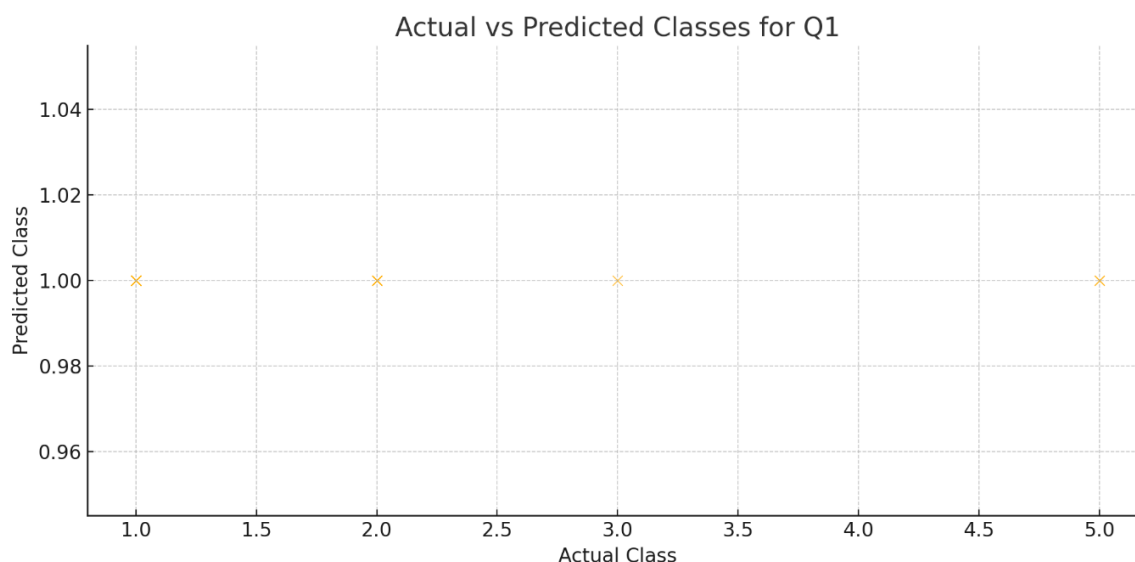
- **Future Job Uncertainty (5\_How):** The coefficient was negative and statistically significant ( $p = 0.045$ ), indicating that greater uncertainty about one's future in the job is associated with lower likelihood of perceiving the salary as sufficient.
- **Supervisor/Management Support (9\_Do yo):** A positive coefficient ( $p = 0.020$ ) suggests that increased perceived support from management correlates with higher likelihood of considering the salary adequate.



These findings reveal that perceptions of salary are influenced not only by the amount of income but also by broader workplace experiences such as psychological security and social support. Employees who feel valued and supported by supervisors tend to evaluate their financial situation more positively, even in the context of relatively modest pay.

The analysis emphasizes the interconnected nature of financial and psychosocial dimensions of employment among contractual workers. The significance of future job uncertainty aligns with existing literature that highlights how instability contributes to worker stress and dissatisfaction. Likewise, the positive effect of supervisory support on salary perceptions reinforces the role of relational and communicative aspects of organizational life.





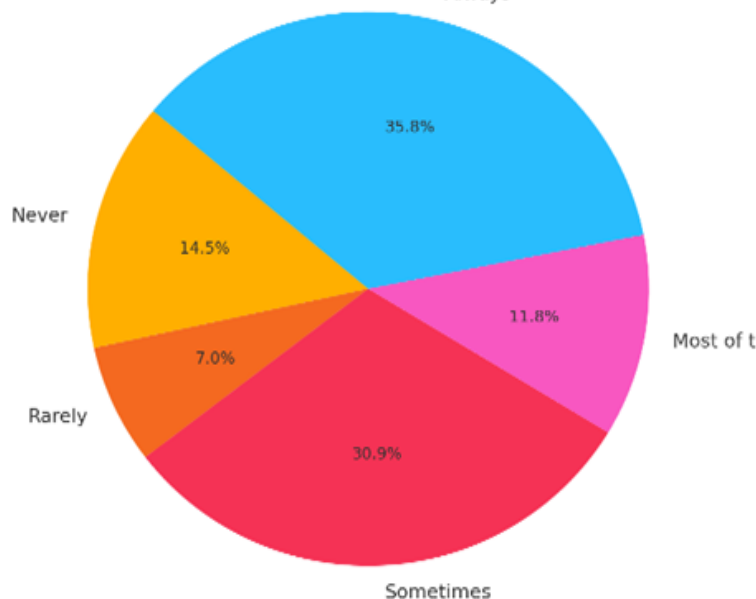
This suggests that interventions focused solely on wage improvement may not fully resolve employee dissatisfaction. Policies should also prioritize job stability and the establishment of strong supervisory relationships to foster a more positive perception of work and compensation.

#### Implications

For policy-makers and organizational leaders, these insights highlight a need for integrated strategies that combine financial support with enhancements in job security and managerial engagement. Future research may further explore how these factors interact longitudinally and across different sectors.

### CONTRACTUAL LABOUR: MENTAL HEALTH

Frequency of Workplace Anxiety Among Contractual Labour



#### KEY PSYCHOLOGICAL STRESSORS INCLUDE

- High levels of job insecurity (Q5 & Q7) were significantly associated with negative outcomes like dissatisfaction with salary (Q1).
- Lack of support from supervisors (Q9) was a strong predictor of mental strain and decreased perception of job adequacy.

- Workplace anxiety (Q6) and difficulty sleeping (Q10) were prevalent, as visualized in the pie chart, reinforcing that emotional well-being is heavily compromised.

This resulted into lack of sleep and unwell being of mental health of employee and unable to balanced their family and personal space.

### **CONTRACTUAL LABOUR BEHAVIOUR VIS A VIS ORGANISATIONS BEHAVIOUR**

As we seen in above cases which we found within the unorganised sector. Unlike permanent employees, contractual workers operate under precarious conditions characterized by limited job security, inconsistent income, and minimal integration into formal organizational structures. This fragility not only affects their individual mental well-being but also has broader implications for workplace morale, productivity, and institutional trust.

#### **1. Psychological Disengagement and Role Ambiguity:**

Contractual workers often report feelings of alienation and detachment from organizational goals. Due to their temporary status, they may not receive the same orientation, mentorship, or professional development as regular employees. This exclusion creates role ambiguity, where workers are unclear about expectations and long-term prospects, fostering anxiety and reducing intrinsic motivation. Such detachment, in turn, erodes organizational commitment and collaboration across teams.

#### **2. Lack of Institutional Belonging:**

Studies show that when workers are treated as expendable, their sense of belonging diminishes. Organizational behaviour thrives on shared culture and identity—elements typically unavailable to contractual employees. The absence of emotional inclusion creates psychological distance, which reduces participation in decision-making, problem-solving, and innovation. It also lowers organizational citizenship behaviours (OCB), such as helping colleagues or volunteering for extra roles.

#### **3. High Emotional Labor with Low Support Structures:**

Contractual employees often perform emotionally taxing roles (e.g., customer service, frontline operations) without the corresponding institutional support such as counseling, mental health resources, or grievance mechanisms.

This imbalance increases emotional exhaustion and burnout. Supervisory support, as revealed in the regression findings, plays a pivotal role in mitigating stress and enhancing perceptions of salary adequacy and fairness. Workers who perceive strong management support exhibit greater job satisfaction and performance even under insecure conditions.

#### **4. Behavioral Spillover and Group Dynamics:**

The behavioral struggles of contractual employees can spill over into the wider organizational environment. High turnover, absenteeism, and low morale among temporary staff may create friction with permanent employees, disrupt team dynamics, and challenge leadership consistency. These ripple effects degrade the overall organizational climate and compromise efforts to foster a cohesive, productive workplace culture

### **STRATEGIES THEREFORE**

- World Bank's Policy Recommendations(World Bank Report on Jobs and Development (2022):
- **Formalization of Contractual Labour:** Strengthen regulatory frameworks to protect contractual workers.
- **Inclusive Social Security:** Expand social security schemes to include informal and contractual workers.
- **Skill Development and Training:** Provide contractual workers with access to skill-building programs to transition into permanent employment.
- **Check and Blance:**Regular Monitoring or inspection by labour commissioner

- **Awareness:** Awareness regarding their rights and policies on regular interval of time through workshops
- **Mental Health Interventions**  
Offer counseling, wellness programs, and stress management workshops.  
Institutionalize peer support groups.
- **Stable Pay and Job Assurance**  
Ensure timely payments with digital records.  
Introduce performance-based short-term continuity assurances.
- **Inclusive interpersonal relationship Practices**  
Involve contractual workers in staff events, policy awareness programs.  
Train supervisors to treat all staff equitably.
- **Legal and Policy Safeguards**  
Strengthen grievance redressal mechanisms.  
Expand awareness of rights under Article 41 and labour laws.

## CONCLUSION

The history of labour in India from the Vedic and Classical eras to the present times shows a shift in the nature of work and its social context. Traditionally, work was associated with hierarchical systems like slavery and serfdom, with minimal concern for rights or equitable pay. The Arthashastra and other ancient writings identified differences in labour by status, a phenomenon which still subtly lingers in modern contractual models of employment. With labour becoming an acknowledged driver of national economic progress, especially after industrialization and independence, systems such as the Indian Constitution and international organizations such as the ILO started placing greater emphasis on labour rights, minimum wages, and decent work.

The results of this research highlight that contemporary contractual labour still struggles with problems based on this historical legacy specifically in the guise of job insecurity and absence of institutional support. Although the wage system has evolved from mere subsistence to being tied to standard of living and purchasing power, psychosocial considerations are still paramount. This study reaffirms the necessity of not only policy reform, but cultural transformation in the treatment and care of contractual workers. In consonance with Dr. B. R. Ambedkar's vision for labour dignity, this study urges wide-ranging reforms that link ancient inequalities with present-day hopes for economic justice and social security. These above results indicate key workplace and psychological factors that meaningfully influence employees' perceptions about their salaries, job certainty, workload, and support. These insights can help design targeted interventions in organizational policy and HR strategies. Contractual labour remains a cornerstone of India's economic engine but brings forth considerable risks to worker well-being and organizational health. This study underscores the need for a systemic overhaul of labour policies and workplace practices. Aligning modern HR strategies with the constitutional values championed by Dr. Ambedkar could serve as a guiding framework for equitable and sustainable labour reform.

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