

The Psychological Impact of AI on Employment: Insights into the Future of Work in India

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Abstract - The rapid integration of artificial intelligence (AI) into India's workforce is transforming employment landscapes and raising important questions about its psychological effects on employees. This study explores how AI affects workforce dynamics and employee well-being in India, using psychological theories. Through a quantitative approach, including surveys across various industries, the research investigates coping strategies and the role of organizational support in reducing AI-related stress. Results show that workplaces with AI tend to have higher job-related anxiety, especially in roles prone to automation, while access to training and upskilling greatly improves psychological well-being. Organizational support, such as clear communication and comprehensive training programs, emerges as a key factor in helping employees adapt. These findings highlight the importance of targeted psychological interventions and policy measures to build resilience and ensure a smooth transition to an AI-driven future in India.

Index Terms - Artificial Intelligence, employment, psychological impact, workforce dynamics, employee well-being, organizational support

I. INTRODUCTION

The rapid evolution of AI, machine learning, and automation is transforming the global job market at an unparalleled rate (Manikandan, 2024). AI-based technologies have gone mainstream and are no longer the sole preserve of high-end innovation labs; they are reshaping core business functions, redefining jobs, and changing the skills needed to remain employable (John Winsor & Jin H. Paik, 2024). So, while AI and robotics promise economic opportunity and operational efficiency, they also raise serious questions regarding job loss, psychological strain, and the very nature of work (Frey & Osborne, 2017); (Brougham & Haar, 2018).

India, which poses as one of the world's fastest-growing digital economies, is going to see a very fast and deep penetration of AI in areas such as finance, healthcare, education and manufacturing. The government's marquee initiatives, such as Digital India and AI for All, have helped create a policy background that enables technological evolution. More than 65% of the large enterprises in India have already implemented AI for process optimisation (National Association of Software and Service Companies (*The NASSCOM AI Adoption Index* | Nasscom, 2023)). This digital push, which spurs creativity while also reshaping the nature of work, has made many workers hopeful and mistrustful at the same time.

The Affective Impact for Employees. The mood effect. Affective Artificial intelligence affects the emotions of employees in different ways. Knowledge workers are also professionals who can access reskilling opportunities, for whom the motivation to adopt AI might be more augmentation (than replacement). But for routine or semi-skilled jobs, AI often looms as a threat of job loss and unemployment (*The Future of Jobs Report 2023* | World Economic Forum, 2023). These fears are not unfounded. A report by the (ILO: *Future of Work Strategies in Asia-Pacific Should Focus More on People than Technologies* | International Labour Organization, 2021) suggested that automation may impact over 20 per cent of low-skilled jobs in developing nations, including India, in the coming decade.

Psychologically speaking, a swift uptake of AI in organisations is also helping to spread fears about job security, job identity, and future career progression. Workers who feel they are not in control of technological change can have more stress, less job satisfaction, and even mental health problems (Borle et al., 2021). These effects are exacerbated in India due to socioeconomic inequality, poor access to quality education, and a massive informal workforce that does not have formalised mechanisms for transitioning and reskilling.

Furthermore, the digital divide in the Indian labour force is associated with distinct psychological stress. The AI may be a friend to the urban professional, but to the blue-collar or rural worker, it is another in a long line of systems that either exclude them or diminish their quality of life. The psychological contract between organizations and their leaders is being re-negotiated as hybrid and AI-powered work becomes the new normal, and this reality requires new coping mechanisms, adaptability and emotional resilience.

Notwithstanding an increasing global interest in the future of work, the focus on AI impact research within India is significantly less. Until now, most work has investigated economic or technical rather than psychological aspects of this change. The present study attempts to fill this gap by examining the impact of AI on employment perception, career anxiety, motivation, and adaptability within the Indian context. Knowing these psycho-social aspects is essential, not only for inclusive policymaking at the workforce level but also for responsible AI integration, which respects human dignity, equity, and mental health.

RQ1: How does the integration of artificial intelligence in the workplace affect the psychological well-being of employees across different sectors and age groups in India?

RQ2: In what ways does organisational support influence or reduce the psychological stress experienced by employees due to AI adoption in their workplaces.

II. LITERATURE SURVEY

AI disrupting job sectors across the country in India. Its increasing prevalence places jobs, emotional wellbeing, and even a sense of identity as workers at risk. Mental health responses to AI-induced change include anxiety, stress, and the need for adaptation. It is important to understand how Indian workers perceive and react to such transitions. This study examines the psychological implications of AI on jobs and job content in India.

2.1 AI and the Changing Nature of Work

The emergence of artificial intelligence (AI) in routine job work is revolutionising various industries and altering the nature of labour worldwide. According to (Brynjolfsson E & McAfee A, 2014) we are living in a "second machine age," in which intelligent machines either replace or supplement human work. Job roles change as a result of this transition, moving from manual to cognitive and from repetitive to more strategic and creative duties. Given the scale and diversity of the Indian labour market, where many jobs are at risk of automation, these shifts are significant (Frey & Osborne, 2017).

2.2. Psychological Impact of AI-Induced Change

Although AI can increase productivity, workers who fear losing their jobs as a result of AI experience psychological stress. (Bakker & Demerouti, 2007) describe how burnout can result from increased demands, such as managing job instability or learning new AI-based systems, if they are not accompanied by sufficient resources, such as supervisor assistance or training. Furthermore, (West et al., 2019) point out that AI systems may unintentionally enhance monitoring and inequality in the workplace, which could lead to employee discontent and emotional exhaustion.

2.3. Stress, Appraisal, and Coping Strategies

Employees who are exposed to AI-driven developments in the workplace frequently use a variety of coping mechanisms. The Cognitive Appraisal Theory, given by (Lazarus & Folkman S., 1984), states that people assess stress by considering perceived dangers and coping mechanisms. Employees who perceive AI as a challenge might develop new skills or adopt other problem-focused coping mechanisms. On the other hand, people who see it as a threat may turn to emotion-focused coping mechanisms like withdrawal or avoidance. Organisational and personal factors greatly influence how people adjust psychologically.

2.4. Organisational Support and Employee Adaptation

Organizational support, including training and transparent communication, plays a critical role in reducing job-related anxiety. Employees who perceive high levels of Perceived Organizational Support (POS) show greater resilience and adaptability (Rhoades & Eisenberger, 2002). Organizations that invest in employee upskilling, mental health initiatives, and inclusive transition planning see more positive psychological outcomes among staff. also underscores the importance of a continuous learning culture in helping workers adjust to the rapidly changing demands of AI-integrated workplaces.

The (*The Future of Jobs Report 2025*, 2025), projects that AI will displace 9 million jobs globally by 2027 while creating 11 million new roles, particularly in tech fields like data analysis, with India experiencing a 40% employer expectation for skill changes by 2030 due to growing AI demand in the IT/ITES sector. McKinsey's *Generative AI and the Future of Work in America* indicates that up to 30% of work hours could be automated by 2030, a trend influencing India through global outsourcing shifts, automating routine tasks while boosting high-skill jobs. The U.S. Bureau of Labour Statistics' *Monthly Labour Review* highlights high exposure in computer and financial sectors, with India's IT/ITES sector seeing a 34% productivity boost from tools like ChatGPT, though low-paid service jobs are declining. Studies from *Frontiers in Artificial Intelligence* and the IMF suggest AI reduces unemployment by enhancing productivity in China, yet 40% of global jobs remain exposed, with India benefiting from manufacturing and green jobs despite urban youth risks. The World Economic Forum and MIT Sloan Management Review, Deloitte Insights, 2025 emphasize that 39% of skills will change by 2030, with creative thinking and AI training gaining importance, though rural India faces access challenges. Psychologically, the Pew Research Center 2025 reports 38% of U.S. workers fear job loss and 51% note mental health impacts, while McKinsey finds AI support reduces stress with training, aligning with India's need for upskilling and mental health initiatives to mitigate stress. The IMF's *AI Preparedness Index 2024* shows India's 40% exposure contrasts with advanced economies' 60%, leveraging its young workforce, though rural-urban disparities persist. The Brookings Institution note a 31-fold increase in AI job postings in the U.S. from 2010–2022, a trend emerging in India's urban centres. These trends underscore the relevance of organizational support in the study.

These reviews of the literature, which address both international and Indian viewpoints on the psychological effects of AI on employment, offer a strong basis for the investigation. The chosen articles include theoretical frameworks, empirical data, and useful insights while addressing important topics like organisational support, coping strategies, job satisfaction, and employee well-being.

3. Research Objectives

1. To evaluate the psychological impacts of AI integration on employees across different sectors and different age groups in India.
2. To investigate the coping strategies employed by Indian employees to navigate AI-induced workplace changes.
3. To evaluate the role of organizational support in mitigating negative psychological outcomes.

4. Research Methodology

This study utilized a quantitative research design, employing a survey methodology to gather data from a representative sample from different sectors. A questionnaire was developed to collect the responses.

Population and Sample Size

The population of study consist of employees across various industries in India, segmented by exposure to AI technologies. Among the non- probability sampling techniques, the convenience sampling method was chosen and contacted with the sample. The sample consisted of 509 respondents. The sample was determined by paying attention to the coverage of all education level, age, and sectors.

5. Data Analysis and Results

Data were evaluated using SPSS version 26.0 statistical package program was used to determine the reliability of data collection tools. The demographic characteristics are analysed using descriptive analysis of the sample are given using number, percentile distribution. While Anova to test the significant difference in psychological outcomes between sectors or age groups and regression analysis to evaluate the role of Organisational support in psychological outcomes. Therefore, this study addressed the issue (Table 1 to Table 5).

Table 1. Demographic Profile of the Respondents

Variable(s)	Description	Frequency (n) %	Percent (%)
Age Group	18-25	15	2.9
	26-35	125	24.6
	36-45	224	44.0
	46-55	106	20.8
	56+	39	7.7
	Total	509	100.0
Gender	Male	352	69.2
	Female	150	29.5
	Non- Binary	-	-
	Prefer not to say	7	1.4
	Total	509	100.0
Education Qualification	High School	-	-
	Diploma	-	-
	Graduate	104	20.4
	Postgraduate	367	72.1
	Doctorate	38	7.5
	Total	509	100.0
Experience	Less than 1 years	4	.8
	1-5 years	65	12.8
	6-10 years	89	17.5
	11-20 years	157	30.8
	Over 20	194	38.1
	Total	509	100.0
Employment Sector	IT/ITES	203	39.9
	Manufacturing	94	18.5
	Healthcare	48	9.4
	Education	28	5.5
	Retail	10	2.0
	Government	27	5.3
	Freelance	14	2.8
	Other	85	16.7
	Total	509	100.0
	Current Employment Status	Full-time	403
Part-time		16	3.1
Freelance		47	9.2
Unemployed		28	5.5
Retired		15	2.9
Student		-	-
Total		509	100.0

Source: Compiled by Authors'

In the above table, the sample consists of 509 respondents, primarily composed of mid-career professionals aged between 36–45 years (44%) and 26–35 years (24.6%), indicating a workforce with substantial experience and exposure to organizational dynamics. A significant majority (69.2%) are male, with female respondents constituting 29.5%, reflecting a gender imbalance. According to the educational profile, the sample is highly competent, with 7.5% having doctorates and 72.1% having postgraduate degrees, placing them in a good position to discuss subjects like artificial intelligence and digital transformation. The workforce is mature, as evidenced by the fact that 30.8% have 11–20 years of experience and 38.1% have over 20 years. The employment sector is dominated by IT/ITES. IT/ITES accounts for 39.9% of the employment sector, followed by manufacturing (18.5%), with lesser shares from the education, healthcare, and other sectors. Interestingly, 79.2% of respondents work full-time, indicating a highly structured work environment. This

demographic makeup is ideal for analysing psychological reactions to AI integration in the workplace because it represents a workforce that is tech-savvy, experienced, and well-educated are shown in **Table 1**.

5.1. Reliability Statistics

The primary purpose of Cronbach's alpha in this study is to determine the internal validity that a Cronbach's alpha value of 0.7 or above may be regarded as a standard value that denotes excellent validity of study findings. The Cronbach's alpha (α) value for this study was found to be 0.791 which may be regarded as proof of the validity and efficacy of the obtained results.

Table 2 ANOVA

		Sum Squares	of df	Mean Square	F	Sig.
C1.	Between Groups	127.320	7	18.189	15.967	.000
	Within Groups	570.688	501	1.139		
	Total	698.008	508			
C2.	Between Groups	63.638	7	9.091	7.351	.000
	Within Groups	619.588	501	1.237		
	Total	683.226	508			
C3	Between Groups	67.596	7	9.657	12.033	.000
	Within Groups	402.050	501	.802		
	Total	469.646	508			
C4	Between Groups	20.611	7	2.944	3.033	.004
	Within Groups	486.399	501	.971		
	Total	507.010	508			

Source: Compiled by Authors'

The analysis of variance (ANOVA) results show significant differences across employment sectors in how employees perceive AI-related challenges. For job anxiety (C1), the F-value of 15.967 and p-value < .001 indicate strong sectoral variation. Compared to employees in the retail, government, and other industries, IT/ITES employees expressed noticeably greater levels of worry, which may indicate that IT workers perceive the rapid incorporation of AI as a direct threat. In terms of upskilling stress (C2), the significant F-value of 7.351 (p < .001) shows that freelancers and IT employees feel more pressured to keep upgrading their skills, while those in healthcare and education report lower stress levels. Regarding optimism about AI (C3), the F-value of 12.033 (p < .001) highlights that employees in IT and government sectors tend to be more hopeful about AI-driven opportunities, whereas manufacturing and healthcare workers appear more sceptical. Lastly, for peer or mentor support (C4), the F-value of 3.033 (p = .004) shows that support systems are uneven—workers in education and government report better access to guidance, while freelancers and retail employees often feel unsupported in navigating AI transitions.

IT and Freelance workers are the most anxious and stressed about AI while manufacturing, healthcare, and government employees feel significantly less because they are closest to its impact. In particular Freelancers, and IT workers experience the most upskilling stress, both feel high pressure to keep learning and less support from others While Education, Healthcare, and Government feel less pressure. Healthcare and Manufacturing workers are less optimistic and more sceptical of AI benefits, while government and IT professionals are more optimistic and may have better support systems in place, as shown in **Table 2**.

Table 3 ANOVA

		Sum Squares	of df	Mean Square	F	Sig.
F.1.	Between Groups	.515	4	.129	.183	.947
	Within Groups	355.493	504	.705		
	Total	356.008	508			
F.2	Between Groups	3.416	4	.854	1.694	.150
	Within Groups	254.069	504	.504		
	Total	257.485	508			
F.3	Between Groups	26.186	4	6.546	5.699	.000
	Within Groups	578.922	504	1.149		
	Total	605.108	508			

F.4.	Between Groups	17.164	4	4.291	6.318	.000
	Within Groups	342.302	504	.679		
	Total	359.466	508			

Source: Compiled by Authors'

There are notable age-related variations in the psychological reactions of workers to AI adoption, particularly with regard to psychological resilience and stress management practices. The results of the ANOVA revealed no discernible age-based differences in perceived access to mental health services (F.2, $p = .150$) or emotional preparedness (F.1, $p = .947$), indicating consistent views of readiness and support across generations. This finding suggests that employees, regardless of age, generally perceive themselves as similarly ready—or unprepared—to cope emotionally with AI-driven change. These results align with prior research indicating that organizational offerings of well-being resources often lack personalization and are not necessarily perceived differently across age categories (Nielsen et al., 2010).

However, significant differences were found in stress management strategies (F.3, $p < .001$) and psychological resilience (F.4, $p < .001$). Employees in the 36–45 and 46–55 age groups reported significantly higher engagement in proactive stress-relief practices such as mindfulness, journaling, and exercise compared to both younger (18–25) and older (56+) employees. These findings are consistent with the theoretical model of coping by (Lazarus & Folkman S., 1984), who argue that individuals develop more structured and adaptive coping strategies with life experience. Supporting prior research that mid-career individuals often use more structured coping strategies (Carstensen, 2006). Likewise, the 46–55 group demonstrated the highest resilience, likely due to greater experience and perceived control (Judge et al., 1999). In contrast, younger employees may still be developing coping skills, while older workers may face digital fatigue or future uncertainty (Ng & Feldman, 2010), as represented in **Table 3**.

Table 4. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change of the Statistics	Durbin-Watson				
						R Square Change	F Change	df1	df2	Sig. F Change
1	.111a	.012	.010	.53795	.012	6.354	1	507	.012	2.036

a Predictors: (Constant), mean_Org , b Dependent Variable: mean_psy

Table 5. Results of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.839	1	1.839	6.354	.012b
	Residual	146.720	507	.289		
	Total	148.559	508			

a Dependent Variable: mean_psy

b Predictors: (Constant), mean_Org

In the table 4 and 5 , the regression analysis is done to see if organizational support (e.g., training, mental health help) reduces the negative psychological outcomes (like stress etc.). Durbin-Watson (2.036), A value close to 2 (like 2.036) is good, meaning the data isn't messed up. The VIF value is 1 which is less than 5 so, there is no multicollinearity problems. This analysis says that organizational support (like giving employees training or clear info) has a tiny positive effect on how they feel at work (maybe less stress or more happiness), but it's not a game-changer—only 1.2% of their feelings are explained by it. Other things (like their age, job, or how much AI they use) matter more. The result is real ($p = .012$), but weak. In Anova table 5 – the value of F (6.354) and Sig. (0.012) this states that the model is statistically okay ($p = .012$), but the effect is small.

6. Research Implications

The results of the study provide important evidence of how AI is affecting psychological aspects of the workplace experiences, that is, across the sectors of employment in India. Specifically, IT/ITES and freelance workers have higher levels of stress and anxiety regarding upskilling and job security. These people tend to work in fast-moving environments where the relentless pace of technological change means that the resources for dealing with those changes can be scarce. We also sound an alarm for the necessity of tailored support networks, through trade-specific curricula, psychotherapy services, and digital literacy-building projects.

In contrast, industries such as government, education, and health care appear to be less affected by the near-term effects of AI, possibly because of slower AI adoption or more stable employment structures. That this discrepancy is found to be sectoral indicates that AI policies should not be uniform for all sectors. Instead, they must be situationally dependent and oriented towards the stressors and needs of different parts of the workforce.

Furthermore, the role of organizational support, including clear communication, mental health provision, and proactive upskilling initiatives, is highlighted as central to mitigating AI-induced psychological stress. Employers need to ensure their employees are not just technically integrated with AI but also emotionally prepared and resilient. Creating a workplace that promotes new or different ways of working, that is inclusive, and that supports mental health will ensure any AI move is made ethically and one that supports your psychological well-being as well.

Finally, the findings highlight the importance for policymakers to develop future-oriented frameworks that integrate digitalisation with worker protection. Future interventions would benefit from integrating technical training with mental health awareness, particularly in rapidly changing industries. Longitudinal studies should also be encouraged to examine how these psychological effects develop over time, and to appraise the lasting effects of AI on career advancement and workplace morale.

III. CONCLUSIONS

The use of AI in India's workplaces is advancing with a potent mix of innovation, efficiency, and psychological dislocation. As this report demonstrates, the effects of AI are not uniform – workers across industries and age groups face different levels of anxiety, enthusiasm, and resilience. IT and freelancers have greater anxiety about the rapid pace of change concerning the development of AI applications, while government and healthcare are less stressed, skeptical of AI adoption.

In psychological terms, the very introduction of AI will change how staff perceive their jobs, future career paths, and job security. The research supports that organizational support does account for a small but significant portion of variance in reducing AI-related stress. It is not the only answer, but high-quality vocational training and open lines of communication can help workers become more comfortable in the new world of work.

Overall, this study underscores the fundamental necessity for an interdisciplinary AI integration, a technological progress that also considers the well-being of mankind. By paying attention to the emotional topography of AI adoption, India has the potential to get the correct type of workforce, not only skilled but also mentally resilient, so the future of work is inclusive, moderate, and humane.

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