

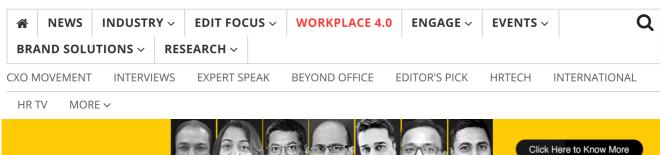
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Exclusive

Even after pay cuts your company can help employees

Another pandemic or an unforeseen global crisis will bring salary cuts again. How can employees without large savings navigate salary cuts? There's a way companies can help if they prepare in advance.

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By Aarushi Bhargava

A war breaks out. It stops global shipments, snapping supply chains of essential items such as fuel and food. It brings world economy to a halt. Since your company's business too has been impacted, it introduces salary cuts. You lose half your salary.

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Or imagine another pandemic hitting the world.

There are multiple ways in which companies can offer emergency aid to their employees. Let's find out what HR heads suggest.

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Any unforeseen global calamity can jeopardise your monthly salary. And if you are living from paycheque to paycheque, as most junior employees do who haven't accumulated significant savings, you are in deep crisis.

Now imagine your company has built an emergency fund for junior employees for such unforeseen events. How will it help? You will sure take a salary cut but if you have a very critical expense come up, you can apply for a grant from that emergency fund.

According to a survey by YouGov for Forbes Advisor, during









EMPLOYEE WELLBEING

the Covid-19 pandemic, about 40 per cent of people who had emergency savings dipped into them. Of the ones who used their emergency funds during the pandemic, 73.3 per cent had spent half or more of their savings.

Another recent survey done by Scripbox, a digital wealth manager, found that creating an emergency fund has emerged as the top financial goal in India. Over 80 per cent of the respondents said the pandemic was a wake-up call for them to get their personal finances in order and to course-correct for better financial health. One in three respondents said that the biggest stressor during Covid-19 was financial wellbeing, ahead of physical health and relationships.

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Should companies have an emergency fund for employees?

The way of life and work has changed entirely as a result of the pandemic. It has highlighted the necessity for businesses to rethink their policies in order to keep up with the demands of a rapidly changing economic environment.

Prashant Pandey, President, Rotostat Services, a part of ManpowerGroup India, agrees that an emergency fund for employees could come pretty handy during unforeseen 4 hrs ago

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events such as a pandemic.

"Organisations do in any case create provisions for unforeseen business expenses like bad debts. A similar head can be created in the financial books of organisations that have small amounts accumulated over a period of time. However, this will require some maturity at the leadership level, and will also depend on the financial health of the business," Pandey says.

R Swaminathan, Chief People Officer, WNS, believes that it has become important for businesses to take initiatives for their employees, to help them steer into the new normal. Amidst the pandemic, the biggest challenge faced by Covidaffected employees was financial support which in turn has made company-led provisions such as an employee emergency fund, a need of the hour.

Kalappa K B, Country Head – HR, Aster India, Aster DM Healthcare, believes over the last two years, employees across industries have faced unprecedented financial hardship. This has prompted companies to establish an emergency fund for employees, not only in times of global crisis like the Covid–19 pandemic but also when employees are faced with personal crises or accidents even in normal times.

"Employee emergency funds can help employees and their families weather unexpected crises. When done correctly, this can be an effective tool for companies to gain employee loyalty and help employees combat financial instability," Kalappa K B adds.

What could be the shape of such a fund?

There are multiple ways in which companies can offer emergency aid to their employees. It cannot be a one-sizefits-all policy; different companies choose different ways to BharatPe's Smriti Handa on Disruption and Transformation in the Fintech Industry



In this episode of the "We Talk Talent" Series season two, Smriti Handa, Chief Human Resources Officer, BharatPe, shared with...

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go about it. Let's find out what HR heads suggest.

Swaminathan says WNS has recently introduced Earned Wage Access (EWA) initiative to provide its employees access to a portion of their real-time earned salary any time before the actual payday.

"This not only gives them easy access to their salary during emergencies but also empowers them with financial independence while providing them financial security. To assist our employees, we also offered Mediclaim of around Rs 30,000 to our people and their families as home care coverage," Swaminathan adds.

Kalappa K B suggests that employee emergency fund can be created by employees contributing one or two days of salary each year and the company contributing either the same amount or double that amount.

"Companies can establish a criteria-based, impartial committee to oversee all the requests to be able to approve them based on the criteria and need," he says.

"Employee emergency fund helps companies help their people," Kalappa K B adds.

Pandey believes that if such a fund has to be created, it would require some thought on how and who contributes to it. Will it be completely out of the organisation's resources, or will employees also be expected to contribute? Will it be discretionary, or will it be mandatory? A lot of questions will need to be addressed before this can be executed, he says.

Also, there will need to be clarity on utilisation of the accumulated funds. There will be issues about how large a fund you can create, and those related to accounting and taxation. Some good practices from bodies like the PF trusts can be borrowed.

"The concept surely has merit and organisations may do well to give it some thought on how such a fund could be built over a period of time, and how it could be regulated and operationalised," Pandey adds.

The idea of putting together an employee emergency fund is good and can benefit both employees and employers in the long run, but organisations need to structure the fund in a way that suits their requirements and also fulfils the needs of the employees and make them feel financially secure.





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