



Effective Treatment for Back Pain, Knee Pain. Try ArniCap.

Ad Green Cure



Sony Center Is Now Online - Get Up to 30% Off On...

Ad SONY

Make every day a payday: How companies can reduce the financial stress affecting 80% of employees

August 22, 2020, 7:03 PM IST [Dr Muneer](#) in [The Medici Way](#) | [Finance](#) | TOI



Jeffrey Pfeffer & M Muneer

It may sound like the tagline of a fintech startup in the short-term money lending business for the salaried class, but making everyday a payday is something employers should consider seriously. The pandemic has exposed how precarious the financial situation of most employees is.

The government of India has announced the Atmanirbhar Bharat (self-reliant India) that offers credit guarantee to revive businesses but not cash in the hands of the needy. The Atmanirbhar may not find success just because banks provide instant small loans to MSMEs that will only help the employers to kick start the supply side even as their employees are unpaid for weeks.

There is a need to transfer cash to the individual to perk up the demand side of the economy. During the 2008 global meltdown, the marginal propensity to consume was sufficiently large at 0.67, which could potentially be much higher now when wages are absent. The expanded MNREGA too can help increase cash in the hands of the workers to drive demand. It is possible for companies too to help drive the demand side by putting money faster in the hands of their employees.

A significant number of startups have mushroomed across the world sensing the need to provide wage-earners access to their earned wages between pay periods. Giving people access to their money more quickly represents one small but important step to reducing an epidemic of employee financial stress. True, in the current crisis, many Indian companies have offered to pay salaries earlier than regular pay date without any cuts but they should continue this practice post-crisis too.

Financial stress has adverse consequences for psychological and physical health of people. Worse, it adversely affects employee turnover, absenteeism, and presenteeism. Which is why employers, including the government, should enthusiastically embrace making every day a payday.

Unless you are a migrant or a "gig" worker, the odds are extremely high in non-crisis times that you are going to be paid for your work some time after you did that work and earned the associated income. According to Indian labour laws, which are being amended by several States now to aid employers and not employees, wages can be fixed per hour, day or week and could be paid daily, weekly, fortnightly or monthly but not beyond that.

In India, in the second quarter of 2019, the median monthly earnings were Rs.19547 for full-time wage and salary workers, which meant Rs.652 per day, excluding TDS and other deductions. If someone is paid every fortnight, they will have accrued but not been paid earnings of Rs.6520 (without considering taxes or other deductions) after 10 days. The fact that people are paid what they have earned some time after earning it would not be a

BLOG

The Medici Way
To enlighten minds with diversity of thoughts and ignite re-imagination - What the Medici Family of Renaissance Europe did.



Upto 40% Off on Khadi Products



Explore Our Ebony & Ivory Collection At MyRaymond



AUTHOR



Dr Muneer

Muneer is a global expert columnist, writing on topical issues looked through management frameworks. He wears multiple hats including that of a social evangelist as the co-founder of the non-profit Medici Institute that was mentored by the late Dr Kalam, management consultant and startup entrepreneur. His expertise is in strategy execution having worked with global brands across borders. Current passion is in driving governments to execute what they promise. He is the managing director of CustomerLab Solutions, an innovative consulting firm in partnership with leading minds of the world and also that of a US-based deep-tech startup. He pioneered the setting up of thought leadership seminar industry in India in the late 1990s and had been instrumental in delivering cutting-edge knowledge to the C-suite, in partnership with Times Group.

less

MOST POPULAR

- MOST DISCUSSED
- MOST READ

> Stop the Left turn. Cong needs to woo the middle class back

big problem, except that, as data show, many people in India are living in a financially precarious position. Various studies show that at 89%, Indians are the highest in the world having anxiety about their financial lives, and that financial health challenges affect people at all salary levels. Consistently it was found that money and work are the two leading sources of stress, with levels of stress rising every year. Even among employees earning more than Rs.30 lakhs annually, 30% find it difficult to meet expenses and 58% consistently carried forward credit card dues.

This probably correlates with the growing payday lending and “cheque cashing” industry that has responded to the needs of people for small, presumably short-term loans to tide over till the next pay cheque. It seems there are now more payday lenders than McDonald’s in the US, despite restrictions in some states. In India, this industry is unregulated but growth is significant – Almost half of the borrowers do 10 transactions and the median fee is equivalent to an annualised interest rate of 300%!

Some banks like Kotak offer loans up to 50% of the net monthly salary through their salary account and in a way are similar to the overdraft facility of most banks. People also take gold and micro-finance loans, which take them into a perpetual debt and related stress. India’s gold loan market is expected to grow from the current Rs 3000 billion to Rs 4600 billion by 2022.

The financial stress as we have seen before and during the corona crisis is an enormous problem for employers. Nearly 33% employees are distracted by their financial worries, which affects productivity. Employees who are stressed about their finances are five times more likely to be distracted, and twice as likely to spend three or more hours at work dealing with financial matter. Stressed employees are also twice as likely to miss work and more inclined to cite health issues for absenteeism. It is critical for employers to invest in employee financial wellbeing.

More than 50% of US employers now offer financial wellness programmes as an employee benefit. Such programmes can include education about budgeting, investment avenues, retirement savings plans, income smoothing for people in jobs where pay varies significantly over time, and programmes to automatically deposit a set amount into a SIP.

One remedy could be faster and easier access to money already earned. All of the providers of quick and easy access to *already earned* money – companies such as PaySense and Flexwage – make essentially the same argument. Offering employees quick and easy access to their money helps attract more applicants, improves retention, and enhances productivity by reducing the stress and distraction of the financial problems that come from using high-cost sources of short-term credit. Instead of signing up individuals on their platform, these providers can sign up employers who can pay the nominal fees (typically around 3%) on behalf of their employees. The employers then offer the option, which often includes a debit card and no-fee access to ATMs, to their employees. One reason why the fees can be so much lower is that these companies and the employers they serve are **not** loaning people money but are simply providing on-demand access to money people have already earned.

To be clear, providing people faster and easier access to their wages will not solve *all* of their financial problems. For instance, if people aren’t earning enough money, providing better and quicker access to an inadequate wage won’t eliminate their financial stress. If people are doing a poor job of financial planning, accessing their wages more readily won’t suddenly make them better financial managers.

But providing people ready access to already-earned wages just might reduce at least some of the stress caused by overdraft fees and high interest charges. And reducing financial stress, by any amount can only benefit both workers and their employers. It will also help the economy thriving.

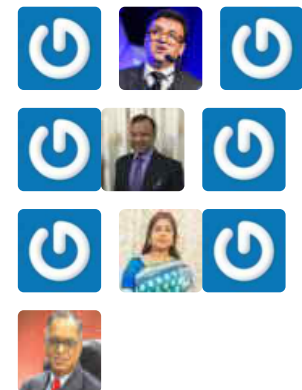
DISCLAIMER : Views expressed above are the author’s own.

- > Bullying tactics on the Left: Facebook is not biased to the Right, the Right has equal right to free speech
- > Let’s dial down the Kamala euphoria; India is just another country for her
- > ‘Sabka vishwas’ makes sense for country, and BJP’s poll prospects
- > ‘Only India in the region does not accept the political, economic and military hegemony of China’

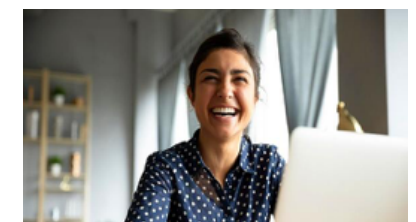
POPULAR TAGS

us pakistan rbi rahul-gandhi
demonetisation delhi economy
featured Featured ET arun-jaitley
china bjp india gst supreme-court
donald-trump modi bollywood
narendra-modi arvind-kejriwal
cricket **featuredet** gdp
congress aap

RECENTLY JOINED AUTHORS



YOU MAY LIKE



How to make Rs.14500/day with copy paste from home!

Career Times



3&4BHKs in Yelahanka starting

FROM AROUND THE WEB



Avail Lexus NX 300h at 54.9L
*Limited stocks.

Ad Lexus Bangalore.



How to make Rs.14500/day with
copy paste from home!

Ad Career Times



Term Plan that returns
premiums*^A & protects till th...

Ad Max Life Insurance

@1.5 Cr* Vajram Tiara

Vajram Tiara



Do copy paste work and earn
lakhs of rupees from home!

Career Times



2 & 3 BHK starting from ₹ 37L in
North Bangalore

Brigade El Dorado

Recommended by Colombia



Scholarships upto 100% -
Engineering, BBA, B.Com.,...

Ad AMC Group of Institutions



New Launch 2&3BHK apts
starting @66L*Vajram...

Ad Vajram Newtown



Galaxy Note10 Lite. Best price
ever! Own now at ₹32999

Ad Samsung



Union home minister Amit Shah
tests Covid-19 positive

The Times Of India



Couples postponing planned
pregnancies due to Covid fear

The Times Of India



CWC meet: Will Sonia Gandhi
resign as Congress chief today?

The Times Of India



How to make Rs.14500/day with
copy paste from home!

Ad Career Times



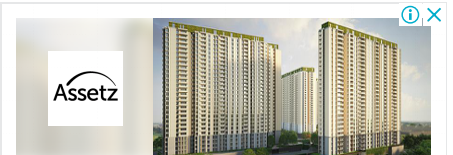
Avail Lexus NX 300h at 54.9L
*Limited stocks.

Ad Lexus Bangalore.



Term Plan that returns
premiums*^A & protects till th...

Ad Max Life Insurance



3 & 4 BHK in Whitefield

3 & 4 BHK Homes @ ₹91.24L, part of a 22-
acre integrated township, located near
Whitefield

Learn more



Scholarships upto 100% -
Engineering, BBA, B.Com.,...

Ad AMC Group of Institutions



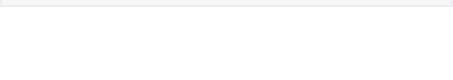
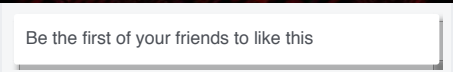
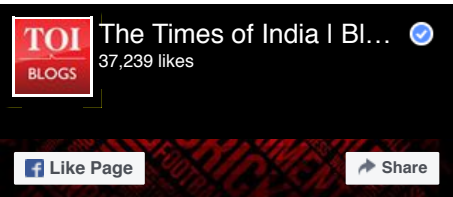
New Launch 2&3BHK apts
starting @66L*Vajram...

Ad Vajram Newtown



Avail Lexus NX 300h at 54.9L
*Limited stocks.

Ad Lexus Bangalore.



Union home minister Amit Shah
tests Covid-19 positive

The Times Of India



CWC meet: Will Sonia Gandhi
resign as Congress chief today?

The Times Of India



Cracks wide open in Congress
ahead of CWC: Key...

The Times Of India

Recommended by Colombia

[VIEW 4 COMMENTS](#)

[+ POST A COMMENT](#)



Aparna KY

Why is PaySense not offering this as a service today? I was enquiring and realise that no one has this service in india today. Why they never realised...



Subbiah Sankaran

Well, this could be an option for those who are running petty trade and fly by night operations, but not for a company of any scale. This kind of arra...



Samik Barua

But don't we have salary advance system in most companies? How is this different from that? Employees can always take a salary advance during special...

THE TIMES OF INDIA

[About us](#)
[Privacy policy](#)
[Newsletter](#)
[Sitemap](#)

[Advertise with us](#)
[Feedback](#)
[TOI Mobile](#)
[Archives](#)

[Terms of Use and Grievance Redressal Policy](#)
[RSS](#)
[ePaper](#)

Other Times Group news sites

The Economic Times
 इकोनॉमिक टाइम्स | छद्दी-नॉमिक् टाइम्स
 Pune Mirror | Bangalore Mirror
 Ahmedabad Mirror | ItsMyAscent
 Education Times | Brand Capital
 Mumbai Mirror | Times Now
 Indiatimes | नवभारत टाइम्स
 महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ
 Go Green | Eisamay | IGN India
 I am Gujarat

Living and entertainment

Timescity | iDiva | Entertainment
 Zoom | Luxpresso | Gadget Reviews
 Online Songs | MensXp.com
 Hotels | Travel Destinations
 Cricbuzz.com

Network

itimes

Services

Book print ads | Online shopping | Matrimonial | Ringtones |
 Astrology | Jobs | Tech Community | Property | Free
 Classifieds | Send money to India | Restaurants in Delhi |
 Remit to India | Buy Mobiles | Listen Songs
 Real Estate Developers | Restaurant Deals in Delhi

Trending Topics

Samsung Mobile | Micromax Mobile | You Tube | Delhi Travel
 Guide | Katrina Kaif Photos | Sony Mobile | Hindi Songs |
 Horoscope 2015 Predictions | Asus Mobile | Facebook |
 Sunny Leone Photos