From Jet Airways to Stayzilla, the collapse of jobs has one message: Save. Save. Save.

A paradigm shift is underway in the idea of work, and it has far-reaching consequences. The dream of a lifelong, stable job is passé. Saving and investing in appropriate products early on is the only life saver.

Debleena Majumdar • 16 Jul 2019 • **7 Mins Read**

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If you had asked a Jet Airways employee a decade ago whether they felt the then-dominant airline could one day come crashing, leaving them jobless, you would have sounded crazy. Similarly, Stayzilla employees did not foresee the fall of the Chennai-based online platform for hotel bookings, till it suddenly halted operations two years ago.

Welcome to the cruel new world of employment where uncertainty is the order of the day — no matter your size and pedigree.

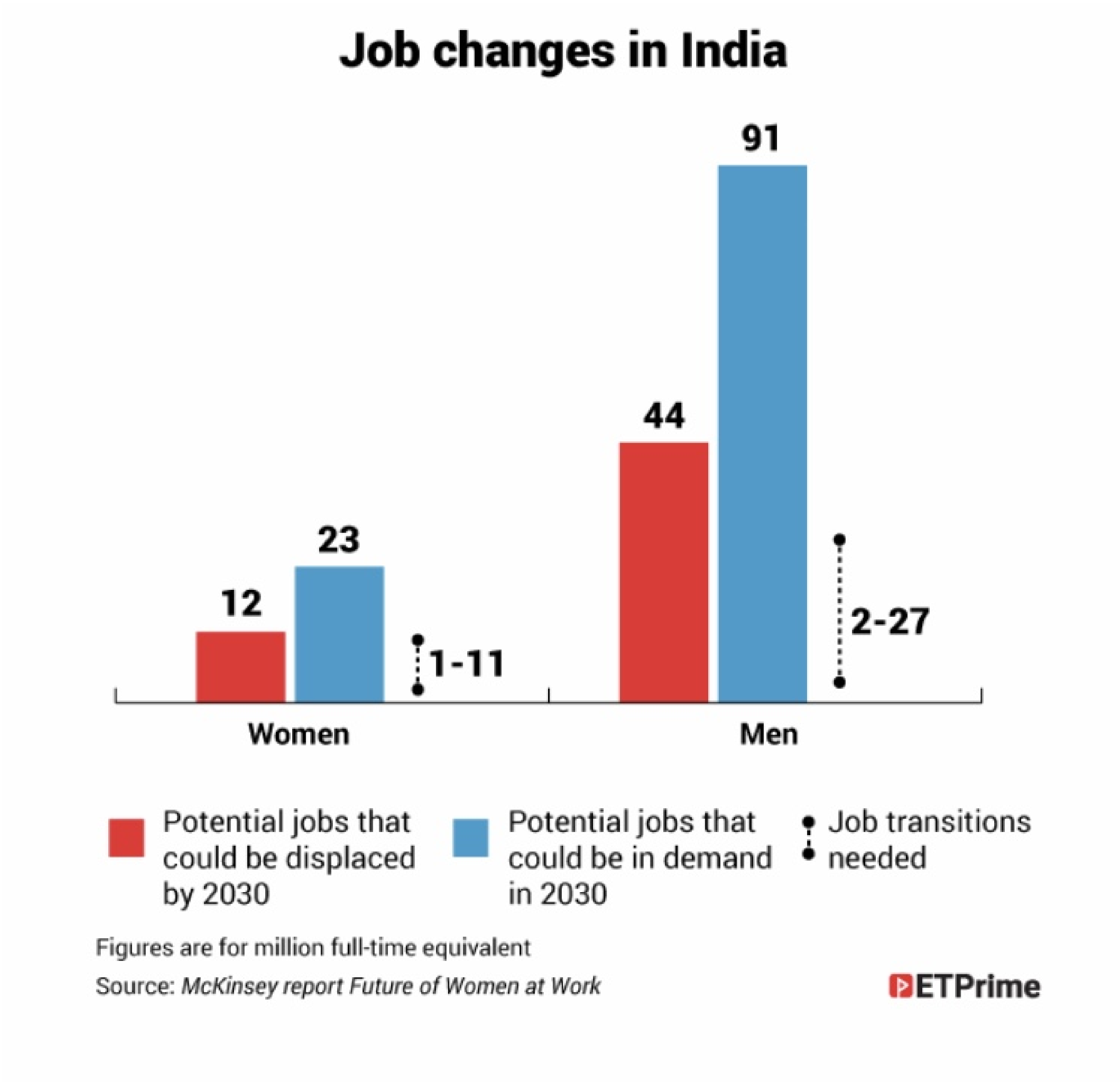
From new-age e-commerce companies to IT behemoths to old-economy businesses, job losses are a reality. Global consulting firm McKinsey puts the changing dynamics of future jobs in perspective in its 2019 report titled *Future of Women at Work*. While more new jobs will be created with the advent of new technologies, the massive transitions will affect millions of people, the report highlights.

Add to it the risk of companies going belly up.

Sample this: Only around 1 million companies are active in India out of the registered 1.7 million, according to data available with the Ministry of Corporate Affairs. An analysis by research firm CB Insights shows that 70% of tech startups fail usually 20 months after their first fundraise.

Meanwhile, temporary assignments or gig jobs — both white and blue collar — are on the rise, with reports claiming that 70% of companies in India utilised gig workers in 2018.

The ongoing paradigm shift in the way workforce is engaged has far-reaching consequences. The dream of a lifelong and stable job is passé. The future has never been more uncertain, and millennials will have to live with it, factoring in variability in income and worse: occasional unemployment.


Job changes in India
91
44
23
12
1-11
2-27
Women
Men
Potential jobs that could be displaced by 2030
Potential jobs that could be in demand in 2030
Job transitions needed
Figures are for million full-time equivalent
Source: McKinsey report Future of Women at Work
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Live longer, work longer
As of 2018, the average life expectancy in India was 68.8 years (up 11 years from 1990), with the human development index value rising from 0.427 to 0.640, according to The World Economic Forum.

The economic impact of this trend is clear, and the Economic Survey 2019 points out something significant: The 60 years-and-above population will continue to rise steadily, nearly doubling from 8.6% in 2011 to 16% by 2041. Given that life expectancy in India is also likely to continue rising, it might be time to consider increasing the retirement age, in line with the experience of other countries.

So, either you work a little longer or plan your savings well in advance to keep you in good stead during old age. But this is where most Indians fall behind their global peers, research shows.

While the employer-driven employee pension fund (EPF) and gratuity payouts are mandated by law, state-owned companies have defined benefit schemes such as superannuation that promise a corpus at retirement. But globally, these schemes are making way for more defined contribution schemes with the onus of retirement savings shifting from the employer to employee. Global reinsurer Swiss Re estimates a USD400 trillion pension shortfall by 2050 globally, with the US, China, and India being the worst hit, largely due to underfunded pensions.

To make up for this gaping shortfall, the government should introduce new schemes that enable savings aimed at post-retirement life. One such scheme is the National Pension Scheme (NPS). Launched in 2004 initially for central-government employees and widened to cover all employees in the organised sector in 2009, the scheme was a slow starter. While some companies such as the Steel Authority of India introduced the scheme, many central-government companies stayed away due to financial constraints.

However, Sneha (she uses only her first name), territory manager, HDFC Life (Andhra Pradesh and Telangana region), says NPS has been gaining popularity among private-sector companies as well, with around leading 60 corporates signing up in her region in the last one year alone.

“Although it is not mandatory, we see many companies (such as Dupont, and ITC’s subsidiaries) closing down their superannuation schemes and adopting the NPS scheme instead. It’s a progressive product. The best part is you can bring in your provident fund (PF) and superannuation to NPS. The government has identified eight pension-fund managers and five annuity service providers for this product with a combined 14% CAGR return over the last five years,” she adds.

The recent tax incentive, which makes lumpsum withdrawals from NPS virtually tax free, may give the scheme further fillip. Meanwhile, there's also the Atal Pension Yojana offers a guaranteed monthly pension of between INR1,000 and INR5,000.

Bracing up for the pink slip

Consider the following scenarios where a senior employee has been made redundant by the company. She has either:

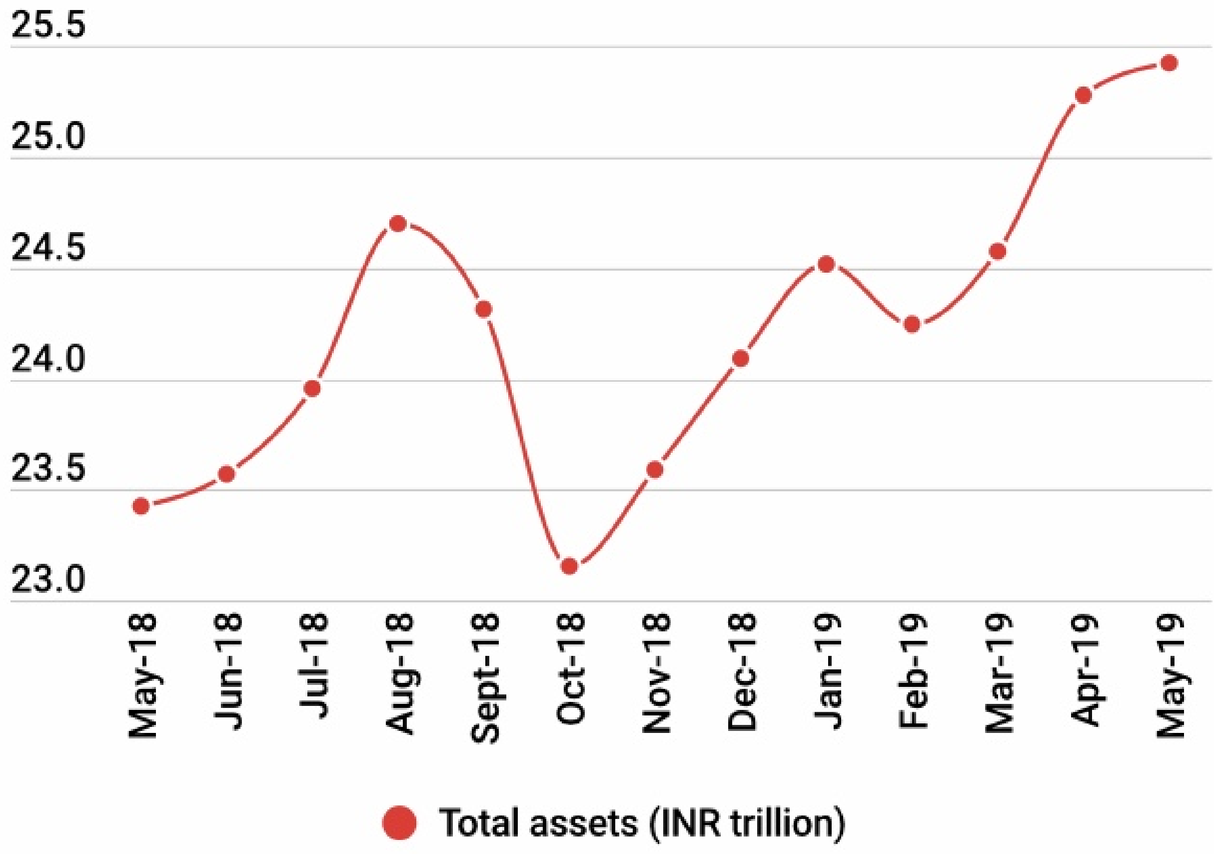
1) Saved enough money and can plan for her retirement.
2) Saved some money for long-term needs.
3) Failed to build a safety net for old age.
4) She switches to gig jobs with no employee benefits and provident fund.

The first scenario is the most ideal, where the person is ready to hang up her boots comfortably. What about the other scenarios though?

With the capital market underpenetrated in India, real estate is the go-to investment option for most people. Relentless marketing and campaigns such as '*Mutual funds sahi hai*' have deepened the mutual fund kitty with the assets under management (AUMs) steadily growing. But according to Association of Mutual Funds in India, still only less than 4% of Indians invest in mutual funds.

Mutual fund assets in India

Growth in assets: 8.54%



Source: *Association of Mutual Funds in India*

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Blame it on poor financial literacy. Financial discipline and knowledge of various products can help one plan better. Starting with NPS, one can choose from a bevy of open-market pension plans. Pension plans are specific plans geared at accumulating savings to deliver regular income post retirement. Though these investments are considered less risky, the returns too are lower.

So, how to overcome financial illiteracy and get people to save more through sophisticated products?

Fintech startups such as Scripbox help people plan their financial needs better, especially for those between the 18 and 35 years of age. The seven-year-old company uses a combination of data, content, and behavioural nudges, digitally to provide ready-to-use financial plans in line with customers' needs, more commonly known as goal-based investing.

“Saving is not just an age-based goal,” says Sanjiv Singhal, founder and COO of Scripbox. From a 65-year-old who used the platform to save for a planned Europe trip to a 25-year-old who uses their services to plan for retirement, Scripbox serves a wide spectrum of savers, says Singhal.

In the last two years, the company has seen a steady rise in the number of queries on retirement savings. Today, about 20% of its customers above the age of 40 are actively looking for retirement solutions.

“Many of them do not know where they stand in terms of retirement savings. Are they on track or do they need to change their allocations?” Singhal says.

According to him, the biggest problem is that most investment advices are asset-based, and not goal oriented. Hence, though they are over-served in terms of number of products, they do not get any help in saving for their goals or prepare for an emergency such as job loss.

“We see people who have not saved for the first 15-20 years of their careers. For them, new jobs are hard to come by, while their ability to switch to gig jobs is low. Further, some of them use up their corpus for kids’ education. It is important to convince them that retirement is a non-negotiable financial goal and there are ways you can reach there,” Singhal adds.

Wizely, a company which has been working on simplifying savings for young Indians has a few lessons to share on savings.

“Contrary to some other financial products which are more transactional, savings is a high-engagement product. You will contact the bank when you need a loan. You can self-pay your insurance premium or make a small mobile payment. Your contact with the financial services firm is minimal. But savings is a lifelong journey. It cannot be transactional. Engagement has to be the core focus,” says Wizely co-founder Nihar Bobba.

Companies need to provide the right product to customers rather than focusing on expanding their portfolios, Bobba says. “Given the fear people have about long-term savings, products should be designed based on the customers’ goals. They should not be burdened with irrelevant choices.”

The bottom line

According to Singhal, younger customers are increasingly finding value in systematic.

investment plans, with features such as annual re-planning to allow room for unforeseen incidents such as job losses while also providing them with a cushion against inflation.

He says more and more customers are switching to automated savings plans on platforms such as Scripbox and opening savings accounts even for their parents.

“There could also be an emerging opportunity in terms of new product ideas. For example, why can’t we offer people working-capital loans based on their savings habit when they had jobs?” Bobba points out.

A comfortable retired life is everyone’s goal. But then, a goal without a plan is just a dream. So, one needs to plan early and execute smartly. The time to start is now.

(*Graphics by Mohammad Arshad*)