

The role of employers in the economic and employment impact of COVID-19



The financial implications of COVID-19 are grave. President Ramaphosa has acknowledged that COVID-19 will have quite a significant negative impact on our economy. We have seen the markets plunging. Sectors like aviation and hospitality are already feeling the grave effects. Other sectors may not be hit so quickly, although in the long run, the effects may be similar.

The leadership displayed by employers, executives and senior management is crucial in these difficult times. Planning for various phases that the organisation may have to deal with can help manage the chaos considerably. For example, as discussed in the One Circle Consultants' blog, Phase 1 may be a period when a baseline of the current workplace situation is established. Phase 2 may be the steps that need to be taken if COVID-19 has been identified in under 10 people in the city or town where your business is established. Phase 3 may include steps that must be taken if a large number of people in your city or town are affected. And Phase 4 may include steps that will be taken if an employee is affected. Such an approach can clarify to employees what the current status of the organisation is, and give them comfort that there is a plan for the various phases associated with dealing with this virus. A challenge that leadership faces, especially in smaller organisations, is that one must be prepared to plan and execute almost simultaneously. Pelser, Bosch and Schurink (2016) in their article titled 'An organisational coherence model to maintain employee contributions during organisational crises' published in the South African Journal of Human Resource Management discuss how calmness and preparedness can go a long way in leading organisations dealing with crisis situations. Panic and anxiety is another important aspect of a crisis situation that must be managed. In this case, the panic extends further considering the impact COVID-19 can have on employees' families and dear ones. According to Pelser, Bosch and Schurink (2016), ongoing visible communication, transparency and trust

are important to manage employee emotions during crisis situations. Management must acknowledge the panic associated with the situation and give employees the opportunities to express their concerns. Furthermore, leaders must be trustworthy, maintain high levels of ethics and display high levels of emotional intelligence. If organisations have success stories related to similar experiences in the past, such stories can remind employees of the capacity of the organisation to recover from crisis situations. Quick, transparent and accountable behaviour is key to success in crisis situations such as the COVID-19. Pelsier, Bosch and Schurink (2016) also suggest that leaders practice mindfulness and focus on the immediate.

Within such a context, it may be worthwhile to discuss work flexibility and pay cuts and their implications for employers and employees. Let's first discuss work flexibility and working from home.

According to the Occupational Health and Safety Act, Act 85 of 1993, the employer is required to provide and maintain as far as reasonably practicable, a working environment that is safe and without risks to employees' health. The Department of Employment and Labour has issued a **workplace preparedness guide** specifically to deal with the COVID-19 virus. The guide recommends and details engineering controls, administrative controls, safe work practices and personal protective equipment. Due to the contagious nature of COVID-19, working from home is strongly encouraged. While implementing such practices, organisations must evaluate their work-from-home or flexible work policies and clarify to employees to what extent these policies are applicable. Furthermore, if employers encourage employees to work from home, they must also provide employees with necessary access to work and related information so that they can effectively work from home.

In the long term, the slowdown associated with the COVID-19 may lead to a financial crisis for many organisations. Many organisations and employees are already discussing possible pay cuts and retrenchments. Pay cuts involve employers reducing the salary or benefits by a percentage. While in many occasions, pay cuts are used during demotions, this approach is being analysed in relation to being used to reduce people expenses in light of a financial crisis. Employers must consider wage cuts as one of the last options, with retrenchment being the only other option left. While employers have the upper hand in this matter, they must consider reputational damage when deciding to implement pay cuts. Transparent consultations can manage reputational concerns. In any case, a decision to implement pay cuts must be made following proper consultation with relevant stakeholders. Employers who try to take advantage of such a situation without a need to do so will have long-term consequences which can affect organisational sustainability.

From an employee's perspective, pay cuts are never good news. Having said that, the alternative of retrenchments is even more unpleasant. It is therefore in the best interest of employees that they must look at ways to negotiate the implementation of pay cuts with employers. For example, employees could request that employers clarify the financial status of the organisation. Another area that can be subject to

negotiation is the period for which the paycut will be implemented. A temporary drop in revenue does not necessarily mean that things would remain the same. In such a situation, a month-to-month review of the pay cuts is strongly recommended.

Business is going to be affected by this disastrous pandemic. It is therefore all the more important that we be human and behave responsibly about employment and leadership.

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