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April Economic Outlook: Bank Failures vs. Bank Runs & What it Means to You

The Fed's response equaled a rethink in its approach to monetary policy over the next few months.

Quick takeaways

- **The Silicon Valley Bank (SVB) and Signature Bank failures have of people wondering about the Fed's 2023 plans.** You'll see a lot of discussion about whether interest rates should continue to go up a lot, a little, or not at all. There are pros and cons (and no certainties) with each scenario.
- **Institutional safeguards and flexible decision-making enabled the Fed to help cover both banks' losses.** It's a helpful reminder that the Fed is much more than the controller of interest rates.

How much time do you really spend thinking about the stability of the country's financial institutions? Until March 10, it was probably very little. But overnight, Americans got a front-row seat to old-school terms, "bank run" and "bank panic" among them. In the Venn diagram of how your financial plans, the aftermath of the month's two bank failures, and the Fed's approach to near-term monetary policy intersect, some history and personal context may help you navigate this month's economic outlook.

Before there was a central bank, there were a lot of bank runs. Most of the time when you interact with your financial institution, it's not to withdraw all your money. And most of that money isn't there anyway; banks typically invest or lend out nearly all the funds entrusted to them. In fact, by law, most banks are required to have just 10% of total assets on hand at any moment. But if you really wanted to, you could take out every penny. The problem, of course, is when you ask for all your money—and everyone else does, too. The bank won't have it and will be forced to close; that's a bank run. If all those frustrated customers in turn tell their friends, those people may get scared and try to withdraw their funds from their institutions. That's an oversimplified description of what's called a bank panic, and it's exactly what used to happen with alarming frequency in the late 1800s and early 1900s. Visualize hundreds of people literally rushing the doors of banks or trusts to withdraw deposits, and then that fear spreading across a city or the country. To quote ancient Roman poet Virgil, "Rumor grows as it goes." A bank panic is different from a bank failure; the latter happens more than we probably realize. In fact, four financial institutions failed in 2020, but none in 2021 or 2022. SVB broke that 868-day streak.

Your wallet: Market moves may not mean you should do anything—even if you're tempted otherwise. How should you respond to volatility?

Why these bank failures are different Unlike many consumer financial institutions, SVB served those mostly just in the tech industry—and those with big balances. Eighty-eight percent of SVB clients and 97% of its balances were uninsured by the Federal Deposit Insurance Corporation (FDIC) limit of $250,000. And a lot of the funds deposited in its care were invested years ago in low-interest-rate bonds. Today, the interest rates on those bonds is higher, meaning if SVB had wanted to sell existing investments to cover withdrawals, it would have had to do so at a loss. It was a perfect, modern-day storm: A mostly homogenous client base already battered by scarcer sources of funding, combined with an under-diversified investment portfolio, some accounting red flags , and looser mid-size bank regulations that may have alerted regulators to SVB weaknesses earlier. Suddenly, on March 10, the bank was underwater. Signature Bank—heavily committed to cryptocurrency and with 90% of its deposits uninsured—joined them two days later.

What's different about these 2023 events compared to the past is key. Bank panics of the late 1800s and early 1900s were wide and deep: Five such panics occurred in just 24 years in New York City and three spread nationwide. Two led to long-term economic contractions that, at the time, were termed great depressions—before the actual Great Depression of 1929.

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HUMAN RESOURCES

HR Leaders Say Tech Spending Will Slow, Despite Digital Transformation Needs

Human resource executives plan just a 1.8% increase in IT spending in 2023, down from 8.7% in 2022, according to The Hackett Group's HR Key Issues report. The reduction in IT spending is occurring at a time when HR organizations are being asked to fill gaps in productivity and efficiency—gaps that have increased since last year's study, the report states. The findings come from a survey that included HR, IT, finance, procurement and other executives at 350 midsize and large enterprises across the globe.

The poll, which was conducted in November and December 2022, showed that approximately two-thirds of respondents across all business functions said an economic downturn or recession would be the top risk this year. More than half of the respondents cited concerns about talent shortages and inflation, and more than a quarter said an inability to successfully transform the business and related functions was a key concern. HR executives said HR's workload will increase by 10.5%. While HR executives say IT spending will drop this year, it should be noted that they also say they've spent more on technology in previous years. For example, 60 percent of survey participants said they adopted tools enabling hybrid meetings prior to 2022, and 20 percent said these tools were adopted in 2022. However, only 7% said they plan to implement these tools in 2023.

In the employee wellness solutions segment, a similar story is playing out, with 53% of respondents saying they implemented these tools prior to 2022, 7% saying they adopted them in 2022 and 10% planning to implement them in 2023. Interestingly, 27% of participants said they plan to implement internal talent marketplaces in 2023. That is the technology solution projected to receive the highest adoption rate this year. However, 20% of respondents said they implemented internal talent marketplaces before 2022, and 10% adopted these marketplaces in 2022.

Only 13% of respondents plan to implement onboarding chatbots in 2023, while 3% said they plan to adopt manager-employee instant feedback tools this year. The report also said the projected growth rate for cloud-based, core human capital management application suite solutions is 20%, and the growth rate forecast for business process management and workflow tools is 18%. The projected growth rate for HR point solutions is 13%. Brennan said he's not surprised the report found that HR executives' top seven priorities and planned improvement initiatives for 2023, which are all critical development areas of high importance to their companies, are priorities that respondents said they doubt they'll be able to achieve.

The top seven priorities and planned improvement initiatives for 2023 are:

1. **Develop executives who can lead effectively in a changing business environment.**
2. **Recruit and retain staff in key business positions and with critical skills.**
3. **Act as a strategic advisor to the business.**
4. **Enable enterprise growth strategies and initiatives.**
5. **Create and/or maintain a high-performing organizational culture.**
6. **Address key talent and critical skills shortages.**
7. **Improve talent management capabilities.**

Brennan said many HR leaders he speaks with are overwhelmed by the magnitude of the transformation needed to adapt how they operate to deliver value to both the business and workforce in a tumultuous macroeconomic and geopolitical climate. As HR executives address the problems they face, the report recommends several actions that focus on how technology should be used to improve HR business processes:

Leverage digital technology. Digital technology allows HR organizations to improve the performance of their tasks while creating greater business value. The report recommends HR executives utilize the capabilities of existing platforms, as well as implement new tools and applications.

Build data management and analytics capabilities. HR executives should create data-driven organizations that analyze employee-related information and develop insights that are critical to future success. The report recommends companies leverage existing analytics and reporting capabilities and start mastering advanced techniques.

Transform the HR operating model. The report recommends that HR operating models change to align high-level HR business partners with business unit leaders. Companies should also focus centers of excellence on creating innovation programs and effective implementation. Emphasize delivering a great employee experience through digital channels and shared service centers. In assessing HR's strategy for 2023, Brennan said digital is at the heart of every business transformation occurring in virtually every industry sector across the global economy.

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EMPLOYEE BENEFITS

4 Stressors Nagging Your Employees

Despite spring weather signaling a fresh start, many employees are plagued by the same old stressors. Whether it's the challenge of finding the right therapist, or sharing those struggles at work in the first place, mental health issues continue to be a hardship for many in the workplace. New benefits, like well-being platform Wave Life, are addressing accessibility gaps with technology, but sometimes an in-person touch can really make the difference.

Employers and employees alike are also feeling the after-effects of the layoffs that have set the tone for the year thus far. To address "survivor's guilt," employers should offer opportunities for peer support, and give employees the space to speak out about workplace fears and frustrations. Finally, financial stress can take a toll on employee health and well-being. But incorporating financial wellness benefits into an overall well-being strategy helps employees prioritize their whole health. See how it's done, and what other organizations are doing to promote well-being within the workforce:

Psychologist reveals what employees need to find the right therapist The Society for Human Resource Management found that 78% of organizations currently offer or plan to offer mental health benefits this year, yet six out of 10 adults who say their mental health is only fair or poor have not been able to access services, according to a 2022 survey from CNN and the Kaiser Family Foundation. It's likely that many employers do not fully grasp how challenging it is to find the right mental health provider at the right price, so employers should find vendors that provide quality over quantity — and give employees the benefit of free sessions until they find the right match. "The employer's ability to pay beyond that pays itself back," says Dr. Selling. "Employees and their family members will feel less anxious and find more resolutions for the conflicts in their lives. The consequential increase in engagement and productivity at work pays dividends."

A mental health platform designed with Gen Z in mind For Gen Z employees, finding mental health care that resonates with them is a persistent issue. Only 18% of Gen Z individuals currently go to therapy, though 90% say they've experienced symptoms of anxiety, depression, or lack of motivation due to stress, according to the American Psychological Association. Both cost and accessibility are major barriers for any generation seeking care, as nearly half said they would have to stop attending sessions if their costs increased, according to data from Verywell Mind. "Gen Z is not looking for their parents' therapy," says Dr. Sarah Adler, founder and CEO of Wave Life, a mental health benefit targeted to Gen Z. "What we're hearing is that it's too expensive, or they can't find therapists who understand them or look like them." Wave Life offers coaching, scientifically-backed research, and care navigation if needed to help Gen Z employees manage their stress — straight from their phones.

Dealing with layoff stress: How to stem survivor guilt and more Layoffs are hard. They're tough for leaders, HR teams and the employees who lose their jobs. But they're also difficult for the people who stay, writes Cole Egger, co-founder and CEO of mental well-being platform Kindly Human. "Layoff survivor guilt" is what psychologists call the mindset of many people who keep their jobs, but end up feeling bad. Fearful employees tend to be less productive and their performance suffers. Peer support is a logical first step for employees to feel heard, understood and validated. Support groups, one-to-one conversations and online forums are all resources that can involve trained employees, or they can be outsourced. Employees may feel more comfortable talking candidly to people who work outside of their organization. The ability to speak freely without fear of repercussions is important for a population that may already feel scrutinized and on edge after a workforce shakeup.

Make financial wellness part of your overall well-being strategy As employers look to support employee well-being, winning strategies will recognize that financial offerings can play a major role — especially in addressing the day-to-day needs and stresses of a workforce. Benefits like early wage access, emergency savings accounts, financial wellness advice offerings, paid leave and loan forgiveness can bring immediate relief to employees. "Financial wellness is a part of an overall wellness strategy," says Assad Lazarus, chief client and development officer at Purchasing Power. "Financial stress impacts [employees'] mental health, their productivity and their engagement. It also impacts DEI. The traditional approach is just not going to hold up."

benefitnews.com

WORKERS' COMP

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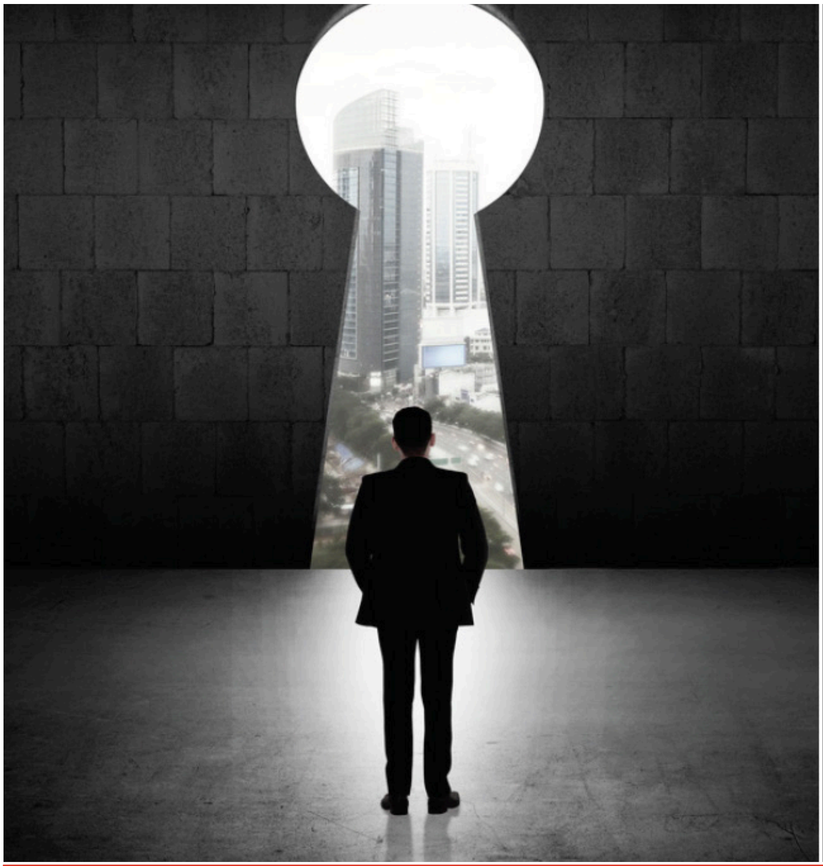

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5:30 pm – T-Shirt Design Award/ Largest Team Award
5:45 pm – Runners line up on Central Blvd. (3 Corrals)
6:00 pm – Walkers line up on Eola Drive
6:15 pm – Runners Start
6:25 pm (Approx.) – Walkers Start
7:15 pm – Overall Male/Female Award

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