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May Economic Outlook: A Summertime Step-Back From the News

Ready for a vacation from economic predictions? Here's why the next month or two may be a good time to reframe the financial news trying to grab your attention.

Quick takeaways

- **There have been modest price declines in categories such as shelter, groceries, and cars over the past few months.** If the downward inflation trend lines continue, that means the overall wage growth the country has seen since 2021 may make a small yet noticeable impact on daily budgets.
- **Mostly, the economic news in the next few months could be business as usual.** Regulators have known for a while that First Republic Bank may have needed a buyer, so that banner headline really isn't all that surprising. Instead, think of this time as a good shot at a summertime breather from wild swings and unexpected outcomes.

Sometimes, the economy takes up a lot of our emotional and mental bandwidth. In March 2020, for example, millions of people were plunged into joblessness and billions across the globe were gripped by a sense of fear and uncertainty. But sometimes, the economy feels like the adage, Same story, different day. That doesn't mean everything is great—but it doesn't mean everything is not great, either. Right now, that's where a lot of signals point: no drastic pivots, lots of business as usual, and maybe, just maybe, a bit of news relief—a summertime-inspired vibe for the economic set. Framing it that way might give your emotional and mental bandwidth a well-deserved vacation, too. Here's why.

Sell in May, go away. In the late 1700s, the wealthy ruling class in London, at the time the financial center of the world, decamped from the city to country manors. There were horse races to follow, lounging to embrace, heat and disease to escape. Many also took seriously the notion that they should sell their shares in the stock market, only to rebuy them when they came back to the city in September. (The timing of Sell in May, go away coincides with the end-of-summer horse race the St. Leger Stakes, the last race in the British Triple Crown.) Of course, very few of us—then and now—can afford to chuck it all for months at a time. But there's a nugget of regular-folk wisdom buried in that bourgeois mindset: Respite from economic news, however you can take it, is a good thing.

Take the goings-on in Washington, D.C.: Congress embraces a summer mindset of its own, spending big chunks of June, July, and August solidly out of office. Campaigns won't really ramp up yet in this off-election year. The Fed, of course, holds a couple of summer meetings, but most pundits expect them to hold steady to one or possibly two more interest rate jumps this by August. (They've told us as much, and we should believe them.) All that is to say, it's probably fair to assume that any economic data you're tuned into may hold mostly steady for the foreseeable few months. While inflation isn't resolved to the level the Fed would like, it's cooling a little. Lots of people continue to have jobs, and hopefully some of the wage growth many have experienced may help with household budgets.

Your wallet: How is your household really doing when it comes to your overall financial outlook? About an hour and a half and three steps can help you assess what you own, what you owe, and what you've saved.

Does the 24/7, 365-day news cycle have to matter so much? There will, of course, be economic news this summer, even if it's more background noise than lead vocals. JP Morgan is taking over First Federal, in what regulators hope is an end to the banking pressures of the past few months. Corporations will release earnings reports; some will meet or exceed expectations, and some will not. There may be layoffs for some businesses or industries, and the stock market will probably move a little up and a little down. Even if politicians take a break from active legislating, they'll still swipe at one another. All of those things are certain; your involvement in them is not.There's plenty on the horizon after summer that's going to grab our economic interest—the debt ceiling fight in Congress comes to mind.

Your wallet: One thing you can always do, no matter the time of the year, is check in on your retirement savings progress. If you have an employer-sponsored plan, one hour can help you stay on top of any 401(k) to-dos.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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Microsoft Is Skipping Pay Raises This Year. Will Others Follow?

As compensation strategies take the spotlight, one of the largest private employers in the U.S. says it is skipping raises for some employees this year. Microsoft will not raise salaries for full-time employees in 2023 and is also tightening its bonus and stock award budget, CEO Satya Nadella told employees last week, according to reports.

The news, which comes as the Seattle-based tech giant lays off some of its employees, is a reversal from the raises it handed out last year—and a stark difference from the plurality of employers that have turned to competitive pay raises over the past year amid high inflation, rising employee expectations and a competitive job market.

Is Microsoft's announcement an anomaly, or a move that more employers might follow? It might be both, experts said, but so far, it's more telling of the state of the tech industry, which is experiencing more hardships than other fields. "It's not surprising that a technology company like Microsoft would hold back on salary increases due to the large amount of technology layoffs the past six months and the looming recession, even though job creation remains strong," said Kathleen Quinn Votaw, CEO of TalenTrust, a Denver-based recruiting and human capital consulting firm.

Indeed, tech firms like Microsoft have been among the hardest hit by layoffs and economic headwinds. As a result, many of them have cut back on perks and benefits, so not handing out pay raises may be a natural next step. For example, Twitter is slashing its paid parental leave policy by 90% in some cases, while Google is cutting back on employee perks such as fitness classes and even some office equipment to trim costs. Meta, the parent company of Facebook and Instagram, ended free laundry and dry-cleaning services for employees last year, and in March, it announced plans to cut an additional 10,000 employees following the 11,000 layoffs it made late last year. And at the beginning of this year, Salesforce ended the "well-being day" it began offering employees during the pandemic, which allowed them an extra paid day off every month. "It's a lot of the major tech platforms, which are some of the biggest organizations in the world, that are making these sorts of high-profile cuts," Tony Guadagni, senior principal in the Gartner HR practice at Gartner, told SHRM Online recently. Executives across industries have also cut their own salaries to help thwart layoffs: A survey released earlier this year by ResumeBuilder found that 66% of executives have accepted a pay cut in the past six months, with the overwhelming majority of those (94%) saying the move was to prevent or reduce layoffs. Again, the practice appears more common at tech firms: Sundar Pichai, CEO of Google parent Alphabet; Tim Cook, CEO of Apple; and Eric Yuan, founder and CEO of Zoom, have all reportedly taken pay cuts.

State of Pay May Be in Flux

Outside of the tech space, skipping salary increases doesn't appear to be common practice among employers. At many firms, pay increases for employees are actually on the rise. Multiple factors are behind the aggressive compensation strategies, from ongoing high inflation to the competitive labor market, which is still strong despite signs of slowdown in some industries. Data released by consulting firm Mercer earlier this month found that many employers are shelling out bigger pay boosts to employees in 2023 than they have in years. On average, U.S. employers reported that 2023 annual merit increases average 3.8%, while total compensation—which includes merit awards as well as all other types of compensation increases impacting base pay, such as promotional, cost of living and minimum wage—increased by 4.1%. Those figures are not only a bump from 2022—they also represent the largest increases employers have provided since the 2008 financial crisis.

However, the aggressive pay hikes given in the past year to woo and retain workers may be starting to slow. Mercer's survey found that despite their larger size, 2023 pay boosts are coming in slightly below what employers had budgeted a few months ago. Payscale's annual Compensation Best Practices Report, released in February, found that fewer organizations plan to give base pay raises this year, with 80% saying they plan to do so in 2023—down from the 92% that gave raises in 2022.

Skipping Pay Raises: Good or Bad?

Pay freezes like Microsoft's can have pros and cons, experts said, especially in a highly dichotomous economy where layoffs and recession fears are happening alongside an employee-driven job market. Implementing a temporary pay freeze is "generally preferable to layoffs during tough economic conditions for most workers," agreed Lexi Clarke, chief people officer at Payscale, the Seattle-based compensation software firm. She noted that halting raises can be less detrimental if other pieces of the compensation puzzle are left alone.

For employers that are considering following in Microsoft's footsteps, Clarke said they should take stock of salary strategies and make sure pay is still fair and competitive. "Before pausing merit increases, employers should consult third-party pay data to ensure salaries are still in acceptable ranges," she said. "We always encourage workers to research fair pay for their role in the job market."

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EMPLOYEE BENEFITS

The ‘Sunday Scaries’ Every Day? Why 87% of Employees Dread Work

Work isn’t necessarily supposed to be fun, but should it be causing employees so much emotional distress?

According to a new report by mental health platform Headspace, 87% of employees feel a sense of dread at work at least once a month, and 49% feel dread at least once a week. Unpredictability, a lack of stability, and an overwhelming amount of tasks were the top reasons given for these feelings of malaise.

While maintaining good mental health has been a challenge for employees over the past few years, dreading work should not be the new normal, says Désirée Pascual, chief people officer at Headspace.

“That sense of dread that we’re feeling throughout our workforce is a result of compound change and prolonged uncertainty,” she says. “Is it normal? No. It’s a chronic stress response.”

Pascual says the endless onslaught of crises has taken its toll across the entire workforce. COVID, global political unrest, economic uncertainty and layoffs have left employers and employees alike grappling with persistent uneasiness. Today’s volatile work environment is affecting CEOs as they navigate decisions that could have a painful impact on their teams; 59% of top leaders say they feel concerned about economic circumstances on a weekly basis. A quarter of employees say they feel dread around being laid off.

To address this, employers need to create as much certainty as possible about the future of the business, communicate regularly with employees across the organization, and continue to provide robust mental health benefits to address these persistent challenges.

“To acknowledge what is going on is to feel seen, and that is everything,” Pascual says. “There’s an acknowledgement that you don’t feel like you’re carrying this alone. The view can be very different depending on where folks sit, which is why this consistent communication is so paramount.”

HR leaders are often the ones tasked with both facilitating these conversations and encouraging employees to engage in available benefits, but that burden can be especially heavy. In fact, Headspace’s report found that HR leaders are the least likely to utilize mental health benefits than any other group in the workplace, with 41% taking advantage of mental health resources, compared to 73% of employees.

“We have navigated so much in the last three years and in many ways, we’re over capacity,” Pascual says. “To even take a moment to think about your own well-being can feel really difficult. We are very often the emotional anchor for our organizations. It can be really difficult to put on your oxygen mask first.”

An open flow of communication can clear the air and provide space for people to share what’s nagging them, whether they’re chiming in from the C-suite or working from home, Pascual says. The entire workforce should be intentional about how they ask for support, and how they offer it, too.

“Instead of asking, ‘Hey, do you need support?’ We can reframe that question in a much more action-oriented way with, ‘What is one thing that I can do this week to support you?’” she says. “Create those opportunities to gather and connect. That sense of community provides connection and feeling that we’re not alone in this, and that we’re in this together.”

Leaders can also model “radical self-care,” Pascual says, by establishing their own boundaries for work and off-time, and encouraging their teams to do the same. An overall sense of well-being can help mitigate uncertainty, and empower employees to feel like they have the tools to manage it.

“If we model that we’re taking care of our mental health as leaders, it trickles down to employees and gives them permission to radically engage in self-care,” Pascual says. “That fosters a culture of well-being in our organizations, which is something that amidst times of uncertainty is more important than ever.”

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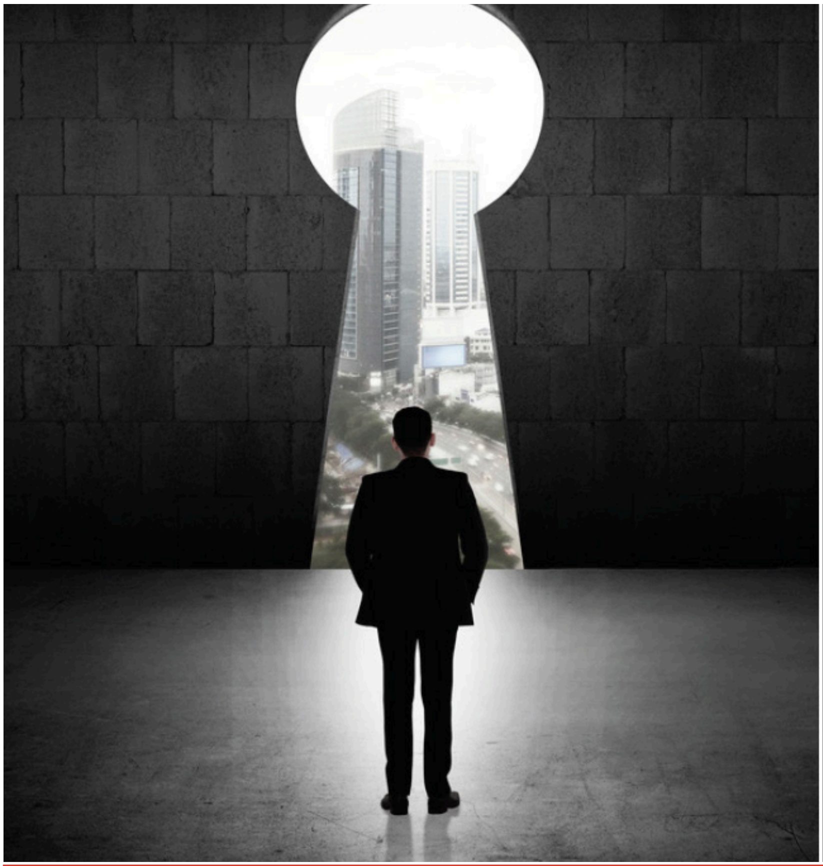

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Memorial Day is right around the corner, and it is time to prepare for the adjusted holiday schedule for processing and delivering of your payroll.

KeyHR office will be closed Monday, May 29th in observance of the holiday.

All paychecks normally dated on
Monday, May 29, 2023,
will need to be changed to either
Friday, May 26 or Tuesday, May 30, 2023.
There will be NO Monday deliveries.

Please submit all new hire information 48 hours prior to submitting payroll. This will ensure that new hires are entered into the system in a timely manner. Please complete and return this form to your Payroll Team to ensure that your payroll is processed and delivered accurately and on time. Please be sure to report payroll by 11:00 a.m. on the appropriate day. To guarantee timely direct deposits, please follow the timeline below:

Submit Payroll by 11am on:	Holiday Delivery Schedule:
Wednesday May 24th - ACH	Friday May 26th
Thursday May 25th - Wires	Friday May 26th
Friday May 26th	Tuesday May 30th