

## Tracking Human Factors in the Financial Crisis: *Lessons for Pandemic Planning*

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By

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### **Abstract**

There are significant similarities between the current global financial crisis and a pandemic disease outbreak. These similarities are particularly pronounced in the area of human factors, specifically in the psychosocial response to adverse events that involve elements of uncontrollability, unfairness and loss. The sudden and dramatic onset of the economic crisis resulted in many organizations suspending their pandemic preparedness efforts in order to focus on the dire threat at hand. As the economic situation transitions from a "sudden crisis" to "smoldering crisis", business continuity planners and others charged with an organization's pandemic influenza preparedness may benefit from identifying, understanding and benchmarking these dynamics to inform policies, plans and preparedness efforts for a pandemic.

Effective pandemic planning must be predicated on accurate assumptions about the individual and collective response to the threat. The global economic crisis, viewed as "*pandemic-light*", offers a unique opportunity to practice and prepare for the actual event. It may turn out to be the best test of pandemic preparedness possible, if approached in a thoughtful and structured manner.

## Pandemic Defined

***Pandemic:*** From Greek “pan” (all) and “demos” (people): Occurring over a wide geographic area and affecting an exceptionally high proportion of the population.<sup>1</sup>

While the current financial crisis may have diverted the attention of business leaders, continuity planners and emergency managers away from pandemic influenza planning, the risk of a possible pandemic has not diminished. In recent weeks, avian and human influenza activity in the United Kingdom, China and India have thrust the flu back into the spotlight. As of January 27, 2009, the World Health Organization (WHO) has updated its statistics and now reports 403 human cases of the avian influenza, resulting in 254 deaths worldwide. The H5N1 virus responsible for these deaths is particularly powerful, proving lethal in more than 50% of the known cases. Each new human case heightens the possibility for the virus to make the critical leap in mutating to a deadly pandemic strain.

The H5N1 virus has several significant similarities with the influenza virus that swept the globe during the Great Pandemic of 1918. Not only has the pandemic influenza threat not abated, but communities, organizations and nations may be at even greater risk if the pandemic were to emerge during such vulnerable economic times.

The current economic crisis may in fact have a potentiating affect on the pandemic risk. A standard pandemic planning assumption is that possibly 30-40% of the nation’s workforce may be offline at any one time, due to illness or death, or remaining home out of fear or to care for the ill. If an organization is forced to layoff a substantial number of employees and is already operating with a depleted workforce in a down economy, further diminishing the remaining workforce by another 30-40% during the pandemic may have a paralytic - if not fatal - affect on the organization.

The current economic downturn has resulted in a continued reduction in the Gross Domestic Product (GDP) in the United States and in other industrialized countries. The arrival of a pandemic influenza in the midst of the global financial crisis would represent a “perfect storm” scenario resulting in potentially unimaginable consequences for the global economy, as well as individuals and families, communities and organizations.

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<sup>1</sup> <http://www.merriam-webster.com/dictionary/pandemic>

## Sudden and Smoldering Crises

*Sudden crises* tend to produce acute stress reactions in individuals, families, communities and organizations. These events can be said to have “bookends”, in that it is clear when the event began, when it ended and whether one was directly impacted. A *smoldering crisis* often lacks these clear markers by beginning slowly, with many of the early warning signs remaining below the radar. Once the crisis begins, it is difficult to know exactly when it will end. It can also be difficult to determine exactly how badly one is affected since they are dynamic and shifting in degrees of severity over time. Smoldering crises tend to result in chronic stress reactions. They exhaust individual, organizational and possibly national resources. A pandemic that circles the globe in two or three “waves” of illness over the course of 12 months or longer may begin with a sudden realization that the outbreak has begun, that it is real and it is bad, but would generally be considered a smoldering crisis. Likewise, the economic crisis, though beginning with the initial “subprime” calamity, reached the sudden crisis phase on one specific weekend in September 2008, but will most likely be remembered as a long, complex and smoldering crisis.

## Pandemic-Light

The global economic crisis may be viewed as “*pandemic-light*”, while there is pain and psychosocial disruption, but without the body count.

The national strategy for surviving a pandemic and an economic crisis hinges on three key actions:

- ☐ Stop, slow, limit spread of crisis
- ☐ Mitigate impact, suffering and permanent damage (or death)
- ☐ Sustain infrastructure/economy and functioning of society

Comparing the economic crisis to a pandemic can surface many interesting similarities that may inform pandemic preparedness efforts in both the public and private sectors. These similarities can be found in the areas of event dynamics, impact, response, planning and recovery. To demonstrate the similarities between the economic crisis and influenza

pandemic useful to planners and decision-makers, the overlapping elements have been delineated in several categories.

### Event Dynamics

Both the economic crisis and a potential influenza pandemic share many features, including the twenty identified below:

- ☐ Global reach
- ☐ Few, if any, are immune
- ☐ Contributing factors identified long in advance of the onset of crisis
- ☐ Small pool of experts warned of impending doom
- ☐ Threat not fully recognized until reaching dramatic, irreversible levels
- ☐ General public had little awareness of the risk
- ☐ Highly technical/exotic factors triggered onset
- ☐ Slow-moving but unstoppable once in motion
- ☐ Long, complex crises
- ☐ Progress in waves or cascading sequence
- ☐ Disagreement among experts about best way to handle the situation
- ☐ Remedy or vaccine not readily available, must be developed quickly
- ☐ Initial attempts to “treat” the problem prove to be insufficient
- ☐ Intensity and duration of crisis exhausts resources
- ☐ Distinct social, economic and emotional consequences
- ☐ Raise many ethical dilemmas
- ☐ Characterized by loss
- ☐ Contain aspects of both “sudden” and “smoldering” crises
- ☐ Increases distrust of authorities
- ☐ Create a sense of helplessness or powerlessness

## Impact

The impact and response to “sudden” and “smoldering” crises differ. A sudden crisis has a definitive beginning and end and while shocking, the human impact is more easily compartmentalized because of the definitive timeline. With smoldering crises, the effects are usually more insidious and difficult to overcome because the emotional and behavioral cycles associated with the crises repeat over a sustained period of time. Recovery from a smoldering crises is often more complicated.

However, both events are characterized by *loss* and *dread*. While a loss of life is more likely in a catastrophic disease outbreak, other losses associated with the financial crisis may result in similar emotional and behavioral reactions, possibly further complicating response and recovery.

These losses include, but are not limited to the loss of:

- ☐ Identity
- ☐ Sense of community; belonging
- ☐ Status and role
- ☐ Control
- ☐ Security
- ☐ Trust
- ☐ Confidence
- ☐ Beliefs or faith (i.e., patriotism, religious beliefs, etc.)
- ☐ Future and purpose

In Time Magazine reporter Amanda Ripley’s latest book, “*The Unthinkable: Who Survives When Disaster Strikes—and Why*”, she isolates “dread” as a significant factor influencing the human response to threatening events. She has gone as far as developing a “*dread formula*” to explain these dynamics. Some, if not all, of the elements in this formula are equally present in both the economic crisis and most pandemic scenarios. Ripley’s dread equation is:

- Uncontrollability
  - + Unfamiliarity
  - + Unimaginability
  - + Suffering
  - + Scale of Destruction
  - + Unfairness
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### Dread

One can assign each of the elements of the dread formula to some aspect of both the economic crisis and a pandemic. Many commentators have been liberal in their use of the terms *"unimaginable"* and *"unthinkable"* in their descriptions of the financial meltdown. It is likely that those same labels would be recycled and applied to a devastating public health crisis as well.

The impact of both events can potentially reach all corners of the globe and all spheres of our personal and professional lives. Both in the home and in the workplace, there is a foreseeable range of affects, including:

#### In the workplace

A great deal of time, effort and money has been spent in the U.S. and abroad over the past several years developing plans and procedures to mitigate the effects of a pandemic on the workplace. While a pandemic strain of influenza has yet to emerge, the current financial crisis has triggered many of the same workplace dynamics anticipated by pandemic planners, including:

- ☐ High levels of stress and fear
- ☐ Diminished or depleted workforce
- ☐ Significant reduction in productivity
- ☐ Loss of capital and/or access to capital
- ☐ Supply chain disruption (i.e., cargo stacked up or waiting off shore at sea ports)
- ☐ Drastic decline in retail, travel, entertainment, construction and many other economic sectors
- ☐ Escalating unemployment
- ☐ Consolidation among businesses within certain industries

- ☐ Disruption or closure of financial markets and institutions

### In the household

The 2008 American Psychological Association (APA) *"Stress in America"* survey revealed that 8 of 10 Americans identify money matters as a leading source of daily stress (APA, 2008). Since that study was released in mid-2008, the economic climate has darkened substantially. The Conference Board's January 27, 2009 Consumer Confidence Index documented a steady slide into despair, with the consumer confidence level reported at an all-time low. People are feeling stressed and anxious about their financial future. Many are unsure how they will handle a recession or more economic bad news.

Both the economic crisis and a pandemic will result in the closures of many businesses, lost earnings and many other hardships. In both instances, individuals and households may suffer great financial difficulties, such as:

- ☐ Little or no household income
- ☐ Depletion of savings
- ☐ Increased dependence on credit cards to replace income
- ☐ Risk of default on loans or mortgages
- ☐ Potential for crisis-related financial scams
- ☐ Increase of a overall financial stress/distress

### Response

Emotional responses can range from simple distress to diagnosable mental health conditions, including:

- ☐ Extreme fear and anxiety
- ☐ Sadness and depression
- ☐ Anger, blame
- ☐ Helplessness, hopelessness
- ☐ Increased rates of suicide

- ☐ Traumatic stress reactions
- ☐ Complicated grief and bereavement

### Trauma and Grief

*Grief* has been described as our reaction to something (or someone) “good” leaving our lives, while *trauma* is our response to something “bad” coming into our lives. In the instance of a worker losing a job, baby boomers losing 40% or more of their retirement savings or a family losing their home, loss is loss and our minds and bodies do not necessarily distinguish between loss related to a health crisis or an economic disaster.

Behavioral reactions tied to our appraisal of the situation can lead to:

- ☐ Increased alcohol and drug use
- ☐ Increased irritability
- ☐ Difficulty concentrating, problem solving and/or decision-making
- ☐ Increased risk-taking
- ☐ Increased emotional-eating (esp. sweet, salty and high-fat foods)
- ☐ Social isolation, withdrawal
- ☐ Change in sleep patterns

Many behavioral reactions affect interpersonal relationships in the home and workplace. These can be manifested as:

- ☐ Increased conflict
- ☐ Diminished communications
- ☐ Difficulty parenting or supervising workplace subordinates
- ☐ Poor spousal/partner and/or peer relations

### Planning

Much can be done to reduce and/or mitigate many of the negative consequences identified above through conscientious planning in the home, workplace and community.



## Planning in the Workplace

Guidance in pandemic influenza planning has focused on several areas of concern that are equally relevant in the financial crisis. These include ensuring critical processes, communications, physical and mental health issues, ability to travel to or attend work and, finally, developing organizational resilience. Successful consequence management through the economic pandemic will require attention to many of the same concerns.

In planning for a pandemic, it is important to ensure critical processes can continue with a reduction of workforce. If, during the economic crisis workforce reduction is necessary, insure the remaining workforce still retains the core skills and knowledge (corporate memory) to assure essential business functions can be accomplished, or make sure critical processes are documented so unskilled laborers can perform the required function.

### “Crisis-sizing” the Workforce

“Crisis-sizing” or temporarily adjusting the size and configuration of an organization’s workforce due to economic pressures rather than illness may be a necessary part of a survival strategy in the face of this new threat. Pandemic planning guides have suggested that leaders should explore creative workforce restructuring for survival. Several businesses have recently received applause for implementing creative alternatives to layoffs, including reduced hours for all rather than lost jobs for some. Other cost-saving alternatives have included shifting some employees to working from home and job sharing to reduce their office space requirements and other fixed overhead costs. These strategies have been discussed in the context of pandemic flu planning as ways to cope with a workforce downsized by disease.

Changes in the workforce and financial health of critical vendors must also be assessed. If the organization is reliant on external resources or services, leaders should conduct business risk and impact assessments to identify critical suppliers, identify alternative sources and negotiate contract terms in advance of any potential disruption.

## Communications

Immediately, organizations can provide the most value to their employees

by communicating their priorities and survival strategies. In the workplace, survival is a shared responsibility. Clarity regarding roles and responsibilities during a crisis is crucial. To reduce anxiety, leaders should provide employees with two-way communication vehicles. During the financial crisis, as in pandemic preparedness, leaders should let employees know what the business is doing to mitigate risk. If there are serious concerns, it is not only much better from an ethical standpoint to openly communicate these challenges, there is a legal obligation documented in the Worker Adjustment and Retraining Notification (WARN) Act that indicates companies must provide 90 days' notice prior to plant closure or mass layoffs, so affected employees can be as prepared as possible for negative outcomes.

Employees may better prepare financially and emotionally for a reduction or loss of income with some degree of advanced notice rather than following a surprise or sudden reduction of work force. Warning enhances a sense of controllability and whenever possible proactive communications are recommended.

Proactive communications may also involve the development of draft "shelf-kits" by creating internal and external communication templates and having them pre-approved by corporate communications officers to help speed the delivery of timely communications for different contingencies. Establishing a "hot-line" can empower employees to ask questions and/or make suggestions to help stabilize their workplace environment.

## Training

Many organizations active in pandemic planning had initiated training programs for executives and supervisors, as well as internal crisis management and first responder teams, to raise awareness of the unique physical and mental health challenges associated with an influenza outbreak. Such programs were designed to help decision-makers predict and prepare for a pandemic using accurate information about the disease and its likely impact on society, as well as the organization. Specialized training focused on the unique challenges associated with the financial crisis may be equally important. Understanding the human factor in both a pandemic and financial crisis can give planners an advantage in recalibrating business contingency plans appropriately for the current threat environment.

## Sources of Emotional Support

We have previously discussed the concepts of trauma and grief as they relate to both a pandemic and the financial crisis. It is foreseeable that there may be an increased need for psychological support programs for workers and their families. Establishing or enhancing Employee Assistance Programs (EAPs) or community outreach programs can aid and educate employees with financial planning or other related services. A lesson learned is that natural support systems, in the home, community and workplace tend to be the most helpful in other smoldering crises. Promoting peer support programs and other mechanisms for employees to both give and get emotional support may prove invaluable in a long-haul scenario.

### At home

Just as it is important for leaders to communicate in the workplace, providing family members with information goes a long way toward an effective response and recovery. The emotional demands of both a pandemic and the financial crisis can erode relationships in the home during a time when the support of loved ones is most needed. Sharing information about the affects of smoldering crises on homes and families can be beneficial and may help those affected anticipate the likely emotional traps that characterize long-term stress situations.

Employers can also provide additional assistance in financial planning and household money management. Those not yet seriously impacted by the financial crisis can modify the home budget and identify ways to curtail unnecessary spending. It is helpful to enlist all family members to watch spending. Even young children can understand the concept of saving for future benefit. Planning ahead will be necessary to ensure that basic needs will be met. Prudence and pragmatism will be of equal importance in both the current financial crisis and a possible pandemic in the future.

## Tracking and Benchmarking Through a Smoldering Crisis

There is very little, if any, empirical research from the “Great Influenza Pandemic” or the “Great Depression” that can be applied to predicting human behavior in a smoldering health crisis or financial crisis. So what

else can be done by organizations to utilize the lessons learned from the past to address the financial pandemic at hand?

Some organizations have begun to track the impact that employee benefit or wellness programs, such as weight reduction, smoking cessation and exercise programs, have on an organization's bottom line. It would be beneficial to also document other human factors issues (absenteeism, performance, morale, conflict, others) in the home, business and community as we move through the various phases of the financial crisis. Such tracking can help leaders gain a better understanding how prolonged adversity impacts the "worried well" (those who are still employed or not otherwise derailed by the financial crisis) to inform pandemic flu policies, plans and exercises. Organizational benchmarking of human factor issues can be invaluable in developing the type of accurate behavioral assumptions that will be necessary to sustain productivity and the bottom line during a pandemic or other smoldering crisis.

## Recovery

As with event, impact and response factors, the likely psychosocial challenges in the long-term recovery from both pandemic flu and the economic crisis are similar. In a typical disaster, the behavioral response cycle can quickly shift from *neighbor-helps-neighbor* to *neighbor-fears-neighbor* to *neighbor-compete-with-neighbor* as fear escalates. During the recovery period, the cycle gradually returns from self-preservation back toward community cohesion and support. In fact one of the lessons learned in other smoldering crises is that the natural support systems within the home, business or community become the most important and dominant source of help. Knowing this, families, businesses and communities should take every opportunity to bolster and promote cohesion in the early phases of a crisis, since it will become increasingly important as time goes on.

## Resilience

Personal and organizational resilience is essential to the recovery from a smoldering crisis. Resilience is often defined as the *"human capacity and ability to face, overcome, be strengthened by, and even be transformed by experiences of adversity."*

The potential for resilience can be and should be nurtured. Smoldering

crises are best approached by applying the discipline and strategy of the marathon runner, not the sprinter. Everyone wants out of a tough situation sooner, rather than later, but both the financial crisis and a pandemic are challenges of endurance. Those who have survived and thrived through smoldering crises in the past identify three common tactics:

- ☐ Face the sources of their stress directly
- ☐ Learn from past experiences
- ☐ Reach out for and use resources

There will be numerous challenges in the wake of the financial crisis, as there certainly will be in a pandemic. These include, but are not limited to:

- ☐ Overcoming loss or guilt from having survived through the storm
- ☐ Taking inventory and examining the current state of one's personal and professional affairs
- ☐ Addressing both the physical and psychological consequences of the crisis
- ☐ Developing a reconstruction plans to rebuild or recoup losses
- ☐ Reaching out to friends and the community to give and get support

## In Conclusion

Pandemic planning should remain a priority during the financial crisis. It can be particularly useful to revisit pandemic plans to see what elements can be recalibrated or repurposed for the current financial crisis.

The authors suggest that the current financial crisis may be one of the most realistic and productive pandemic influenza planning exercises business and community leaders may have in that both events are smoldering crises with many similar human factors and economic consequences. While recognizing that a catastrophic disease outbreak could result in a tremendous loss of life, therefore becoming a disaster of a whole different magnitude, there are enough similarities to allow business continuity and emergency management planners to track, benchmark and use their observations of the financial crisis to inform pandemic planning efforts. Likewise, prior pandemic planning efforts may also inform strategy and decision-making in the current financial crisis.

Lastly, it is important to reiterate that the pandemic risk is not diminished. This threat is still lurking in the shadows while the world turns its attention to the urgent financial situation. A weakened global economy may in fact leave nations, businesses, communities and families that much more at risk to a public health disaster.

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