

COMMUNITY Risk Management & Insurance

 A publication of the Nonprofit Risk Management Center Volume 13, No. 3, September/October 2004

Workplace Stress

Tackling Stress Improves Morale, Productivity and Safety

This article is excerpted from the Center's brand-new, free online resource titled, "Workplace Safety Is No Accident—An Employer's Online Toolkit to Protect Employees and Volunteers." For more information on workplace stress and other safety topics, visit www.nonprofitrisk.org.

Rising workplace stress is a large albatross hanging around the necks of workers and employers. According to studies of the subject by the U.S. Department of Labor, the American Psychological Association, Yankelovich Monitor and CCH Inc., in recent years there has been a 20.3 percent increase in job absences caused by anxiety, stress and neurotic disorders. Stress affects morale, productivity and safety.

Developing a healthy workplace can pay off in reversing this trend. Inviting employees to have a say about their work environment in an honest and open fashion can change the workplace culture and reduce stress. Other successful management practices include improving communication, increasing staff members' decision making, offering flexible job scheduling, encouraging breaks, working in teams toward a common goal, and leadership and professional development opportunities.

Providing such services as language classes, child care, onsite flu shots or health screening, and tuition reimbursement programs also help balance work-life issues thus reducing stress. One winner of APA's 2003 Best Practice Award allows injured employees

time to recuperate and helps them ease back into work by doing light-duty work at community nonprofit organizations—all while receiving their normal compensation. Another offered three months' notice and job placement services to employees affected by layoffs.

Workplace Stress Defined

Workplace stress can be defined as the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources, or needs of the employee or volunteer. Workplace stress
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Check out *Workplace Safety Is No Accident* on the Web

Visit www.nonprofitrisk.org to check out **Workplace Safety Is No Accident—An Employer's Online Toolkit to Protect Employees and Volunteers**. The toolkit contains dozens of factsheets, checklists, sample forms, policy templates and links to myriad safety resources available online and in print. The toolkit is available absolutely free at www.nonprofitrisk.org. Peruse the voluminous table of contents and read and print only the materials of interest to you. Tell others about the toolkit or consider adding a link to your Web site. The development of this new resource was made possible through a generous grant from the Public Entity Risk Institute. For more information on PERI, visit www.riskinstitute.org.



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results from the interaction of the staff member and the conditions of work. Views differ, however, on the importance of the individual characteristics versus working conditions as the primary cause of job stress. Differences in such individual characteristics as personality and coping style are most important in predicting whether certain job conditions will result in stress—in other words, what is stressful for one person may not be a problem for someone else. Other factors to consider in workplace stress include



the design of tasks, autocratic management style, work roles, job insecurity or environmental factors such as noisy or dangerous working conditions.

Hazards Associated With Workplace Stress

Workplace stress can have physiological effects on employees and volunteers. These effects include headache, sleep disturbances, difficulty concentrating, digestive problems and depression. The effects of job stress on chronic diseases are more difficult to see because chronic diseases take a long time to develop and can be influenced by many factors other than stress. Nonetheless, evidence is rapidly accumulating to suggest that stress plays an important role in several types of chronic health problems—especially

cardiovascular disease, musculoskeletal disorders, and psychological disorders. Lack of concentration or stress reaction can also lead to workplace injuries.

Dealing with workplace stress should encompass the staff member and the job. The person should have the opportunity to participate in such wellness programs as stress reduction, exercise, and weight maintenance. By ensuring that the workload is in line with each staff member's capabilities and resources, the level of frustration that a person feels can be reduced.

Job design is also an important factor. Design jobs to provide meaning, stimulation, and opportunities for employees and volunteers to use their skills. Clearly define staff members' roles and responsibilities. Give them opportunities to participate in decisions and actions affecting their jobs. Try to establish work schedules that are compatible with demands and responsibilities outside the job.

Good job design accommodates a person's mental and physical abilities. The following job design guidelines will help minimize or control workplace stress. Where stress in the workplace is caused, for example, by a physical agent, it is best to control it at its source. If the workplace is too loud, implement control measures to deal with the noise wherever possible. If a person is experiencing pain from repetitive strain, the workstation can be redesigned to reduce repetitive and strenuous movements.

Teach employees and volunteers to relax by taking several deep breaths throughout the day, or taking regular stretch breaks. Stretching is simple enough to do anywhere and takes only a few seconds. Help individuals take charge of their situations by setting aside 10 minutes at the beginning of each day to prioritize and organize their day's tasks and responsibilities. Encourage them to be honest with colleagues, but be constructive and make practical suggestions, and be realistic about what they can change.

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Resources

- 2002 CCH Inc. *Unscheduled Absence Survey*, CCH Riverwoods, IL.
- American Psychological Association, 2000 national public opinion poll.
- American Psychological Association, *Psychologically Healthy Workplace Best Practices 2003*. The Best Practices Honors recognize companies for innovative programs and policies that support psychologically healthy work environments.
- Canadian Mental Health Association, "Sources of Workplace Stress," Richmond, British Columbia DHHS (NIOSH) Publication No. 99-101.
- *Encyclopaedia of Occupational Health and Safety, 4th Edition* contains a comprehensive summary of the latest scientific information about the causes and effects of job stress (see Vol. 1, Chapter 5, Mental Health; Vol. 2, Chapter 34, Psychosocial and Organizational Factors).



- Quick, James Campbell, Jonathan D. Quick, Debra L. Nelson, and Joseph J. Hurrell, "*Preventive Stress Management in Organizations*," American Psychological Association 1997, 367 pages, hardcover \$39.95. This book offers a comprehensive, orderly framework for practicing

Workplace Stress Checklist

- Job requirements and staff member competencies/skill set are in balance.
- The workplace environment is conducive to work—not noisy, crowded, cluttered, hot or cold, or dangerous.
- Adequate rest breaks are incorporated into the daily routine.
- Opportunities for social interaction are woven into the work day.
- Employees are provided with materials on stress reduction and wellness.
- Employees are offered information and training on wellness and healthy lifestyles.
- There is a grievance process and employees are provided with information on access to this process.

healthy preventive stress management. The volume covers a variety of topics on stress and the organizational costs of distress.

- Sauter, S.L., L.R. Murphy., J.J. Hurrell, Jr., *Prevention of work-related psychological disorders*, American Psychologist 45(10):1146-1158.

Free Online Resource Now Available

Workplace Stress is just one of many topics addressed in **Workplace Safety Is No Accident—An Employer's Online Toolkit to Protect Employees and Volunteers**, the free, online toolkit developed by the Nonprofit Risk Management Center. Consult the toolkit for help with a particular area, such as ladders, transportation or food service. Or peruse the toolkit for insights on setting up a workplace safety program. Print out sample forms and check out the links to additional resources. ■

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People—Your Most Pivotal Resource

by George L. Head, Ph.D.

Three large groups of people are essential to your nonprofit's success in pursuing its mission:

1. Your staff (including your officers, employees, and volunteers) who jointly perform all the planning, speaking, driving, carrying, cooking, cleaning, negotiating, decision-making, and all the other activities that we tend somewhat loosely to say your nonprofit "does."
2. Your clients, service recipients, consumers, participants and members—all of the people whom your mission seeks directly or indirectly to serve.
3. The wider community with which your nonprofit interacts—all the individuals and people in organizations who (among other things) contribute to your nonprofit's finances and reputation; provide you with (or buy your) goods and services; enact, enforce, or protect your nonprofit from general laws and specific regulations; and the neighbors who own, occupy, or work in the properties that are near each of your nonprofit's facilities.

The individuals in each of these groups are critical to your nonprofit's progress; yet our title specifically describes them as "pivotal," not "crucial." *Pivotal* is the right word here because the success of your nonprofit often *turns* on events involving people in each of these three groups and on how they, in turn, respond to these events. Given some sets of events, your staff, clients, and the surrounding community are assets that boost your revenues and your success wondrously. But if other circumstances

prevail, these same staff, clients, and the wider community generate liabilities that doom your nonprofit to years of struggle, if not outright failure. So much turns on these people, your pivotal resource.

The importance of people to a nonprofit's success has prompted the Nonprofit Risk Management Center to develop and offer through the Center's Website, www.nonprofitrisk.org, a very thorough toolkit on workplace safety. The toolkit is titled: *Workplace Safety Is*



No Accident—An Employer's Online Toolkit to Protect Employees and Volunteers. The toolkit offers an opportunity for leaders and managers of nonprofits and public entities to learn how to identify, combat, and if necessary recover from a full range of hazards that may bring injury, disease, or other harm (such as stress, harassment, and identity theft) to a nonprofit's paid and volunteer staff.

Our purpose here is not to simply praise the *Toolkit*. Rather, the following paragraphs aim to view workplace safety in a wider risk management context. Our focus will still be on people and workplace safety, but we will look at how workplace safety affects—for better or worse—all three of the major groups of people (staff, clients, and the wider community) who are pivotal to a nonprofit's success. For this wider focus,

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we will assume first that workplace safety is poor (that your organization ignores the *Workplace Safety Toolkit*), then assume that workplace safety improves due, at least in part, to your use of the *Toolkit*. We know that workplace safety affects insurance costs—workers compensation rates for employees and general liability rates for volunteers and officers—but we are ignoring these costs here to concentrate especially on the more direct, and quite diverse, effects of workplace safety on the three groups of people on whom nonprofits most depend.

If your workplace safety is substandard, your own staff's productivity suffers because:

- Some of your employees and volunteers are absent with injuries or diseases your organization caused.
- Your remaining employees and volunteers are stretched thin trying to do unfamiliar tasks to fill in for those who are absent.
- Your managers (perhaps even some of your officers) may become distracted from their normal work in trying to cope with work safety issues—especially if claimants' attorneys and insurance adjusters start visiting your facilities or the media begins coming to your door.
- When (not *if*, but *when*) word gets out—fairly or unfairly—that people “often” get injured or become ill working for your organization, some of your staff will begin looking for safer work, and replacements will be harder to recruit.

Unsafe workplace conditions also have adverse effects on clients—clients who are likely to seek other sources of service and to discourage new clients from coming to you. You are likely to lose these present and potential clients when:



- Clients who now routinely come to your facility for recreation, food, clothing, social contacts, education, medicine, therapy, or other mission-related reasons are injured or sickened by the same dangerous conditions (such as slippery floors, toxic substances, parking lot hazards, or radiation) that are disabling your staff.
- Clients who have come to value or to depend on their direct relationship with a particular staff member of your organization—even if they have never been to your premises—are likely to stray away, or to begin looking for another service organization, when “their person” at your organization becomes disabled for an extended period and, in their view, is not adequately replaced.
- Clients just simply stop coming, without saying a word or asking any questions, when they hear rumors or media reports that people who go to your organization's facilities “get hurt a lot.”

The third key group whose support for your organization may well turn to
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hostility because of your substandard workplace safety is the wider community with which your nonprofit interacts daily. A poor work-safety record will, in all probability, affect what your immediate neighbors see—and what the wider community hears—that affects their opinion of your organization. If your work-safety record is sub par, most of what they see, hear, and think will be bad—and your mission will suffer. For example:

- The people who occupy or regularly work in or visit properties near yours will have amazingly sharp eyes for spotting any ambulances, fire engines, pest-control trucks, toxic-decontamination equipment, public health officials, and similar “trouble” vehicles at your facilities; these “good neighbors” are likely to wonder if they also are in trouble and, just to be safe, to warn their neighbors and perhaps alert the media.
- Both regular and potential donors to your nonprofit, individuals and organizations that feel obligated to make socially responsible decisions about the organizations they support may have twinges of doubt when writing out a check for your organization. Perhaps another organization that “cares more about the people who work for it, or at least one that uses our money for something better than paying higher insurance premiums” would be a worthier recipient.
- People you ask to serve on your board may hesitate to lend their good names to an organization like yours if it is developing a reputation for work-safety deficiencies, deficiencies that—if they became really severe—might spawn civil lawsuits or criminal proceedings against your organization and the board itself.



Each of these bulleted threats to the three major groups of people who power your organization is a pivot point—on one side a threat where poor work safety can endanger your mission by depriving you of the people or of the people’s support that you so very much need. But these pivot points also mark opportunities, situations where excellent work-safety performance can enhance the value that your staff, your clients, and the wider community provide to your organization. As just a few examples:

- Employees and volunteers who are confident they are not in danger are more likely to seek ways of becoming more efficient in their work—and to encourage outsiders they know are good workers to join their “team”—rather than just trying to “keep safe and survive” on the job.
- The clients that your organization helps reach their own goals, thus fulfilling your organization’s mission as it applies to their own lives—are more eager to “graduate” to your staff as a volunteer or even an employee if they see in your “safety-focused” management that you care as much about your staff as you do about your clients.
- The people in the communities with whom you interact—your actual

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Workplace Safety Policy Statement

(excerpted from *Workplace Safety Is No Accident—An Employer's Online Toolkit to Protect Employees and Volunteers*, featured at www.nonprofitrisk.org).

It is up to the management of a nonprofit to vigilantly protect staff safety. Implementing a safety policy for your organization should be a top priority. Staff—paid employees and unpaid volunteers—should be encouraged to report any unsafe conditions right away and should be trained how to react in an emergency involving potential violence at the workplace.

Goals of the Policy

1. A primary goal of a workplace safety policy is to establish the expectation that it is the responsibility of all personnel to create and maintain a safe work environment.
2. The organization's safety policy should also address the organization's obligations under the Occupational Safety and Health Act to maintain a safe workplace.
3. The organization's workplace safety policy should require employees to use universal precautions when applying first-aid or providing personal care to clients or each other. Exposure at the workplace to diseases that are transmitted by body-fluids, such as Hepatitis and AIDS, is regulated by OSHA.

Sample

It is the intent of [organization name] to provide a safe environment for employees, and volunteers. It is also our intent to properly manage any incidents that occur so as to minimize injury and other forms of loss. A well-managed workplace safety program can benefit our organization and its people in countless ways.

In order for [organization name] to achieve our goals, we have developed a workplace safety program outlining the policies and procedures regarding employee and volunteer health and safety. Each and every individual must become familiar with the program, follow and enforce the procedures, and become an active participant in this workplace safety program.

While management [the workplace safety officer and workplace safety committee] will be responsible for developing and organizing this program, its success will depend on the involvement of each employee and volunteer. We look forward to your cooperation and participation.

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neighbors, those who give you money, those who regulate you, even those who may sometimes consider suing you for some supposed wrong against them—will think just a bit more highly of your organization and of your cause if your workplace safety record is strong. And those people, organizations, or authorities who think of you “just a bit more highly” than they think of some other nonprofit may—on a day or in a way you would never have

guessed—be the ones who push you over the top to mission success.

So be sure to get on the positive side of these pivot points. Consult *Workplace Safety Is No Accident* featured at www.nonprofitrisk.org and peruse the valuable information, resources and insights it offers. ■

George Head is special advisor to the Nonprofit Risk Management Center. Dr. Head welcomes your comments and feedback on the issue of workplace safety or any risk management topic or dilemma facing your nonprofit. He may be reached at George@nonprofitrisk.org.

What's the Board Got to Do With It?

The Vital Link Between Good Governance and Risk Management

by Melanie L. Herman

During my trip to Australia this summer I was surprised and delighted to see that *risk management* tops the list of key agenda items for a typical nonprofit board. At a conference for board members and CEOs sponsored by the Nonprofit Governance & Management Centre (www.governance.com.au), the subject of risk management was featured in two keynote sessions and again in two conference workshops.

Like their American counterparts, nonprofits in Australia face increasing scrutiny and the call for greater accountability and transparency. But in stark contrast with their American counterparts, Australian nonprofit boards see the discipline of risk management as a vital and necessary tool for achieving greater accountability. None of the board members or CEOs I met equated board involvement in risk management with “meddling” in day-to-day operations. Rather, the enlightened leaders I met on my trip saw board attention to risk-taking and risk

management as integral to mission fulfillment. Several conference participants told me that they viewed risk management as providing a clear path to good governance for Australian nonprofits.

The Nonprofit Risk Management Center's second book on the subject of boards and risk management was published earlier this month. The book, titled *Pillars of Accountability: A Risk Management Guide for Nonprofit Boards*,

dovetails with the free, online tool also known as Pillars of Accountability. The tool has been used by several thousand nonprofits since its debut in 2002.

The excerpt below is drawn from Chapter 2 of the new book, which addresses the subject of *Strategic Risk Management*. In Chapter 2 we present a “laundry list” of steps that a nonprofit board might pursue in order to address weaknesses in the organization's existing risk management efforts. In addition to selecting an action step, it is vital to identify a target date for completion and the lead board or staff member for the task. Review the list and check those that are suitable to your nonprofit.

Risk Management Committee

- If a Risk Management Committee does not currently exist, determine whether there is an existing committee that could be re-purposed or broadened to take on risk management issues, or whether it makes more sense to create a separate committee for this purpose.
- Determine the appropriate makeup of the committee. Are there essential positions versus flexible positions on the committee? For example, some nonprofits determine that having the organization's legal and insurance advisors on the committee is absolutely necessary, but the participation of various staff members can change.
- Establish an appropriate mission and work program for the risk management committee. What tasks will it take on? How often will it meet? What are the immediate or top priority assignments for the committee? In some nonprofits a top priority might be overseeing the bidding process for the nonprofit's insurance program.



What's the Board Got to Do With It?

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- ❑ Consider the reporting structure and format for the risk management committee. How will the decisions or actions of the committee be reported to the board and how often?

Governance Risks

The legal structure and operation of a nonprofit affects the possibility of suffering a loss or achieving a gain. Disregard for the organization's mission or not following the bylaws can have negative consequences.

- ❑ Determine if the nonprofit's articles of incorporation are reviewed periodically to ensure both compliance with state law and concurrency with the organization's mission and purpose. If necessary, determine the steps required to amend the articles.
- ❑ Determine if the nonprofit's bylaws are reviewed periodically to ensure that they reflect current circumstances and operations. If the bylaws require updating, establish a schedule to bring this important governing tool up to date.
- ❑ Confirm that the nonprofit's bylaws contain a provision indemnifying board members. When an organization agrees to indemnify its board members it promises to pay the directors' legal costs (usually both defense expenses and any settlements or judgments) from claims arising from board service. Keep in mind that indemnification is a hollow promise unless the nonprofit has a financing strategy in place (with respect to claims against board members, the most affordable strategy might be a directors' and officers' liability insurance policy).
- ❑ Review the organization's current conflict of interest policy. Does the policy require that board members report conflicts on an annual basis?

Is the policy followed or disregarded? Is it suitable for the organization or cumbersome?

- ❑ Does the nonprofit have a clearly-defined risk financing strategy, which describes the nonprofit's philosophy about paying for losses and the tools that the organization intends to use to pay for losses? If not, consider developing a risk financing strategy. For example:

[Name of Nonprofit] is committed to protecting its financial and human assets to the greatest extent possible. [Name of Nonprofit] will seek to eliminate or reduce as much as practicable the conditions, activities, and practices that cause insurable losses. The organization will purchase insurance to provide indemnity for catastrophic losses and will decide, based on an analysis of the best interests of the organization, to either insure or retain those risks not considered of major importance to mission-critical operations and financial well-being. The board will receive an annual insurance stewardship report summarizing its insurance program, any significant losses and any changes made to the program during the prior year.

- ❑ Review the nonprofit's risk financing strategy to make certain that the division of labor between the staff and the board is clear. For example:

To safeguard the assets and resources of [Name of Nonprofit], the organization will purchase insurance for those insurable risks of major importance to mission-critical operations and the financial health of the organization. It is the executive director's responsibility to oversee the organization's insurance program and provide an annual insurance report to the board.

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What's the Board Got to Do With It?

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Insurance Awareness

When asked about the adequacy of their nonprofit's insurance coverage, some board members report that they have received assurances from the organization's broker that the coverage meets the nonprofit's needs. Other board members express concern that the insurance program—a term referring to the collection of coverages purchased by an organization—may not be adequate. Responsibility for the fiscal health of a nonprofit and its mission are important facets of board responsibility.

While professional staff members and outside advisors can provide invaluable assistance to the board, the board should never view the subject of insurance as falling completely outside the board's territory. As is true with other areas of operations, when a nonprofit matures day-to-day responsibility gradually shifts to professional staff and paid advisors. However, the board should periodically consider its understanding of the insurance program and make certain it has the tools it needs to make its own assessment of adequacy.

- Determine the board's comfort level with the nonprofit's insurance program. Does each board member have a basic understanding of the coverages purchased by the organization?
- If the board is unfamiliar with the package of policies that protect the nonprofit from catastrophic financial loss, what information, resources, or education about the program are required to bring the board up to date?
- If the board has a strong, working knowledge of the nonprofit's insurance program, are there periodic reports and presentations which

highlight changes, challenges or new developments?

- What concerns have board members raised about the nonprofit's insurance program? Have these concerns been addressed to the board's satisfaction? If not, what additional help might be required to obtain timely answers that will facilitate informed decision-making?

Independent Insurance Advisor

When a nonprofit's insurance advisor also serves on the board, various difficulties can ensue due to the lack of independence of this key advisor. The first step below is appropriate for nonprofits that find themselves in this difficult situation.

- Identify ways that the insurance professional could be supportive of the organization without serving on the board or other governing body. For example, perhaps he or she can serve on the risk management committee, or another committee involving nonboard members.
- If your nonprofit does not currently have an insurance advisor (broker, agent or consultant), consult peers at several nonprofit agencies in your community and request contact information for each agency's insurance professional.
- Remember to check the references of a prospective insurance professional. Ask the candidate's nonprofit clients: (1) How long have you been a client of the agent/broker? (2) How would you describe the service you have received? (3) What advice would you offer to a new client of this agent/broker? (4) Was the agent/broker responsive when you filed a claim? (5) Do you have any reservations about recommending your agent/broker to another nonprofit?

Achieving greater accountability is within reach for every nonprofit. Begin by choosing practical steps that are consistent with your resources and circumstances. ■

Accountability Help in Two Forms

For free accountability help, check out the Center's online tool, **Pillars of Accountability**, featured at:

<http://nonprofitrisk.org/pillars/pillars.htm>.

Also check out the new book titled *Pillars of Accountability: A Risk Management Guide for Nonprofit Boards*. The book explores the issues of ethical fundraising, strategic risk management, fiscal integrity, leadership sustainability and sound employment practices—all from the perspective of the board's role. You can order the book online at www.nonprofitrisk.org, use the form on page 15 of this newsletter or call (202) 785-3891.

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Welcome to the **Risk Management Marketplace**, a regular feature in *Community Risk Management & Insurance*. The Marketplace provides information on the product and service offerings of a number of companies serving the nonprofit sector. Inclusion in the Marketplace does not constitute an endorsement by the Nonprofit Risk Management Center. To inquire about advertising rates and space availability for future editions of the Risk Management Marketplace, contact Suzanne Hensell, Director of Marketing & Education, at (202) 785-3891 or Suzanne@nonprofitrisk.org.

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