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BUSINESSES ADAPT TO TROUBLED TIMES

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With duct tape and plastic sheeting flying off the shelves of hardware stores, it came as no surprise to Michael A. Engel that his workers wanted to talk about terrorism.

Mr. Engel, chief operating officer at FLEXcon Corp. of Spencer, said the first question at a regularly scheduled employee session Thursday was about emergency planning and how the pressure-sensitive film manufacturer would cope with a possible terrorist attack.

"There's very much a low-level, behind-the-scenes anxiety," said Mr. Engel. "In our generation, there really hasn't been this type of threat ever before."

Talk of a "dirty bomb" in Spencer might have been mere science fiction a few years ago, but in the aftermath of Sept. 11, 2001 -- with U.S. armed forces deployed to the Middle East and the nation's terror alert at its second-highest level -- apprehension and preparation are much discussed topics within the cubicles and boardrooms of Central Massachusetts companies.

Businesses are revisiting evacuation plans, urging workers to be more vigilant and reminding employees about counseling available through third-party vendors. In addition, some are supplementing benefits for the 2,792 Massachusetts National Guard and Reserve members who have been activated. Human resources experts said the stress and tension from terrorism alerts and a Middle East conflict are challenges that many employers should confront directly and openly. Armed conflict or the threat of an attack in the United States saps morale, decreases productivity and breeds uncertainty that harms a company's bottom line.

On a larger scale, experts believe the Iraqi conflict and potential terrorist attacks will continue to hinder any economic recovery, forcing companies to cut costs and trim payrolls, which likely erodes consumer confidence -- the one bright spot in the U.S. economy in recent years. Some area industries might benefit from an Iraqi war but for the most part, Massachusetts would likely lose more than it gained from a prolonged Middle East conflict, economists said. "If I had my druthers, I'd be pulling for peace because I don't think the potential boost to the economy is worth the risks at this point," said Andre Mayer, economist with the New England Economic Project and Associated Industries of Massachusetts.

The Massachusetts economy is heavily dependent on technology spending and those types of investments are linked to an expanding national economy -- something that would get postponed if the United States finances a war through deficit spending, he said.

The government's Feb. 7 decision to raise the terror threat level to "high/orange" prompted a rash of phone calls last week to the American Red Cross of Central Massachusetts. On average, about 15 calls a day are coming in from individuals seeking information about making their homes safe and secure. Before 9-11, it was rare to get one such phone call a month, agency officials said. "I think everyone's on edge just a little bit," said Nicole Valentine, spokeswoman for the American Red Cross of Central Massachusetts. "I think people are realizing for the first time that these concerns are real."

Uncertainty is now the cost of doing business in the hotel industry, said Mark Waxler, general manager at the Beechwood Hotel in Worcester. The local lodging industry is bracing for one of the worst quarters in history, forcing

hotels and motels to cut rates, keep staffing levels low and provide value-added services to attract and retain customers, he said. "People don't want to make long-range plans," said Mr. Waxler. "I used to be able to forecast a month out but now everyone's booking at the last minute. It's forced us to be a lot more nimble."

Nationally, a total of 150,252 reservists and National Guard members have been called up, with the pace of activation increasing over the past six weeks. Many of those activated work in the corporate world and are confronting a loss of pay because companies aren't required to maintain salaries for reservists.

"Financially, there's a difficulty for reservists going to active duty," said Demitrios M. Moschos, partner at the Worcester law firm Mirick O'Connell DeMallie & Lougee LLP. "The military compensation system does not compare to the private sector or the public sector," said Mr. Moschos, who is labor counsel for many private and public employers.

Several companies, including Allmerica Financial Corp. of Worcester, National Grid USA of Westboro, and Staples Inc. of Framingham, said they are making up the difference in salaries, which is not required by federal law. Many said they are also extending health care benefits and allowing those activated to continue to make contributions to their 401(k) plans.

Allmerica said five employees have been activated while Staples said 40 have been called up since Sept. 11, 2001. At National Grid, 16 reservists have been activated.

National Grid issued an immediate notification to employees Feb. 7 after the Department of Homeland Security raised the threat level, said spokeswoman Amy L. Atwood. Employees were urged to be more vigilant and the utility continues to operate at a heightened level of awareness, as it has since Sept. 11, she said.

Christopher W. Bramley, president of Worcester-based Banknorth Massachusetts, said an e-mail was recently distributed to all employees on how they can offer assistance to families affected by the recent activation of reservists.

"We are reminding them to be on the lookout and help people," said Mr. Bramley. "This is an emotional, tough situation and you frequently find employees worried about a lot of different things."

Successful companies are those that take employee welfare into account, particularly during such stressful times, said David A. Borden, director of investments for Carlin, Charron & Rosen Financial Services LLP of Worcester. "I think you see some internal production decreases when a major story is going on," Mr. Borden said. "When it comes to Iraq and the Middle East, employees have a lot of different feelings which can be internal hidden costs that a company needs to realize and be proactive about." Patrick D. Leary, a consultant for Watson Wyatt Worldwide, a consulting firm with operations in Marlboro, said many companies are reacquainting themselves with their employee assistance programs. Early intervention is in a company's best interests because it often precludes more expensive short or long-term disability claims, he said. "We've added quite a layer to the normal day-to-day pressures of most workers," he said.

Those pressures don't end when someone leaves the office. Federal officials have said that al-Qaida operatives might attempt to attack "soft" or lightly guarded targets such as apartment buildings and hotels, both of which need to improve their security, said John C. Fannin III, president of SafePlace Corp., which provides safety accreditation for hotels and other businesses. Shopping centers and hotels have made some cosmetic security changes but they still need to restrict access to non-public places, re-evaluate parking patterns and scrutinize the number of access points to their facilities, he said.

Those procedures were formerly the province of "hard" or heavily-guarded targets. But times have changed and landlords, hotels and mall owners need to revisit the issue, Mr. Fannin said. "What is playing out is that traditional, industrial security practices are migrating down to softer commercial structures," Mr. Fannin said. "Unfortunately, a lot of them just don't know what to do."

The terrorism alert has reinforced existing policies at Massachusetts motels and hotels, said Arthur A. Kanter, executive director of the Massachusetts Lodging Association. The hospitality and lodging industry has been hard hit by the weakened economy so it's hard to say whether the latest terrorism alerts will make things worse, he said.

"Things are worse but that's an economic reality," Mr. Kanter said. "It doesn't really matter what's causing it. The outcome is still the same: dismal, dreary and dire."

Mr. Waxler, the Beechwood Hotel manager, said people have simply curtailed their traveling. The hotel's video conference equipment -- which was used only once between October 2001 and December 2002 -- has three bookings in the first quarter of this year, he said. Even those in the risk management business are making it up as they go along, trying to plot the right course of action to deal with an uncertain world.

Robert P. Restrepo Jr., president of the property-and-casualty operations at Allmerica Financial Corp., said his staff is in the midst of computing commercial property risks as it prepares to issue terrorism insurance policies.

Estimating terrorism losses has been a thorny problem for insurance companies since the government last year ordered them to provide the coverage, Mr. Restrepo said. "We're still learning," he said. "We're talking about risks that nobody has ever calculated before so we're all in uncharted territory."

Tardiness, a rise in sick days or missed deadlines may indicate that an employee is having trouble coping with recent events, said Dr. Anne Montgomery, senior vice president and chief medical officer for the workplace division of Magellan Health Services, the country's largest provider of managed behavioral healthcare services.

Sept. 11 crystallized for many Americans that they were no longer invulnerable, she said, and that feeling returns every time a new terrorism alert is broadcast.

The workplace has to be sensitive to such events and serve as a stable institution that people can turn to in times of trouble, she said. Sept. 11 provided Americans with a taste of catastrophe and the stocking up of supplies is one way they are asserting control over their emotions, she said. "That duct tape and plastic is a positive response," Dr. Montgomery said. "They may or may not help you in the long-run but it might give you some peace of mind in uncertain times."