



Psychosocial hazards – think risks, not lists

A new framework to simplify
and strengthen psychosocial
risk compliance



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Contents

Overview	4
Why risk registers are out of control	6
Understanding psychosocial risk exposure is inherently complex	6
Hazards are absolute; controls aren't always needed	8
Hazards aren't being categorised	8
A new framework to simplify psychosocial risk governance	10
Tailored for individual organisational contexts	10
The framework in action	12
Time to change your approach	14



Overview

Ever since regulations and guidance on managing psychosocial risks entered legislation, we've seen the rise of multiple codes of practice to assist employers in meeting their obligations. In response, many organisations have ended up compiling extensive lists of psychosocial hazards.

These efforts are well-intended. But they are resulting in unnecessary costs and complexity - without offering effective psychosocial risk management.

When risk registers grow without discipline, overlapping hazards dilute clarity and control failures are often misclassified as hazards. The consequence is a rising administrative burden and, ironically, a lack of compliance, leading to potentially material financial risk. On average, mental health injuries lead to larger payouts and more time off than physical injuries sustained at work. As shown in Figure 1, the average \$58,615 cost of a psychosocial claim is four times that of a physical claim - and comes with increasing regulatory action.

Boards and executives must be able to clearly understand, govern and oversee psychosocial risk in the same way they do physical safety, financial risk or cyber threats.



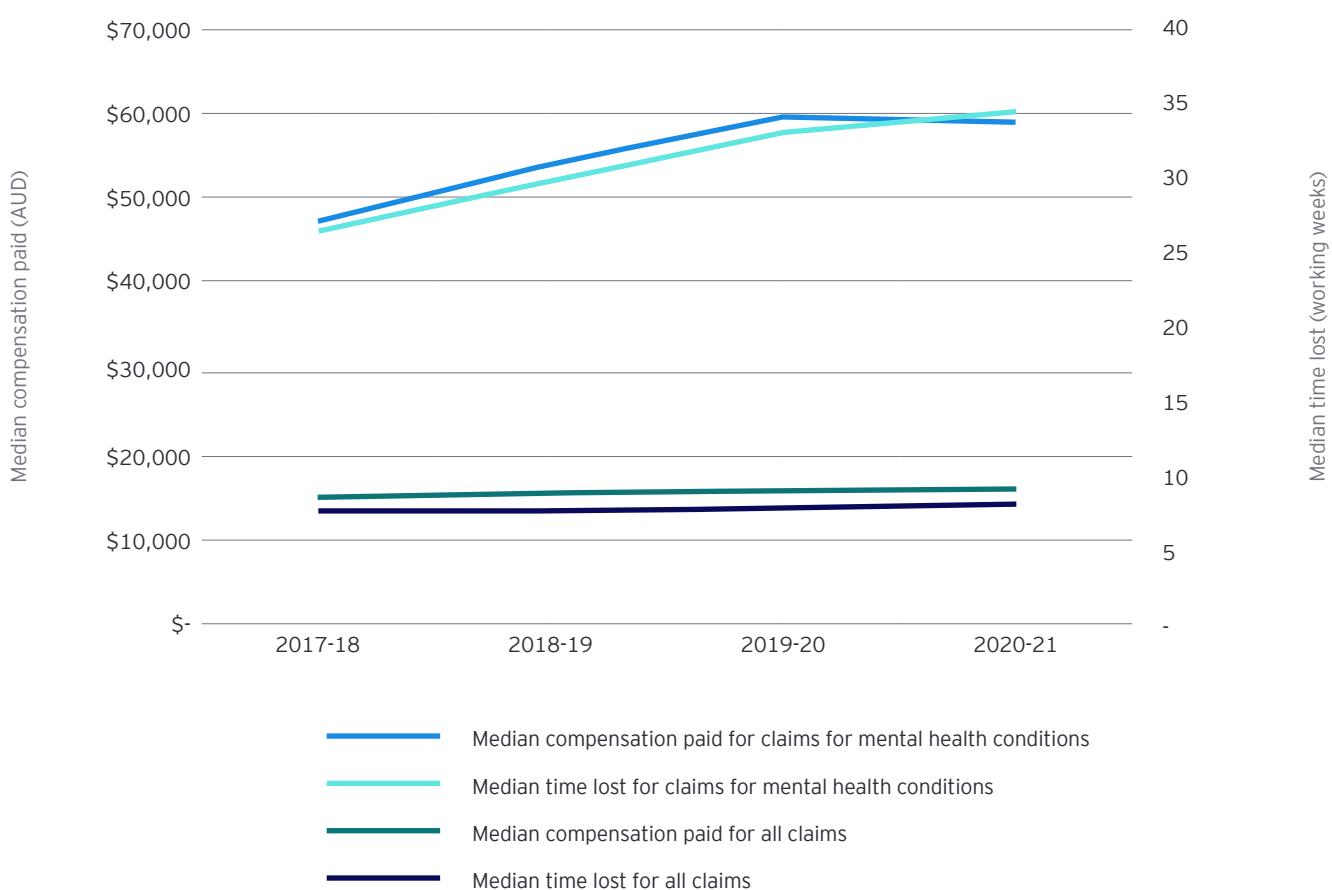
This requires a **simplified, structured and sustainable approach**.

This paper explains why current approaches to psychosocial risk management aren't working and introduces a new framework for psychosocial hazards.

Our framework outlined on page 12 offers organisations a means of cutting through complexity to sort their actual psychosocial hazards into six categories. It is an efficient way to create a psychosocial risk profile that is accurate, measurable and manageable.

By focusing on the causal relationships between hazards and harm, organisations can implement effective, tailored controls that genuinely protect their workforce. And, because the framework doesn't need to be reinvented each time the landscape changes, decision-makers can maintain sight of emerging risks in a shifting environment.

Figure 1 – Median compensation of mental health claims versus all claims



Source: SafeWork, 2024. https://data.safeworkaustralia.gov.au/sites/default/files/2024-02/Psychological-health-in-the-workplace_Report_February2024.pdf

Why risk registers are out of control

Understanding psychosocial risk exposure is inherently complex

Organisations know they must be proactive in understanding their psychosocial risk exposure. But, unlike a broken ladder or a chemical spill, these risks are not always easy to identify or measure - they can often be 'invisible'.

A psychosocial hazard usually arises from the design or management of work, a work environment, or workplace interactions and behaviours. The most common injury complaints are work-related harassment and bullying, work pressure and work-stress burnout.

How do organisations figure out which hazards are causing this type of harm?

The various codes of practice, guidelines and standards emerging from across the regulatory landscape only confuse the issue. Each new publication often prompts organisations to increase the number of hazards they include on a risk register leading to a 'more is better' approach that is supported by various digital platform providers and consultants.

In fact, more is not always better - just the opposite!

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In our experience, lengthy lists of psychosocial hazards only increase the administrative burden and do little to actually protect the people on the ground.

Samantha Thomas
Director, Ernst & Young, New Zealand



Hazards are often conflated with control failures

This is the biggest reason management systems are overflowing with an ever-increasing list of psychosocial hazards. Many apparent hazards are actually control failures.

Consider a common psychosocial hazard: an employee who feels overworked. There could be multiple, potentially overlapping, factors contributing to why this individual is feeling this way, perhaps:

- Poor management support (poor support)
- No encouragement or credit (inadequate recognition and reward)
- A badly written job description (lack of role clarity)

The list could go on and on. But the point is: none of these are hazards. They are control failures. Fixing them may reduce the risk of someone feeling overworked. But none of them belong in the risk register as a stand-alone hazard.

On the following page, we explain why.

Issue 1: Hazards are absolute; controls aren't always needed

Consider a worker fixing something on a roof. Falling from the roof is a physical safety hazard – always a potential risk when people are working at height. To control this risk, an organisation may install guard rails. But when that same worker is doing the same repair job on the ground, no one installs guard rails. It's not needed. In fact, it's likely to get in the worker's way.

Now think about our overworked employee. The psychosocial hazard here is known as 'high job demand', where the requirements of a task exceed the competencies of a worker. When this situation exists, it is always a potential hazard.

In this case, the control might be increasing management support, perhaps helping to prioritise or reallocate tasks. But when that same employee does not need help (when they are safe 'on the ground'), if their manager intervenes it becomes counterproductive micro-management.

Issue 2: Hazards aren't being categorised

Another issue resulting in over-populated risk registers is the significant amount of overlap between hazards. Consider an employee who is not being paid fairly. This might result in two additions to the risk register:

1. Poor organisational justice
2. Poor recognition and reward

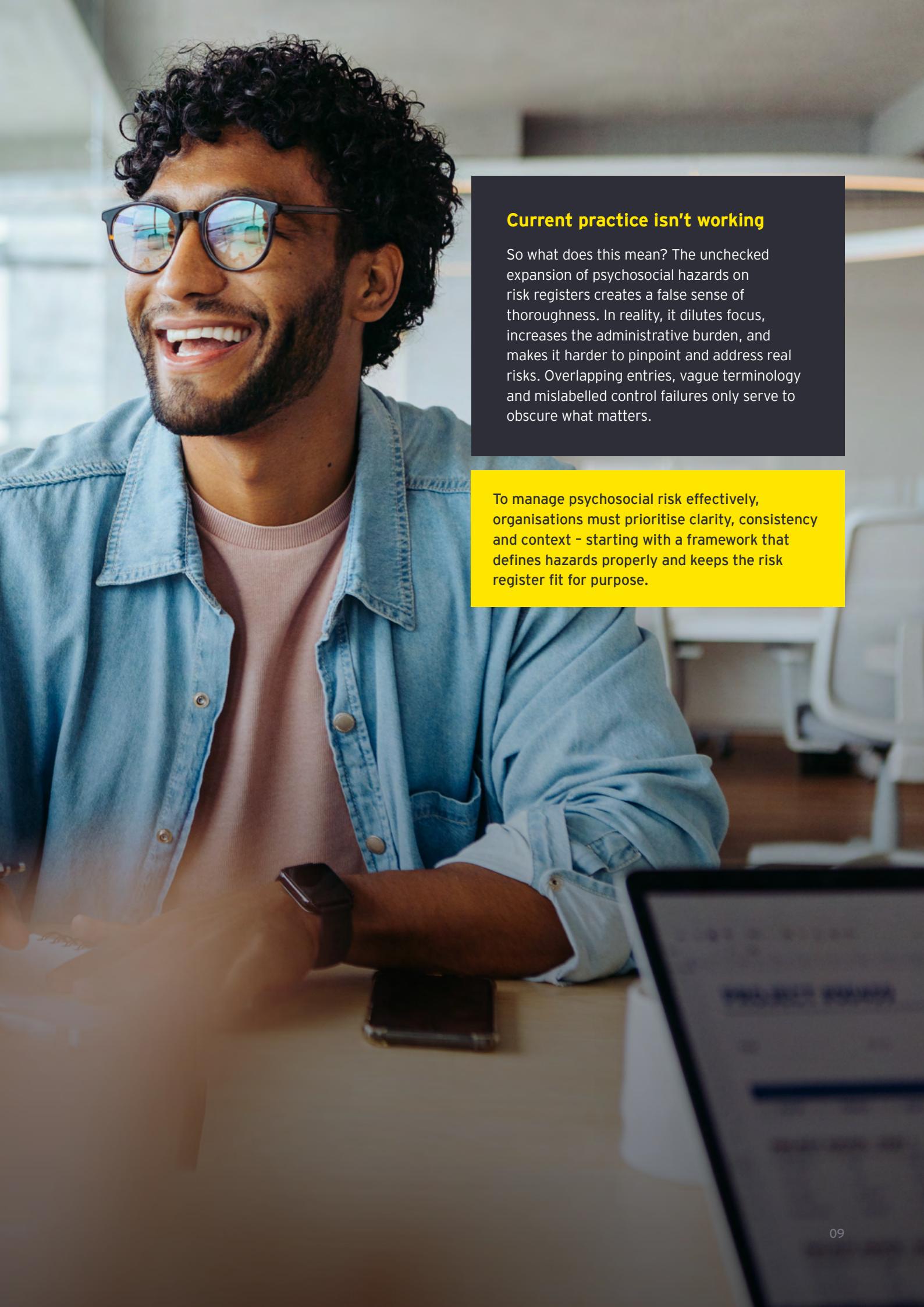
However, poor recognition and reward are subsets of poor organisational justice.

When hazard categories overlap on a risk register, processes relating to hazard identification, risk assessment, control implementation, and monitoring are unnecessarily duplicated. All this does is increase the administrative burden without actually reducing the risk of harm.

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Poor support is not a hazard because the absence of support cannot cause harm independently.

Roberto Garcia
Partner, Ernst & Young, Australia



Current practice isn't working

So what does this mean? The unchecked expansion of psychosocial hazards on risk registers creates a false sense of thoroughness. In reality, it dilutes focus, increases the administrative burden, and makes it harder to pinpoint and address real risks. Overlapping entries, vague terminology and mislabelled control failures only serve to obscure what matters.

To manage psychosocial risk effectively, organisations must prioritise clarity, consistency and context - starting with a framework that defines hazards properly and keeps the risk register fit for purpose.

A new framework to simplify psychosocial risk governance

Recognising the need for a new approach to psychosocial risk management, EY teams have developed a framework that is simple, causal and sufficiently flexible to meet the changing demands of a shifting workplace.

Starting with the extensive list of hazards from the numerous Codes of Practice, we consulted with subject matter experts and peer-reviewed research to apply an evidence-based filter - keeping in mind our principles of clarity, consistency, and conciseness. Our work led us to a more useful definition of what a psychosocial hazard is: an independent cause of psychological harm at work.

The result is a simplified approach to current hazard management, where we use six core hazard categories to represent all sources of psychosocial harm. Organisations can remain compliant with an improved approach to psychosocial risk management that is more accurate and less administratively cumbersome.

This simplified approach allows for a stable framework in which to ground effective risk management. It means a board and officers of corporations can maintain a high level of oversight of the organisation's risk profile as well as helping to exercise their due diligence obligations by monitoring risk across these six core domains, via live tracking or regular reporting.

Tailored for individual organisational contexts

To be meaningful, hazards must be understood in detail. People need to recognise how hazards appear in your workplace and how they lead to harm - this is essential if they are to be controlled effectively.

Our framework (outlined on page 12) breaks psychosocial hazards into four tiered levels, to help enable a consistent and context-specific view of risk:

- 1. Hazard groups** - Six broad categories (e.g., high job demands)
- 2. Hazards** - Specific hazard types (e.g., cognitive, emotional, or physical job demands)
- 3. Factors** - Common but not all-encompassing components (e.g., high workload as part of cognitive job demands)
- 4. Triggers** - Real-world, context-specific examples of how a hazard shows up at work in your organisation, developed in consultation with your workforce

Our framework cuts through complexity by distilling extensive regulatory hazard lists into six core psychosocial categories



Evidence based

Simplified

Practical

Six hazard categories

High job demand

Poor organisational justice

Poor physical environment

Isolated work

Uncertain work

Harmful behaviour

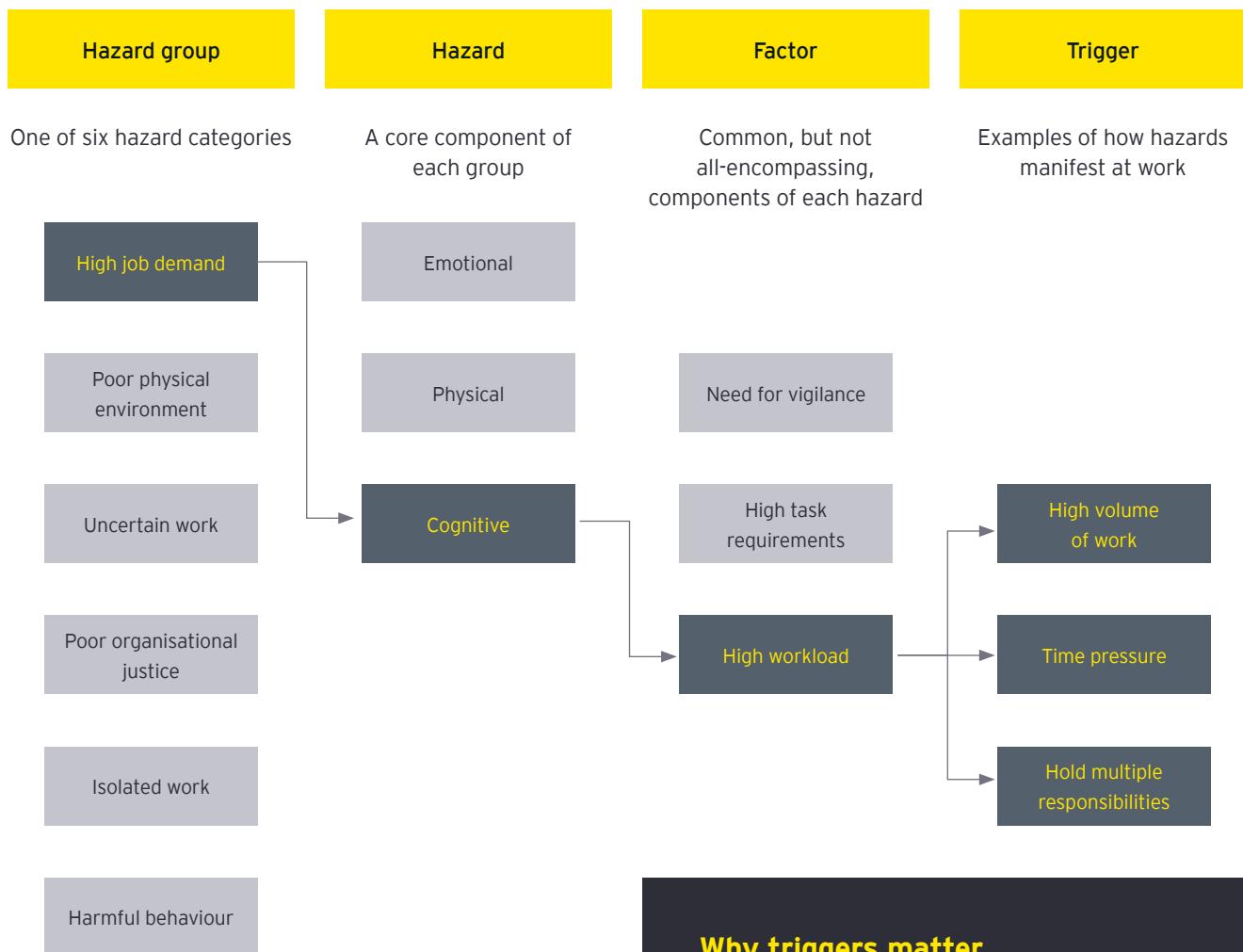
The framework in action

By identifying how hazards lead to harm, organisations can implement effective, tailored controls that genuinely protect their workforce.

Importantly, the framework supports multiple levels of psychosocial risk management, reporting and decision-making with the flexibility to align with an organisation's unique operational context:

- **Hazards and hazard groups:** Officers review risk at a high level, looking at hazards to prioritise management of psychosocial risk.
- **Factors and triggers:** Management use factors and triggers to provide clearer insight to potential sources of harm and support more targeted controls to be applied.

In this way, the framework provides clear oversight without losing the detail needed to take action.



Why triggers matter

Only at the trigger level can practical, effective controls be applied. For example, if high workload is caused by tight deadlines, the right control will be different than if the cause is long hours. Managing psychosocial risk effectively requires this level of insight and practicality.

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More is not better. A runaway risk register increases the administrative burden and reduces the effectiveness of psychosocial risk management.

Samantha Thomas
Director, Ernst & Young, New Zealand



Time to change your approach

To mitigate psychosocial risk, organisations need tools that move beyond growing risk registers to enable effective oversight and control. Conflating hazards with control failures and duplicating overlapping risks creates complexity.

More is not better. A runaway risk register increases the administrative burden and reduces the efficacy and efficiency of efforts to control and monitor psychosocial risk.

The framework developed by EY teams in this paper offers a structured, scalable way to understand and help manage psychosocial hazards in context. The simplified categories make it easier to comply with regulators' expectations. Plus, by tracing risks down to their specific workplace triggers, organisations can ensure controls are relevant, measurable and effective. This level of specificity gives boards and executives confidence that the business is making headway in the complicated process of managing invisible hazards.

Begin your journey to better psychosocial risk management today.





Contact our team to find out how the framework could simplify and help strengthen psychosocial risk compliance and management in your organisation.

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