

SELECTED REFERENCES

INDUSTRIAL RELATIONS SECTION

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THEFT BY EMPLOYEES**

Albrecht, W. Steve and David W. Schmoltdt. "Employee fraud." *Business Horizons* (Graduate School of Business, Indiana University, Bloomington, IN 47405), July-August 1988. pp. 16-18. \$5.00.

This article concerns the occurrence of different types of employee fraud in different industries. The authors surveyed 48 federal and 78 state fraud cases that have been prosecuted. Although the sample represents cases contained in the legal literature, it must be noted that not all fraud cases are reported, much less prosecuted and litigated because of the time and money involved. Only banks are required to report embezzlements and frauds, and those that do are often reluctant to make fraud information public. Of the cases studied, 94 involved the theft of cash, checks, inventory, or property, and six cases involved recidivist employees. Many fraud cases could have been easily prevented by separating duties, so that one person could not have removed assets and accounted for their absence. Other measures for reducing employee fraud include having a mandatory vacation policy and enforcing existing internal controls.

Baker, Michael A. and Alan F. Westin. *Employer perceptions of workplace crime*. Rockville, MD 20850. U.S. Department of Justice. Bureau of Justice Statistics (Box 6000). 1987. 28 pp. On request.

This study explores the views of senior management officials on the nature and seriousness of employee crime in private sector workplaces. Most of the senior professionals surveyed do not view employee crime as representing a crisis for their companies. Non-criminal offenses such as abuse of company services, chronic absenteeism, and substance abuse are viewed as no less disturbing than more traditional areas such as major theft and fraud. One third of the respondents identified corporate management or senior staff as responsible for most serious crime problems. Two thirds responded that misconduct such as abuse of company services and petty theft are perpetrated by all employees or from a very broad spectrum of employee groups. Interestingly, employee morale and not productivity was viewed more frequently as a casualty (and indirect cost) of employee crime. Most responding companies reported shifting from pre-employment to on-the-job controls.

Barefoot, J. Kirk. *Employee theft investigation*. Los Angeles, CA 90034. Security World Publishing (2639 South La Cienega Boulevard). 1979. 232 pp. o.p. Note: 2nd edition due for publication by Butterworths Press (\$29.95 est.) in 1990.

This book is primarily aimed at professional security practitioners. Methods and procedures of internal business investigation, most of which are based on "real-life" cases, are explained. The first section describes several ways of detecting internal theft, from inventory shortages to paid and non-paid informants. Legal, investigative methods such as the use of undercover agents, both inside and outside the organization, are discussed in Section II. The third section delves into the closing procedures of the investigation wherein the offending employees are identified and where possible, prosecuted. The final section proposes recovery procedures and controls which will act as a future deterrent to a repetition of internal dishonesty.

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** Items on this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

Chamber of Commerce of the United States of America. *A handbook on white collar crime: everyone's problem, everyone's loss*. Washington, DC 20006 (1615 H Street, NW). 1974. 92 pp. \$2.50.

This is primarily an action-oriented document, where methods, procedures, policies and controls are emphasized. It outlines a general strategy as well as specific measures that are effective against white collar crime. Chapter II defines the overall problem, its financial and other consequences, and why traditional responses to the problem have proven inadequate. Chapter III focuses on nine categories of white collar crime. Schemes and methods used by perpetrators of crime are explored, some of the early warning signals frequently associated with it are indicated, and references to likely sources of assistance (such as law enforcement agencies) are included. Chapter IV highlights causes and reviews various policies and preventive measures that apply to several of the nine crime categories. Chapter V presents various sets of tailor-made countermeasures, each set keyed to a specific offense. The final chapter supplies examples of how white collar crime can be combated through collective action by business.

Dickens, William T. and others. "Employee crime and the monitoring puzzle." *Journal of Labor Economics* (The University of Chicago Press, 5720 S. Woodlawn, Chicago, IL 60637), July 1989. pp. 331-347. \$17.50, institutions. \$8.75, individuals.

This article offers some observations on employee crime, economic theories of crime, limits on bonding, and the efficiency-wage hypothesis. The authors demonstrate that the simplest economic theories of crime predict that profit-maximizing firms should follow strategies of minimal monitoring with large penalties for employee crime. Overwhelming empirical evidence shows that firms expend considerable resources trying to detect employee malfeasance and that much of this monitoring activity is aimed at stealing by workers. Furthermore, there is some evidence that the intensity of monitoring is increasing over time. Despite the extensive monitoring, the level of employee crime is considerable. Firms appear to be unwilling to adopt a level of deterrence sufficient to deter deviant behavior. The authors find that the most plausible explanations for firms' large outlays on monitoring of employees—legal restrictions on penalty clauses in contracts and the adverse impact of harsh punishment schemes on workers' morale—are also consistent with the payment of premium wages by cost minimizing firms.

Garbutt, Cynthia Horvath and Lamont E. Stallworth. "Theft in the workplace; an arbitrator's perspective on employee discipline." *The Arbitration Journal* (American Arbitration Association, 140 West 51st Street, NY, NY 10020), September 1989. pp. 21-31. \$12.50.

Labor arbitrators believe that employee theft is one of the few offenses for which summary discharge is appropriate. This article analyzes the manner and the basis upon which arbitrators decide discipline and discharge cases involving employee theft. The discussion focuses on the degree of proof necessary to sustain a discharge for theft, what effect the existence of a clear-cut company policy might have on an arbitrator's decision, and what circumstances may lead an arbitrator to overturn management's discipline. Exceptional situations include cases in which: a company condones the misconduct; a firm discharges an employee for off-duty misconduct that is not related to the employee's job; or there are mitigating circumstances related to alcohol or drug abuse. In cases involving theft, some arbitrators may require clear and convincing evidence of guilt, while others hold that proof must be beyond a reasonable doubt. The constitutional issues involved in employee theft include the privacy rights of employers against unreasonable search and seizure actions as well as due process concerns. The authors offer practical guidelines for instituting a policy that clarifies each party's responsibilities in handling employee theft cases.

Guercio, John P., E. Barry Rice, and Martin F. Sherman. "Old fashioned fraud by employees is alive and well: results of a survey of practicing CPAs." *The CPA Journal* (The New York State Society of Certified Public Accountants, 200 Park Ave., NY, NY 10166-0010), September 1988. pp. 74-77. \$3.75.

This article is based on responses to a questionnaire sent to 1775 members of the AICPA. Of the 23.4% who responded, 62% reported having no experience with employee fraud in the last five years. The majority of the remaining 38% reported cash fraud. When the very large frauds (in excess of \$500,000) were omitted, the average fraud was \$48,465, which is substantial enough to justify a heavy emphasis on internal controls. The most common cash fraud technique involved the use of unrecorded sales and the largest frauds were committed by nonfinancial personnel. Three factors permitting fraud include: weak or nonexistent internal control; supervisory breakdown; and collusion.

Hogan, Joyce and Robert Hogan. "How to measure employee reliability." *Journal of Applied Psychology*. (Order Department, American Psychological Association, 1200 Seventeenth St., NW, Washington, DC 20036), April 1989. pp. 273-279. Information upon request.

The authors posit that theft is but one element in a variety of undesirable behaviors that unreliable employees engage in. Consequently, employee screening procedures that focus on theft necessarily ignore a number of other indicators of unreliability. The article describes the development and validation of a personality measure designed to assess a construct called organizational delinquency which refers to counterproductive acts such as: substance abuse, insubordination, absenteeism, excessive grievances, bogus worker compensation claims, temper tantrums, and various other forms of passive aggression. Persons with low scores on the measure may engage in a variety of counter-productive behaviors on the job. Persons with high scores tend to be well-liked by their supervisors and co-workers. The economic consequences of using this measure are also discussed.

Hollinger, Richard C. and John P. Clark. *Theft by employees*. Lexington, MA 02173. Lexington Books (125 Spring St.). 1983. 148 pp. \$29.00.

This noteworthy book is a frequently cited empirical study. Over a span of three years, data was collected via a questionnaire survey of employees and personal interviews with organizational executives and employees. The authors' principal objective is development of a theoretical understanding and explanation of employee theft, which they define as the unauthorized taking, control or transfer of money and/or property of the formal work organization perpetrated by an employee during the course of occupational activity. Whereas most available literature offers approximations or educated guesses of the dollar value involved in this phenomenon, this work attempts to measure the percentage or proportion of the workforce involved in employee theft. The conclusions reached cast grave doubts on widely held beliefs and assumptions as to both the purported causes and prevalence of employee theft. Findings show that both property theft and other counterproductive behavior can be explained best by factors intrinsic, not extrinsic, to the work setting. The authors find that employees who feel that their employers and supervisors are concerned genuinely with their best interests work in organizations reporting the least theft and deviance. When employees feel exploited by the company or their supervisors, they are more likely to become involved in acts against the organization. Social controls, not physical controls, are the best deterrents to theft and deviance.

Jaspan, Norman. "White-collar fraud: a management perspective." *The CPA Journal* (The New York State Society of Certified Public Accountants, 200 Park Ave., NY, NY 10166-0010), September 1988. pp. 12-20. \$3.75.

The author posits that white-collar crime has accelerated because of mergers, acquisitions, decentralization of operations, computerization, and the displacement of owner-managers. Experience indicates that the greatest amount of dishonesty occurs at the supervisory and executive level. A thorough examination of a firm's operations is the most effective way to uncover theft. Preventive measures include: estimating employee capabilities, and setting realistic performance goals; establishing good communication at all levels and testing it regularly; being unpredictable in establishing and enforcing controls; maintaining uniform policies, with no favoritism or vio-

lation of procedures allowed; and evaluating employee performance and measuring work output on a consistent basis.

Lipman, Mark and W. R. McGraw. "Employee theft: a \$40 billion industry." *The Annals of the American Academy of Political and Social Science* (Sate Publications, 2111 West Hillcrest Drive, Newbury Park, CA 91320), July 1988. pp. 51-59. \$10.00.

Employee theft is estimated to cost American business up to \$40 billion annually. The costs to society include increased business failures, along with the resulting losses in jobs and tax revenues, and higher prices passed on to consumers. An intangible societal cost is the operation of the private justice system, completely separate from the criminal justice system. Because private employers focus on preventing crimes against their businesses, including employee theft, apprehending and prosecuting criminals *ex post facto* is rarely a priority, and prosecution is often avoided as troublesome and unsettling. Employee thieves generally do not feel any long-term commitment to the employer and are not motivated by financial need.

Parilla, Peter F., Richard C. Hollinger, and John P. Clark. "Organizational control of deviant behavior: the case of employee theft." *Social Science Quarterly* (University of Texas Press, P.O. Box 7819, Austin, TX 78713), June 1988. pp. 261-280. Information upon request.

This research goes beyond most work on employee theft which is largely based on case studies of employees in single organizations. By conducting a comparative organizational study, the authors attempt to determine whether organizational control has an effect on internal theft. Four types of organizational control commonly utilized to curtail theft activity are examined, including: the presence of a policy regarding theft; the sophistication of the organization's security department; the organization's past record of apprehensions and punishments for theft; and control through selection or pre-employment screening. Analysis of the data reveals that an organization's ability to control the behavior of its employees depends less on the nature of the formal constraints in place than on the characteristics of the particular work force. When the work force is mobile and transient, control seems to have the greatest potential effect.

Shepard, Ira Michael and Robert Duston. *Thieves at work: an employer's guide to combating workplace dishonesty*. Rockville, MD 20850. Bureau of National Affairs (9435 Key West Ave.). 1988. 316 pp. \$95.00.

This comprehensive report on workplace theft combines practical advice drawn from the experiences of corporate loss prevention directors, in-house counsel, human resources professionals, and management consultants with an analysis of the legal restrictions on the various efforts that have been used to combat employee theft. Topics include: the overall scope of the problem; the techniques used by corporate employers to minimize employee theft; employer liability for wrongful discharge and defamation; ways to recover employer losses due to theft; management tools utilized to protect trade secrets and confidential information; case studies of employer programs in the manufacturing, retail and financial sectors; and relevant state and federal legislation.

"The social meanings of employee theft." in *Crime at the top: deviance in business and the professions*. Edited by John M. Johnson and Jack D. Douglas. (pp. 90-124). Philadelphia, PA 19105. J. B. Lippincott (E. Washington Square). 1978. 353 pp. o.p.

The authors believe that employee theft cannot be adequately explained by adopting the standpoint of management and jurisprudence and defining employee theft in some objective context-free situations. This essay attempts to further our understanding of the rationale and justifications of people who take money and merchandise that does not belong to them but which they nevertheless feel entitled to. The article draws on previously published accounts of employee theft, security, historical treatments of work-related activities, and personal experiences and interviews with about three dozen persons from various jobs and parts of the nation.